Hurricane

Annual Report and Group Financial Statements 2015

Hurricane

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Hurricane Highlights

Planning to drill Pilot and Horizontal Wells on Lancaster in 2016

Pilot Well will refine the Lancaster Contingent Resource range (currently 62 – 456 MMboe)

Raised £52.1 million from Kerogen Capital and existing Shareholders Crystal Amber and Marlborough Fund Nominees

Horizontal Well will provide a second future production well and provide new information to help optimally plan the Lancaster field development

Ended 2015 with £9.9 million in cash, subsequently supplemented by net proceeds of the fundraising of £49.3 million and a £0.7 million R&D expenditure tax relief claim

Farm-out process is ongoing and Hurricane remains in active commercial negotiations

Entered into a rig contract for the Transocean Spitsbergen, an H-6e class semi-submersible drilling rig

Rob Arnott appointed as Chairman and Alistair Stobie as CFO

Introduction

Hurricane was established to discover, appraise and develop hydrocarbon resources associated with naturally fractured basement reservoirs.

Hurricane's acreage is on the United Kingdom Continental Shelf, West of Shetland, on which the Group has made two basement reservoir discoveries, each containing approximately 200 MMboe 2C Contingent Resources. The Group also has approximately 440 MMboe of P50 Prospective Resources in its portfolio of exploration opportunities. To date the Group has retained 100% ownership of the licences containing its discoveries and prospects.

Chairman's Statement

Welcome to Hurricane Energy's 2015 Annual Report.

Overview

The Fundraising, which was successfully completed on 10 May 2016, provides the Company with a unique opportunity to take advantage of depressed oil field services rates and the availability of the Transocean Spitsbergen rig (the Rig) to drill the Lancaster 7 Wells this summer. The Lancaster 7 wells comprise a pilot and horizontal sidetrack on the Lancaster field as part of a continuous drilling programme. We believe these operations will put in place the remaining well stock for the Early Production System (EPS) phase of development of Lancaster. To be able to progress to this point, whilst retaining a 100% interest in the field, is a tremendous accomplishment. We believe it is a reflection of the quality and materiality of the Company's assets and management team that we have been able to attract funding to enable us to engage in near-term drilling activity during what is recognised to be a difficult time for the E&P industry.

Our focus throughout has been on maximising shareholder value. In the Board's opinion, the benefit of accelerating drilling operations on Lancaster in 2016 and the catalytic influence these operations should have on the Company's options to fund field development significantly outweighs the dilutive impact of the Fundraising.

The Directors believe that the current low oil price environment and depressed oilfield service supply chain, together with the support of Kerogen and certain existing institutional Shareholders and the availability of the Rig, have presented the Company with an opportunity to secure attractive rates and accelerate drilling of the Lancaster 7 Wells. The previously announced farm-out process is ongoing and Hurricane remains in active commercial negotiations. The Directors believe that drilling the Lancaster 7 Wells in 2016 should enhance the Company's ability to negotiate attractive farm-out terms as well as provide an advantageous environment for achieving the earliest date of first oil on Lancaster.

We initiated a farm-out process in September 2014 to attract an industry partner with which to progress the field development. That farm-out process has advanced throughout 2015. Notwithstanding the oil price environment and industry sentiment, I believe the quality and materiality of Hurricane's assets continues to stand out and I am pleased to say that detailed technical and commercial discussions are ongoing, and we will only farm-out if the terms are appropriate for the size of the opportunity.

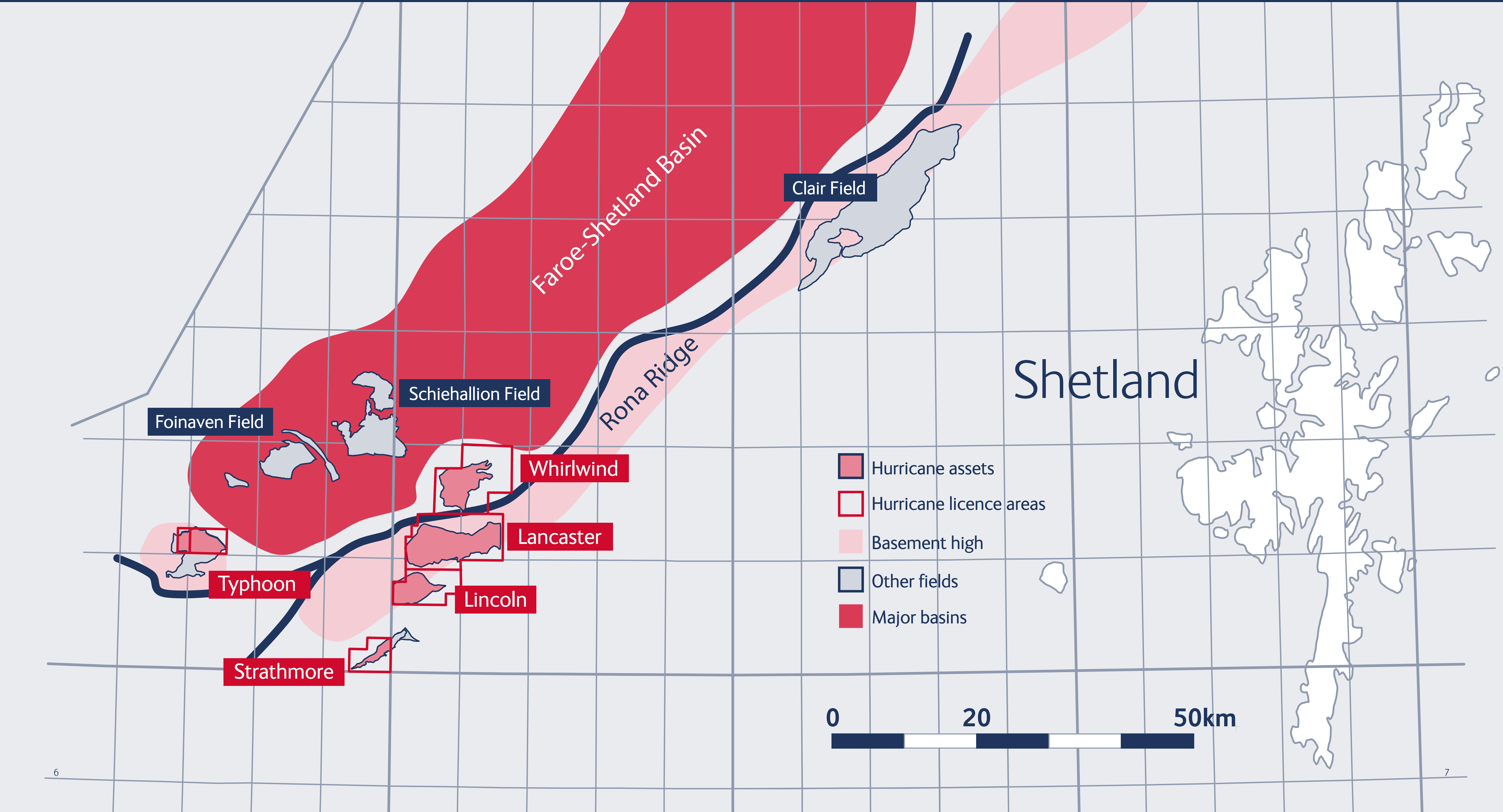
In addition, and as is prudent in light of the current economic environment of the oil industry, the Company has also focused on decreasing the general and administrative (G&A) costs of the business by reviewing its cost base and reducing costs where appropriate, and we will only farm-out if the terms are appropriate for the size of the opportunity.

On 31 January 2016, Chief Financial Officer Nicholas Mardon Taylor retired. Nicholas had been with Hurricane from the start and throughout a period in which the Company has achieved very significant milestones which have set Hurricane on a path towards Lancaster field development. The Company is enormously grateful for his contributions and everyone wishes him very well in his retirement. On 1 March 2016, Chairman John Hogan stepped down from the Board upon completion of a three year term of office and the Board would like to thank him for his service with the Company.

On 1 March 2016 I was delighted to be appointed as Chairman and, on 16 March 2016, we welcomed Alistair Stobie as Chief Financial Officer. Alistair brings significant capital markets and oil and gas industry experience to the Company. On 10 May 2016 we welcomed Roy Kelly, Managing Director and Head of Technical of Kerogen Capital, as a non-executive Director of the Company after the successful completion of the Fundraising. I believe that both Alistair and Roy have enhanced the quality of the Board.

Dr Robert Arnott
Chairman
23 May 2016

Hurricane's Asset Locations



Group Strategic Report: Review of 2015

Business model

Hurricane acquires acreage in proven petroleum systems and uses pre-existing well and seismic data to assess the potential of basement reservoirs which have been bypassed by the oil industry's earlier exploration campaigns. By using pre-existing data we are able to plan exploration and appraisal wells with a high level of confidence. Once a well is drilled we use the newly acquired geotechnical information to refine our geological understanding of our assets and subsequently assess the commercial potential of any discoveries. Once the commercial viability of our assets is established, we examine development scenarios to take them into production.

Oil exploration, appraisal and development is by its nature capital intensive and typically it takes several years to get a discovery through to development and production. Early capital is provided either through equity investment or through a farm-out of licence assets in exchange for a financial contribution to wells and/or, a level of financial carry on field development. It our strategy to introduce a development partner at the right time to mitigate financial and operational development risk. Hurricane is focused on bringing its existing discoveries to field development and will continue to acquire new acreage as it is able to do so, subject to financial capability.

Strategy

Our strategy is to create shareholder value through the exploration, appraisal and development of naturally fractured basement reservoirs and, in the process, to move our resources through the value chain from prospects to discoveries and contingent resources, culminating in reserves and ultimately production.

We use our business model to create opportunities that we believe will lead to the development of significant resources. We believe that fractured basement reservoirs can be associated with oil outside of structural closure that is of material commercial value. Part of Hurricane's strategy is to demonstrate the potential of this oil through exploration and appraisal drilling.

To date we have maintained 100% ownership and operatorship of all of our discoveries. Being in a position to independently complete the remaining well stock required for the EPS phase of the Lancaster development increases the Company's options for funding the EPS. Discussions with potential partners are ongoing at the time of this report and we will only farm-out if the terms are appropriate for the size of the opportunity.

Fundraising

Introduction and summary

On 10 May 2016, the Company announced that it had raised approximately £52.1 million (before expenses) through the issue of 347,245,265 new Ordinary Shares to Kerogen Capital, Crystal Amber and Marlborough Fund Nominees at a price of 15 pence per share (a premium of approximately 46% to the closing price immediately prior to the announcement of the Fundraising). In connection with the fundraising, the Company also agreed to issue warrants to Crystal Amber to subscribe for up to 23,333,333 new Ordinary Shares at a price of 20 pence per share. The new Ordinary Shares were admitted to trading on 10 May 2016.

The net proceeds of the Fundraising will be used to fund the drilling of a pilot and horizontal well on the Lancaster field and for general corporate purposes.

Background to the Fundraising

In 2014, Hurricane drilled and tested a one kilometre horizontal well on Lancaster (the 2014 Horizontal Well). The well was a success, establishing a sustainable natural flow rate of 5,300 stb/d and, using artificial lift provided by an Electronic Submersible Pump (ESP), a sustainable flow rate of 9,800 stb/d was established (both natural and artificial established oil flow rates were constrained by the capacity of the surface test equipment). The low drawdown rates and associated high Productivity Index (PI) of 160 stb/d/psi provided confirmation of the commercial potential of the Lancaster reservoir and consequently the well was suspended to be used as a future production well.

Following the success of the 2014 Horizontal Well, Hurricane intends to progress Lancaster by means of a phased development. The current basis of design for the EPS phase of development consists of two one kilometre horizontal subsea production wells, including the existing 2014 Horizontal Well and a new horizontal well (to be drilled this summer), tied back to a Floating Production Storage and Offloading (FPSO) host facility. We believe that the development of Lancaster would be further de-risked by drilling a pilot well (also this summer) to confirm the depth of mobile oil and the oil water contact level as well as to evaluate a potential aquifer below the oil water contact to determine how supportive it is of production. Acquisition of this information will aid in optimising the EPS phase of development as well as future phases of the Lancaster development.

The Company's 2016 well programme, the Lancaster 7 Wells, incorporates a pilot well and a horizontal sidetrack well on Lancaster as part of a continuous drilling programme in the summer of 2016. These wells are designed to refine Lancaster's resource range, optimally plan field development and act as a future production well for the EPS phase of development. The Company has contracted Transocean's Spitsbergen, a state-of-the-art semi-submersible drilling rig which Transocean believes can operate year round in the West of Shetland, to drill and test the Lancaster 7 Wells.

The Directors believe that the current low oil price environment and depressed oilfield service supply chain, together with the support of Kerogen and certain existing institutional Shareholders and the availability of the Rig, have presented the Company with an opportunity to secure attractive rates and accelerate drilling of the Lancaster 7 Wells. The previously announced farm-out process is ongoing and Hurricane remains in active commercial negotiations with several parties. The Directors believe that drilling the Lancaster 7 Wells in 2016 should enhance the Company's ability to negotiate attractive farm-out terms as well as provide an advantageous environment for achieving the earliest date of first oil on Lancaster.

Group Strategic Report: Review of 2015

Update on farm-out

Hurricane is conducting a formal farm-out process to attract an industry partner into some or all of the Group's assets. The farm-out process has principally focused on financing the Lancaster 7 Wells and the EPS phase of development of Lancaster.

The Board believes that committing to drill the Lancaster 7 Wells whilst farm-out negotiations are ongoing will strengthen the Company's ability to secure attractive farm-out terms. Notwithstanding the lower oil price environment, the Company has progressed technical and commercial discussions in respect of a farm-out of Lancaster and some or all of its other licences to an advanced status. At present there can be no certainty that these discussions will lead to an acceptable offer to farm-in to some or all of the Company's licences.

Furthermore, as many major oil companies continue to reduce capital expenditure, and notwithstanding the good progress made to date with potential farm-in partners, the feedback received by the Company indicated that it would be unlikely that a farminee would have been able to commit to drill the Lancaster 7 Wells in 2016 within the required timescale. The Company is therefore pleased to be in a position to drill the Lancaster 7 Wells in 2016 and reduce the possibility of a delay to the timing of first oil, which is currently anticipated to be achieved in H1 2019.

Being in a position to independently complete the remaining well stock required for the EPS phase of the Lancaster development increases the Company's options for funding the EPS dramatically; and we will only farm-out if the terms are appropriate for the size of the opportunity.

Licences

In March 2016 Hurricane extended the drilling commitment on the P1485 and P1835 licences to 2018, which contain the Typhoon and Tempest prospects. The Group intends to reduce the acreage of both licences (subject to receipt of final documentation and amended licence terms) to reduce the annual cost to the business, whilst maintaining prospectivity by giving the Group a range of options for optimum drilling location choice.

Key Performance Indicators

The Group uses corporate targets and individual Key Performance Indicators (KPIs) for the assessment of the performance of individuals for remuneration purposes, as further described in the Remuneration Report. However, given the early stage nature of the Group's development activities, the Group's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the nature of development, performance or position of the business.

Board

There have been a number of changes to the Board since the start of 2015, which are listed below. See page 22 for profiles of all the current Directors.

- Nicholas Mardon Taylor retired as Chief Financial Officer on 31 January 2016.
- John Hogan resigned from his position as Non-executive Chairman on 1 March 2016.
- Robert Arnott was appointed as Non-executive Chairman on 1 March 2016.
- Alistair Stobie was appointed as Chief Financial Officer on 16 March 2016.
- Roy Kelly was appointed as a Non-executive Director on 10 May 2016. In accordance with the terms of the Kerogen Subscription, Roy Kelly appointed Jason Cheng or, in his absence, Leonard Tao as his alternate Director on the Board.

Government and regulatory authorities

The Company maintains excellent relationships with the government departments and agencies which are responsible for the oil and gas industry in the UK. These relationships are essential to allowing Hurricane to develop its business.

The Group continues to maintain its ISO 14001 Environmental Management System accreditation, essential to enable Hurricane to carry out drilling operations.

The investment by Kerogen and certain existing shareholders gives Hurricane the ability to drill, test and evaluate two new wells on Lancaster in 2016, allowing us to move forward with the EPS phase of development.

Group Strategic Report: Future Outlook

Lancaster

The Lancaster asset is held under Licence P1368 Central and is in a water depth of 155m. The potential size of the Lancaster resource means that any field development is expected to be executed through a phased approach. As described above, the Company views the EPS phase of development to be the first phase of a multiphase development which is expected to ultimately include a full field development on Lancaster and is expected to include Lincoln.

Update on Lancaster development
Once the Lancaster 7 Wells have been drilled, the required number of wells for the EPS phase of development of Lancaster will be in place, thereby facilitating a final investment decision to proceed with the phased development of Lancaster. This view is supported by the ongoing discussions with certain potential farminees.

The current basis of design for the EPS phase of development of Lancaster consists of two one kilometre horizontal subsea production wells, including the 2014 horizontal well and the planned horizontal sidetrack well, connected by a short flowline and control umbilical configuration, of approximately two kilometres, to a dedicated FPSO host facility.

The drilling of the second horizontal sidetrack well will maintain options for an early first oil date targeted for H1 2019. A final investment decision for proceeding with the EPS phase of the Lancaster development is targeted for the first half of 2017, subject to the Lancaster 7 Wells being successfully drilled in 2016 and following completion of pre-FEED subsea and FPSO engineering studies.

The Company estimates that the EPS phase of development based on a two well tie back to an FPSO could produce approximately 53 MMbbls (at US$60/bbl) at approximately 17,000 bbls/day (after allowing for FPSO downtime) at a total capital cost, excluding the Lancaster 7 Wells, of up to US$240 million (giving a Capex per barrel of approximately US$6/bbl for the EPS phase) plus a letter of credit to cover early termination of the FPSO contract and decommissioning costs (anticipated to be approximately US$130 million). Opex per barrel costs of approximately US$35/bbl include the lease costs of the FPSO, including any capital costs incurred by the FPSO owner specifically for the West of Shetland and the Lancaster field.

The Company's farm-out negotiations are predicated on funding some or all of these additional costs. Notwithstanding this, the Directors believe that there are attractive options which the Company could pursue absent a farm-out, which would allow it to achieve first oil in 2019.

Lincoln

Also controlled by Hurricane under Licence P1368 South, the Lincoln prospect lies to the south west of Lancaster. Through Hurricane's technical analysis, we believe that Lincoln shares many geological characteristics with Lancaster, including proven oil on structure and a well defined basement fault system. As with our basement discoveries, the Lincoln prospect benefits from data obtained from previous drilling and seismic data obtained from previous operators. We plan to drill on Lincoln in the future, subject to obtaining the required funding.

Lincoln's proximity to Lancaster leads us to believe that once we can prove the resource and, subject to obtaining the required funding, it could be developed jointly with Lancaster as a single large development that we refer to as the Greater Lancaster Area, or GLA.

Whirlwind

Whirlwind is located about 10km north of Lancaster and in a water depth of approximately 185m. In 2010 we drilled on the structure and found indications of oil in both a Lower Cretaceous limestone (Valhall) and underlying fractured basement within structural closure.

In 2011 Hurricane re-entered the well for testing. The well test results were ambiguous and it is not clear whether the hydrocarbons at reservoir conditions are volatile oil or gas condensate. Despite this ambiguity, it is clear that Whirlwind's hydrocarbon type is different from that of Lancaster and as a consequence the current plan is that the Whirlwind discovery would be appraised and developed on a standalone basis or as a future addition to the Greater Lancaster Area development. The well has been suspended for future operations.

Subject to securing future funding, Hurricane intends to re-enter the 2011 well to drill and test a deviated sidetrack well targeting a faulted section of basement to the south east of the existing well track.

Typhoon and Tempest

Typhoon and Tempest are controlled by Hurricane under Licences P1485 and P1835. A site survey was commissioned over Typhoon during summer 2011. Typhoon is primarily a basement prospect but also offers potential in overlying Jurassic sandstones (Tempest). The CPR has assigned unrisked P50 Prospective Resources of 149 MMboe to Typhoon and 1,266 MMboe for the P10 volume acknowledging the material flank potential of this asset.

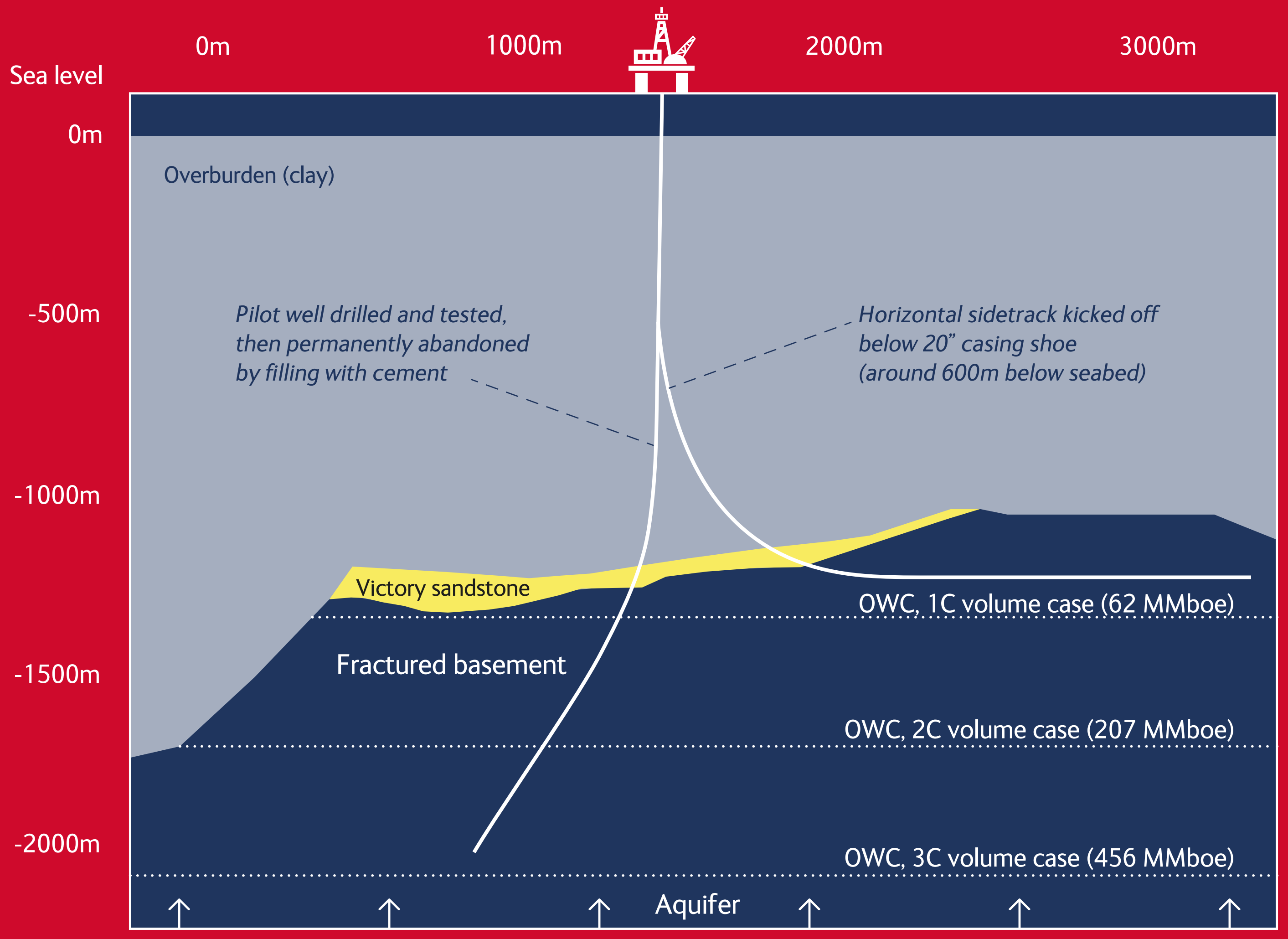
In May 2016 Hurricane extended the drilling commitment on the P1485 and P1835 licences to 2018, which contain the Typhoon and Tempest prospects. The Group intends to reduce the acreage of both licences (subject to receipt of final documentation and amended licence terms) to reduce the annual cost to the business, whilst maintaining prospectivity by giving the Group a range of options for optimum drilling location choice.

Strathmore

Hurricane's focus is mainly on fractured basement reservoirs. However, Strathmore is a traditional sandstone reservoir with a proven oil resource and estimated recoverable oil of 32 MMboe in the 2C Contingent Resource case. We believe that Strathmore could potentially tie back to a future Lancaster development.

2016 Lancaster well programme

Key objectives:
- Refine Lancaster resource range
- Provide a second future production well
- Provide new information to help optimally plan Lancaster field development

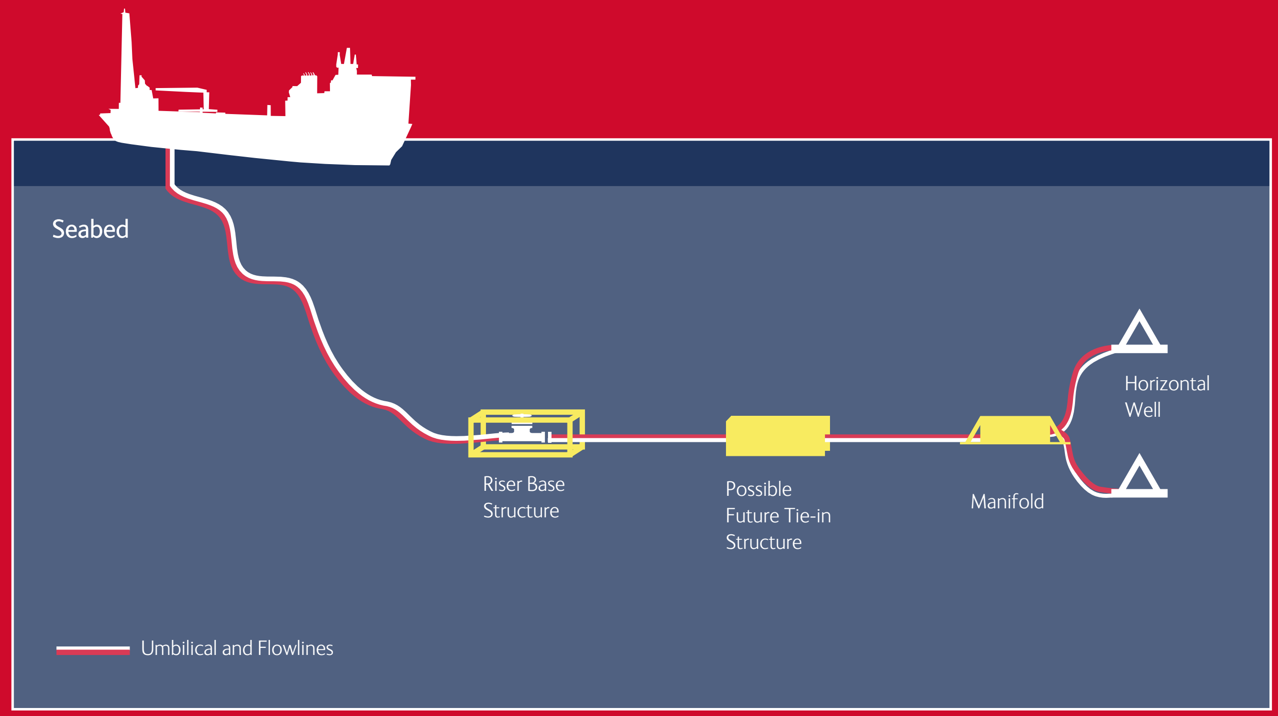


Schematic, not to scale

Pilot Well:
- Refine Oil Water Contact (OWC) and resource range
- Refine Victory sandstone resource range
- Evaluate aquifer properties and potential to provide pressure support

Horizontal Well:
- Confirm production rates
- Further quantify reservoir characteristics through shut-in/pressure build-up tests
- Provide second production well ahead of field development plan

Lancaster EPS development: Subsea infrastructure

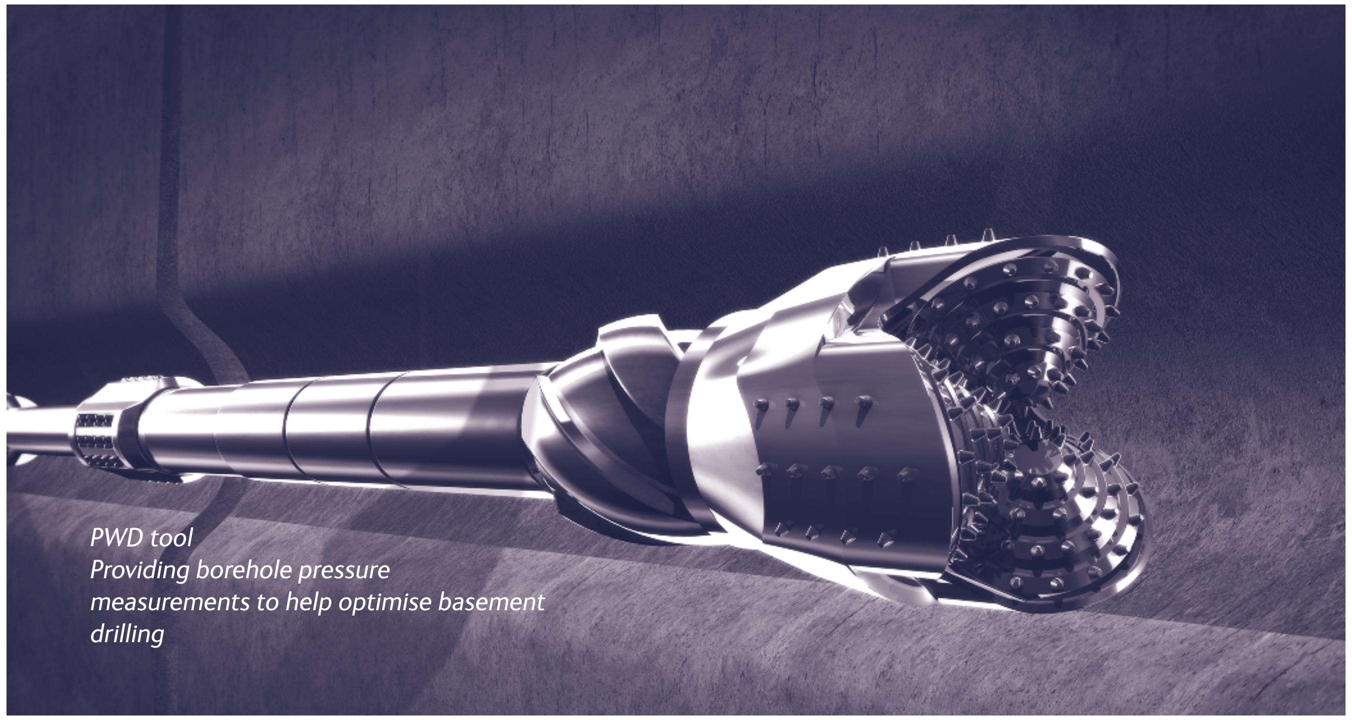


Schematic, not to scale

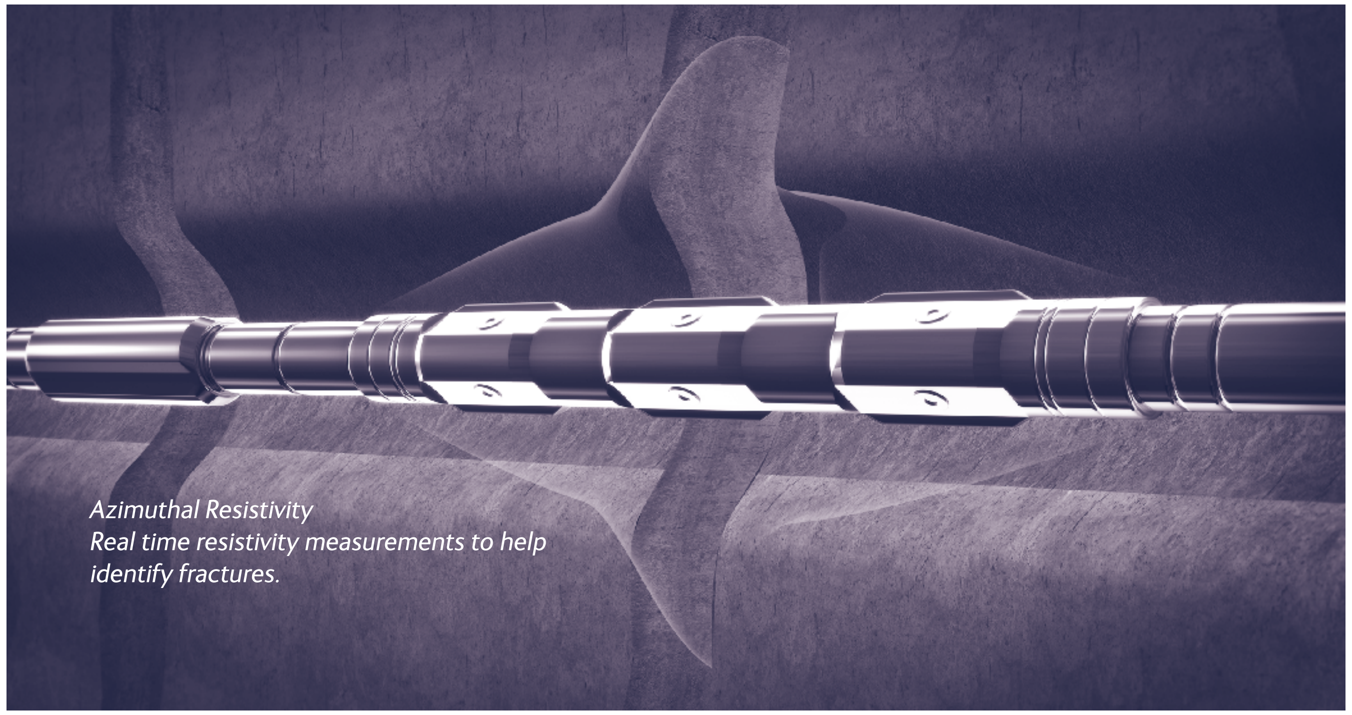
Two well tie-back to a leased and dedicated FPSO host facility
- 53 million barrels base case, with production plateau of 17,000 barrels a day
- Total cost to first oil, including 2016 Lancaster wells, is estimated at less than $300 million
- $35 per barrel opex
- Project finance scarcity in current environment results in capex needing to be equity financed
- 2016 drilling potentially accelerates first oil by one year: sanction 1H 2017 and first oil 1H 2019

Evaluating the basement whilst drilling

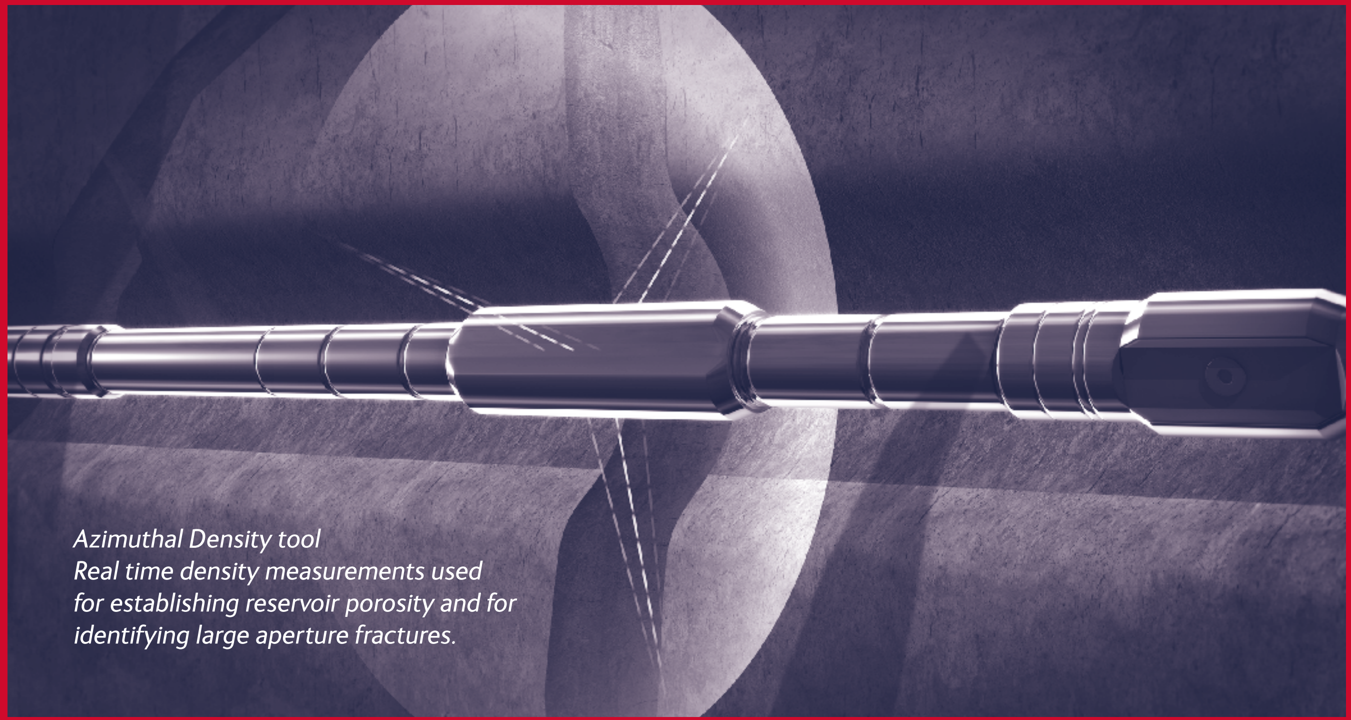
Hurricane will be deploying state of the art logging while drilling (LWD) technology during its Pilot and Horizontal well operations. LWD tools are routinely used in the global search for hydrocarbons and in field appraisal. LWD measurements help Hurricane geologists to detect fractures and to establish reservoir properties such as rock type, reservoir porosity and intervals of reservoir permeability. Hurricane has successfully used LWD during its previous Lancaster operations. Some of the key LWD measurements that will be acquired during Hurricane's 2016 operations are shown here.



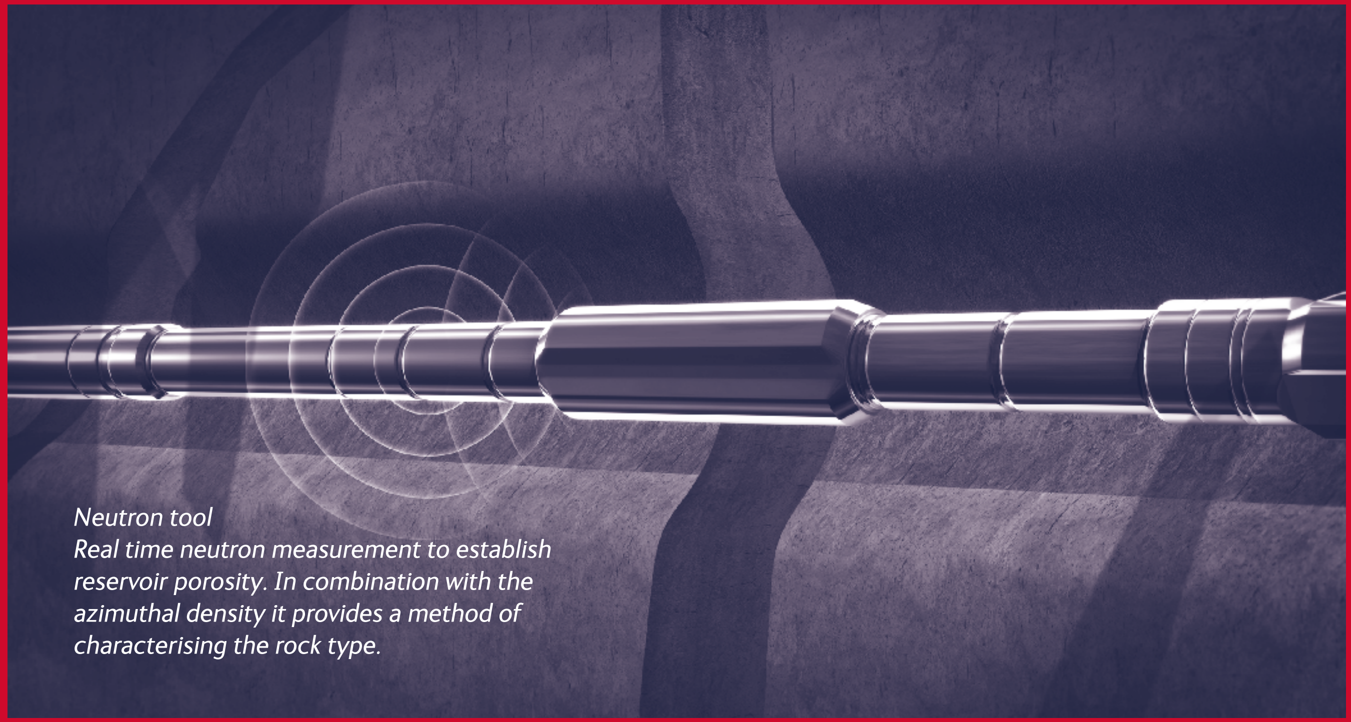
PWD tool
Providing borehole pressure measurements to help optimise basement drilling



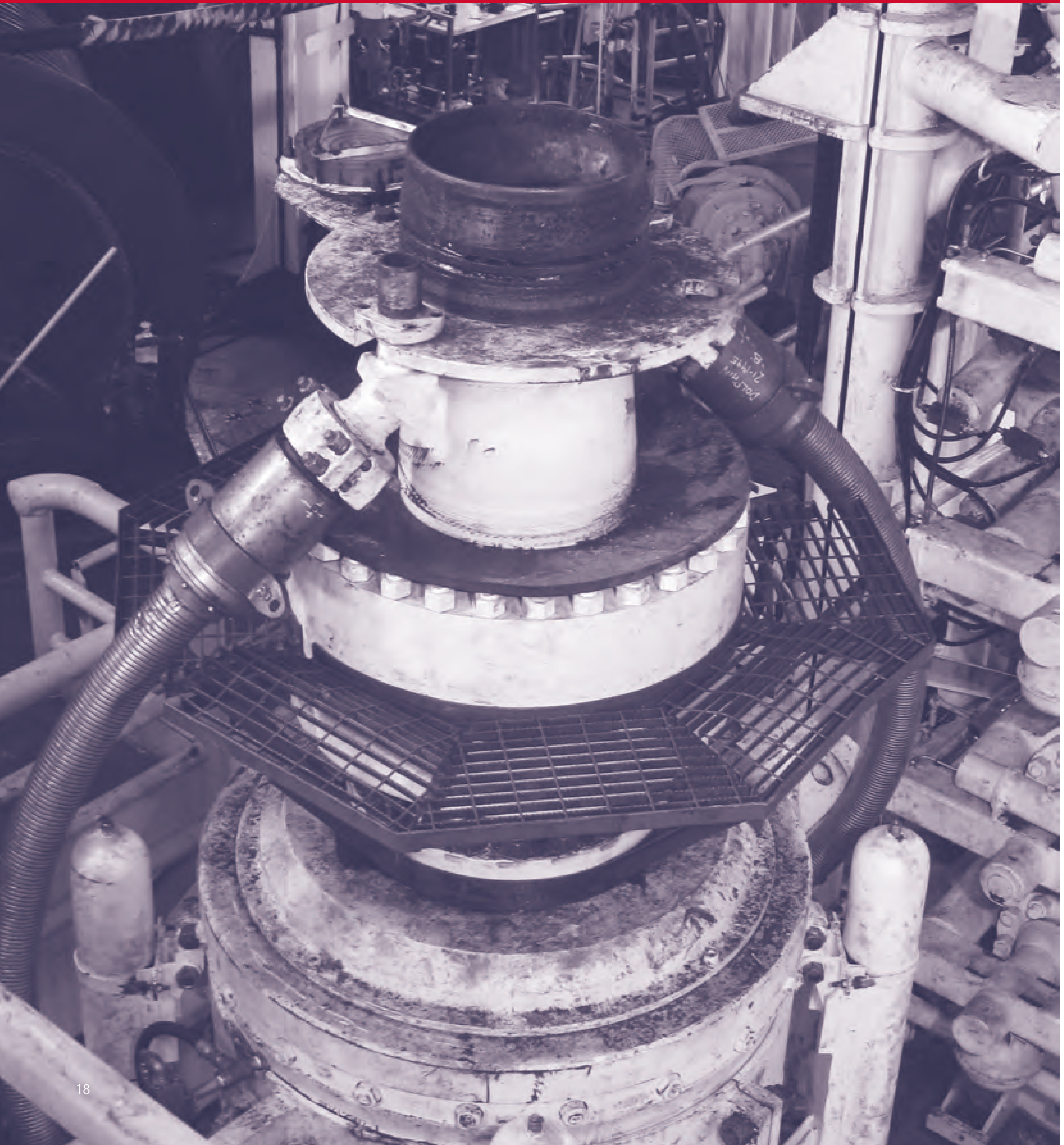
Azimuthal Resistivity
Real time resistivity measurements to help identify fractures.



Azimuthal Density tool
Real time density measurements used for establishing reservoir porosity and for identifying large aperture fractures.



Neutron tool
Real time neutron measurement to establish reservoir porosity. In combination with the azimuthal density it provides a method of characterising the rock type.



Group Strategic Report: Risk

Internal controls and risk management

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and therefore provides reasonable, rather than absolute, assurance against material misstatement or loss. The Group operates a series of controls to meet its needs. The Board considers that there is no necessity at the present time to establish an independent internal audit function given the current size and complexity of the business.

Existing processes and practices are monitored and reviewed to ensure that risks are effectively managed around a sound internal control structure. A fundamental element of the internal control structure involves the identification and documentation of significant risks, the likelihood of those risks occurring, their potential impact and the plans for managing and mitigating each of those risks. These assessments are monitored and reviewed by the Board.

Principal risks

All companies carry with them certain risks and Hurricane is no exception. The future outlook for the Group and therefore opportunities for growth in Shareholder value should be understood in the context of the associated risks. There are a wide variety of risks associated with the oil and gas industry which may impact Hurricane's business. According to the risk, Hurricane may elect to take or tolerate risk, treat risk with controls and mitigating actions, transfer the risk to third parties or terminate risk by ceasing particular activates or operations. Listed in the following table are some of the principal risks facing the Group and the actions taken to minimise the likelihood and mitigate the impact.

Key risk factor	Risk detail	How is it managed
Substantial capital requirements	The Group's business plan to exploit and commercialise its assets will require significant capital expenditure. Future plans may be curtailed if the Group is unable to raise further funds.	The Group continually monitors its funding requirements to progress its asset portfolio. The Group actively engages with many providers of finance including current and potential Shareholders, brokers, banks and other financial institutions to understand the range of options available to the Group. Jefferies International is assisting Hurricane in conducting a formal farm-out process to attract an industry partner into some or all of the Group's assets.
Operational risks	There are many operational risks. These include, but are not limited to, failure of the rig or other crucial equipment and unfavourable weather leading to delays in operations.	The Group invests significant time and resources to plan all of its operations and focuses on minimising the various operational risks. The Group uses a range of third party experts to co-ordinate, plan and deliver drilling and development projects. Contingency is built into all project plans to allow for unexpected delays and cost overruns.
Geological and reservoir risk	The geology of the Group's licence areas and the behaviour of the associated reservoirs rely on various assumptions and interpretation techniques. There is a risk that the reservoirs do not behave as expected.	All appraisal programmes are designed to de-risk the assets in the most cost effective manner while gaining the maximum understanding of the geology and reservoir as possible. Hurricane uses data obtained from drilling and well testing to populate numeric reservoir models. Continual updating of these models enables Hurricane to better understand the reservoirs and build predictive cases that address the uncertainty envelope and mitigate risk.
Licences	The ability of the Group to develop and exploit oil and gas resources depends on the Group's continued compliance with the obligations of its current licences. The Group depends on its licences whose grant and renewal is subject to the discretion of the relevant governmental authorities.	The Group monitors its tenure and obligations of the licences that it holds. The Group maintains active engagement with the relevant governmental authorities and seeks extensions and amendments to its obligations as required.

Key risk factor	Risk detail	How is it managed
Oil price fluctuations	Both oil and gas prices can be volatile and subject to fluctuation in response to relatively minor changes in the supply of, and demand for, oil and gas, market uncertainty and a variety of additional factors that are beyond the control of the Group. It is impossible to predict accurately future oil and gas price movements. Accordingly, oil and gas prices may not remain at their current levels. Although the Group is not yet an active producer of oil and gas, declines in oil and gas prices may adversely affect market sentiment and as a consequence the market price of the Ordinary Shares and furthermore affect the Group's cash flow, liquidity and profitability, and limit the amount of oil and gas that the Group could potentially market in the future.	The viability of the Group's assets is assessed on a regular basis. Economic models of development cases are stress tested using varying oil price forecasts. Investment will only be made if the development case is robust to downside sensitivity price scenarios.
Joint venture partners	Operations in the oil and gas industry are often conducted in a joint venture environment. There is a risk that joint venture partners are not aligned in their objectives and drivers, which may lead to inefficiencies and delays. After a farm-out, the Group may not act as operator on certain licence interests. The Group will generally have limited control over the day to day management of operations of those assets and will therefore be dependent upon a third party operator.	Due diligence will be used to review and assess any third parties that the Group enters into a joint venture with in both operated and non-operated projects. The Group will have continuous and regular engagement with partners to ensure that all partners interests are aligned and the Group is not exposed to risks that it believes are unacceptable.
Third party infrastructure	Any future field development is likely to be dependent upon the availability of third party infrastructure which if it fails, or is not, or ceases to be, available on reasonable commercial terms, or at all, may result in delays to field development, production and cash generated. This would have a material adverse effect on the Group's business, prospects, financial condition and operations.	In planning the development scenarios for the Group's assets, the use of third party infrastructure is assessed. Consideration is given to the extent, nature and commercial arrangements of potential use of third party infrastructure and attempts are made to not rely on this type of infrastructure if a practical alternative exists.

This Group Strategic Report was approved by the Board of Directors and is signed on its behalf by:

Dr Robert Trice, CEO
23 May 2016

The Board

Dr Robert Arnott
Non-executive Chairman

Robert has spent over three decades in the oil and gas industry. During his career, which began at Shell International, he has held the role of Chairman at each of Petroceltic International plc, Global Petroleum Limited and Oyster Petroleum Limited and non-executive Directorships at Rocksource ASA and, until recently, Core Energy AS, an oil and gas company focused on the Norwegian continental shelf. Robert was a Director of Spring Energy AS and is currently Chairman of Independent Oil Tools AS, an international oil services business.

In addition, Robert spent ten years in investment banking, most recently at Morgan Stanley, Dean Witter and Goldman Sachs International, and is a Research Associate at the Oxford Institute for Energy Studies.

Robert joined the Board on 1 March 2016 and is Chairman of the nominations committee and is also a member of the remuneration and audit committees. Robert's key responsibility as Chairman is the leadership of the Board, ensuring the integrity and effectiveness of the Board/Executive relationship.

Dr Robert Trice
Chief Executive Officer

Robert co-founded the Company in late 2004 and has 30 years' oil industry experience, having specialist technical experience of fractured reservoirs' characterisation and evaluation. Robert has a PhD in Geology from Birkbeck College, University of London and gained the majority of his geoscience experience with Enterprise Oil and Shell, having worked in field development, exploration, wellsite operations and geological consultancy.

In addition, Robert has held the position of Visiting Professor at Trondheim University, Norway and has published and presented on subjects related to fractured reservoirs and exploration for stratigraphic traps. Robert is a Fellow of the Geological Society and a member of the Petroleum Exploration Society of Great Britain and the Society of Petroleum Engineers. Robert has been a Director of Hurricane since 29 December 2004. As CEO, Robert is responsible for the operational management of the business, developing strategy in consultation with the Board and then executing it.

Alistair Stobie
Chief Financial Officer

Alistair has significant capital markets and oil and gas industry experience. Alistair was previously Director of Finance at AIM-listed Zoltav Resources and Chief Financial Officer at Oando Exploration & Production. Prior to this, Alistair founded both Volga Gas, where he was Chief Financial Officer and led its IPO to raise US$135 million, and Pan-Petroleum, which acquired an interest in the multi-billion barrel oil in place Mengo-Kundji-Bindi licence in Congo-Brazzaville. During his career Alistair has been actively involved in numerous corporate transactions including fundraisings, M&A and the acquisition and disposal of licence interests.

Alistair was appointed to the Board on 16 March 2016 and his key responsibilities as CFO are the financial and commercial activities of the business.

Neil Platt
Chief Operations Officer

Neil has more than 20 years' experience in the oil industry and has worked for Amoco, BG and Petrofac. He has completed assignments both in the UK and internationally working in a variety of engineering, commercial and management roles including Production Asset Manager (NSW) for BG and Vice President for Project Delivery in Petrofac Production Solutions. Neil joined Hurricane in 2011 and was appointed to the Board on 8 March 2013. As COO, Neil is responsible for daily operations and asset delivery (drilling and projects).

Dr David Jenkins
Independent Non-executive Director

David is currently an Industry Advisor to Riverstone Holdings and a Corporate Advisor to Temasek Holdings and Cuadrilla Resources. He is also on the board of Black Platinum Energy.

David spent 37 years at BP, where he was Chief Geologist in 1979, General Manager Exploration in 1984 and then Chief Executive Technology for BP Exploration for 10 years from 1987. He retired at the end of 1998 with the position of Chief Technology Advisor for BP Group. Following retirement from BP he held a variety of advisory and board positions including nine years on the board of BHP Billiton.

David joined the Board on 8 March 2013 and is Chairman of the remuneration committee and is also a member of the nominations and audit committees.

John van der Welle
Independent Non-executive Director

John has 30 years' oil industry experience, having qualified as a Chartered Accountant with Arthur Andersen in 1981. He is a member of the Association of Corporate Treasurers and the Institute of Taxation. John is currently a non-executive Director of Lekoil Limited, and Chairman of Global Petroleum Limited.

After 11 years at Enterprise Oil, where he was Business Development Manager and subsequently Group Treasurer, John has been Finance Director of a number of listed E&P companies, including Premier Oil 1999-2005. He was Managing Director, Head of Oil and Gas, at the Royal Bank of Scotland 2007-2008, and since 2010 has worked as a consultant to, and non-executive Director of, a number of listed and private E&P companies.

John joined the Board on 8 March 2013 and is Chairman of the audit committee and is also a member of the remuneration and nomination committees.

Roy Kelly
Non-executive Director

Roy is Managing Director and Head of Technical of Kerogen Capital, and was appointed as a Director of the Company on completion of the Fundraising.

He has over 33 years of technical, commercial and managerial experience in the upstream oil and gas industry, obtained through both operating and service company roles on projects throughout the world.

Previously he was Managing Director of consulting at RPS Energy Ltd, a leading upstream technical consultancy and reserve auditor. Prior to RPS, Roy held senior positions at PGS Reservoir, Ranger Oil and Sovereign Exploration, and spent around 10 years at BP where he trained as a petroleum reservoir engineer.

Roy joined the Board on 10 May 2016. In accordance with the terms of the Kerogen Subscription, Roy Kelly appointed Jason Cheng or, in his absence, Leonard Tao as his alternate Director on the Board.

Jason Cheng
Alternate Director

Jason is the Managing Partner and Co-Founder of Kerogen Capital, where he serves on its Investment Committee and is responsible for its daily operations. Jason has over 20 years' commercial experience across investing, operations and investment banking. He was previously the Managing Partner of Ancora Capital and, prior to this, he was a Managing Director of Jade International Capital Partners Limited in Beijing where he was involved in Sino-foreign investments and advisory assignments. He previously worked in investment banking at J.P. Morgan in the Energy and Natural Resources Group and, prior to this, at Schroders in the energy and Asian M&A teams. Jason is regulated by the FCA in the UK and the Securities and Futures Commission in Hong Kong.

Leonard Tao
Alternate Director

Leonard Tao is a Managing Director of Kerogen Capital, having joined the firm in 2011. Prior to this he spent around 9 years in the Energy and Natural Resources Group at J.P. Morgan, in both Australia and Hong Kong, where he managed a wide range of M&A and capital markets transactions in the natural resources sector across numerous geographies, including Asia, Central Asia, Latin America and Africa. Leonard is regulated by the Securities and Futures Commission in Hong Kong.

Corporate Governance

The Board recognises its responsibility to serve the interests of Shareholders in managing the Group by applying high standards of corporate governance commensurate with its size, stage of growth and the nature of its activities.

The Group is a member of the Quoted Companies Alliance (QCA), the membership organisation which represents the interests of small and mid-size quoted companies. The QCA publishes and maintains the Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code), which seeks to help companies apply key principles from the UK Corporate Governance Code and other themes of governance best practice to their particular needs and circumstances in a manner which is proportionate for growing enterprises. The QCA Code sets out twelve broad principles of behaviour and a set of minimum disclosures intended to reflect governance best practice and ensure that this is reported to Shareholders.

The Board considers the principles and recommendations contained in the QCA Code in the context of its business and implements these in a manner which is appropriate for the size and current stage of development of the Group, reflective of the expectations of Hurricane's Shareholders.

The role of the Board

The Board sets the Group's strategic objectives and ensures that they are properly pursued and that major business risks are actively monitored and managed. This goes beyond regulatory compliance and puts the interests of the Hurricane Shareholders at the centre of the Board's decision making.

The Board is responsible for overall Group strategy, including exploration, appraisal and development activity; acquisition and divestment policy; approval of major capital expenditure, the overall Group capital structure and consideration of significant financing matters. The Board continued to focus its efforts in 2015 on the strategic issues which will create Shareholder value, monitoring performance against agreed objectives and planning future business operations.

The Board will continue to assess its governance arrangements in conjunction with the performance of its operations and the assessment of the effectiveness of its Board.

Board composition

The Board currently comprises three executive Directors, two independent non-executive Directors and two non-executive Directors (including the chairman). The independent non-executive Directors bring independent judgement on the issues of Hurricane's strategy and resource. The non-executive Directors constructively challenge the performance of the executive Directors and monitor the performance in the delivery of the Group's key objectives and targets.

Hurricane requires the Group's independent non-executive Directors to be free from any relationship or circumstance that could materially interfere with the exercise of their independent judgement. The Board considers each of the independent non-executive Directors to be independent in both character and judgement.

None of the Directors has any potential conflicts of interest between their duties to the Group and their private interests or duties owed to third parties except for Roy Kelly, or his nominated alternate Directors; Jason Cheng and Leonard Tao, all of whom represent Kerogen Capital, a major Shareholder in the Company.

The Company complies with the AIM Rules for Companies, including AIM Rule 21, regarding dealings in the Company's shares and has adopted a code on dealing in securities to ensure compliance by Directors.

The composition of the Board will be reviewed regularly and strengthened as appropriate in response to the Group's changing requirements. Appropriate training and an induction programme will be undertaken in respect of all Directors on appointment and subsequently as necessary, taking into account existing qualifications and experience. One third of all Directors are subject to election by Shareholders each year.

How the Board operates

The Board intends to meet at least five times each years. At these meetings, the Board reviews the Group's long-term strategic direction and financial plans. All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively.

Certain matters are reserved for consideration by the Board whilst other matters are delegated to Board committees.

The Board has established the following committees (committee terms of reference are available on the Hurricane website).

Audit Committee

The role of the audit committee is to assist the Board in discharging its responsibilities with regard to monitoring the integrity of the Group's financial reporting, to review the Group's internal control and risk management systems, to monitor the effectiveness of the Group's external and internal audit function and to oversee the relationship with the Group's external auditor.

The audit committee is chaired by John van der Welle and the other members are Dr Robert Arnott, Dr David Jenkins and Roy Kelly (or his nominated alternate Director). The audit committee meets at least three times a year with further meetings as required. The other Directors and representatives from the finance function may also attend and speak at meetings of the audit committee.

The audit committee makes recommendations to the Board regarding the appointment, reappointment and removal of external auditors. At the Annual General Meeting (AGM) the Shareholders are requested to authorise the Directors to appoint and agree the remuneration of the external auditors. Deloitte LLP was first appointed as external auditor to the Group for the year ended 31 August 2010 and the audit has not been put to tender since that date. In accordance with the Companies Act 2006, a resolution to re-appoint Deloitte LLP will be proposed at the next AGM.

The audit committee recognises that, for smaller companies, it is cost effective to procure certain non audit services from the external auditor but there is a need to ensure that provision of such services does not impair, or appear to impair, the auditor's independence or objectivity. The audit committee must be consulted before the assignment of any non audit work can be awarded to the external auditor. The audit committee was satisfied throughout the year that Deloitte LLP's objectivity and independence were in no way impaired by the nature of the non audit work undertaken or other factors including the level of non audit fees charged.

The audit committee has considered the significant issues in relation to the preparation of the 2015 Annual Report and Group Financial Statements. The areas of focus for the audit committee included consistency of application of accounting policies; compliance with financial reporting standards, AIM and legal requirements; the appropriateness of assumptions and judgements for items subject to estimates and the clarity and completeness of disclosures in the Financial Statements. Overall the audit committee focuses on whether, taken as a whole, the Annual Report and Group Financial Statements are fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

The Committee considered in particular the following major Financial Statement items that require significant judgement and estimation:

Recoverability of intangible exploration and evaluation assets
The audit committee satisfied itself by reference to the Group's business plan and discussions with Management that, in respect of all intangible exploration and evaluation assets, either commercially viable resources have been discovered or substantive expenditure on further exploration and evaluation activities in the specific area is budgeted or planned.

Presumption of going concern
Having considered the Group's funding position, cashflow forecasts and the reasonable possible sensitivities provided by Management, the audit committee has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting has been used in the preparation of the Financial Statements.

Remuneration Committee

The role of the remuneration committee is to determine and agree with the Board the policy for executive and senior employee remuneration, as well as for setting the specific remuneration packages (including pension rights and any compensation payments) of all executive Directors and the Chairman and recommending and monitoring the remuneration of the senior employees. In accordance with the remuneration committee's terms of reference, no Director shall participate in discussions relating to or vote on their own terms and conditions of remuneration. Non-executive Directors' fees are determined by the Board as are the Chairman's fees.

The remuneration committee meets at least twice a year and as otherwise required. The remuneration committee is chaired by Dr David Jenkins and the other members are Dr Robert Arnott, John van der Welle and Roy Kelly (or his nominated alternate Director). The other Directors may also attend and speak at meetings of the remuneration committee.

Nominations Committee

The nominations committee assists the Board in discharging its responsibilities relating to the composition of the Board. The nominations committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, and the size, structure and composition of the Board (including identifying and nominating candidates to fill Board vacancies with the approval of the Board). The nominations committee is also responsible for retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters.

The nominations committee meets at least twice a year. The nominations committee is chaired by Dr Robert Arnott and the other members are Dr David Jenkins, John van der Welle and Roy Kelly (or his nominated alternate Director). The other Directors may also attend and speak at meetings of the nominations committee.

The Environmental Management Committee (EM Committee)

The EM Committee is chaired by Alistair Stobie and the other members are Dr Robert Trice and Neil Platt. The EM Committee is responsible for formulating and recommending to the Board a policy on environmental issues related to the Group's operations, and meets at least twice a year. In particular, the EM Committee focuses on compliance with applicable standards to ensure that an effective system of environmental standards, procedures and practices are in place at each of the Group's operations and its responsibilities include evaluating the effectiveness of the Group's environmental policy. The Group intends to engage specialists with appropriate technical expertise to be members of, or advise, the EM Committee. The EM Committee is also responsible for reviewing Management's investigation of incidents or accidents that occur to assess whether policy improvements are required. While the EM Committee is expected to make recommendations, the ultimate responsibility for establishing the Group's environmental policy remains with the Board.

The Group's environmental policy is on page 32.

The Technical Advisory Committee

The Company is establishing a technical advisory committee. The Committee will be chaired by Dr David Jenkins and its other member will be Roy Kelly. The Committee will have no formal decision making powers but it will make recommendations and provide assistance to the Board with respect to technical and operating matters.

Communication with Shareholders

Communication with current and potential Shareholders is a key focus point for Hurricane. Information about the Group's activities is provided in the Annual Report and Financial Statements, the Interim Report and Financial Statements, press releases and via the Regulatory News Service (RNS).

There is regular dialogue with Shareholders and potential Shareholders. These meetings include formal roadshows and presentations, analyst briefings and media interviews. The Chairman, CEO and CFO, who are the Directors primarily responsible for dealing with Shareholders, ensure that other members of the Board receive full reports of these discussions as well as analysts' and brokers' briefings. Hurricane's website also provides detailed information on the Group's activities.

Dr Robert Arnott
Chairman
23 May 2016

Remuneration Report

As a Company trading on AIM, Hurricane is not required to produce a formal remuneration report. However the Directors believe that in the interest of transparency a brief commentary should be included. It is designed to provide Shareholders with information that demonstrates the link between the Group's strategy, performance and senior executive remuneration policy.

Linking overall reward to company performance is fundamental to the remit of the remuneration committee, and the committee provides an independent oversight of remuneration policy. The Group's remuneration strategy is designed to attract and retain a strong team which is focused on delivering its strategic priorities and which is aligned with Shareholder interests.

The Group follows standard industry practice with respect to executive remuneration, with a competitive salary and benefits, complemented by an at risk component comprising an annual bonus and a long term incentive share plan, the Performance Share Plan (PSP). Annual bonus is payable to the extent annual corporate performance targets and individual key performance indicators (KPIs) are met, as determined by the remuneration committee. Challenging KPIs are established each year by agreement between Management and the remuneration committee.

The PSP involves the award of shares to executives and staff and vesting is conditional on achieving a challenging performance target that if met, will underpin the long term success of the business. This ensures alignment with the delivery of value to Shareholders. For the initial awards made prior to the Group's IPO to vest, the Group must have in place a solution to finance the full field development of Lancaster or the Greater Lancaster Area, no later than the fifth anniversary of the 4 February 2014 date of Admission to AIM. The focus of the performance condition is to incentivise the progression and development of Lancaster which aligns with the delivery of value to Shareholders.

The committee has reviewed the base salary levels for the executive Directors and determined that no increases would be made for 2016.

The Group contributes to personal pension schemes. Under current legislation, from 2017 Hurricane will be required to provide a workplace pension scheme for all employees.
The Group is currently reviewing its remuneration policy and will communicate its findings to shareholders in advance of implementing any changes.

Directors' emoluments

The following is an analysis of the emoluments received by the Group's Directors:

Year Ended 31 Dec 2015	Emoluments £'000	Cash bonus[5] £'000	Deferred share bonus[5] £'000	Pension contributions £'000	Total £'000
Dr Robert Trice	375	-	-	38	413
Nicholas Mardon Taylor[1]	275	-	-	28	303
Neil Platt	275	-	-	28	303
John Hogan[2]	150	-	-	-	150
Dr David Jenkins[3]	55	-	-	-	55
John van der Welle[4]	55	-	-	-	55
	1,185	**-**	**-**	**94**	**1,279**

[1] Retired 31 January 2016.
[2] Resigned 1 March 2016.
[3] 50% of emoluments were consulting fees paid to Chartwood Resources Ltd, a company controlled by Dr David Jenkins.
[4] 50% of emoluments were consulting fees paid to Northlands Advisory Services Limited, a company controlled by John van der Welle.
[5] No bonus was awarded in respect of services provided in 2015.

Year Ended 31 Dec 2014	Emoluments £'000	Cash bonus[7] £'000	Deferred share bonus[7] £'000	Pension contributions £'000	Total £'000
Dr Robert Trice	375	188	187	38	788
Nicholas Mardon Taylor[1]	275	138	137	28	578
Keith Kirby[3]	620	-	-	14	634
Neil Platt	275	138	137	28	578
John Hogan[2,4]	150	-	-	-	150
Dr David Jenkins[5]	55	-	-	-	55
John van der Welle[6]	55	-	-	-	55
	1,805	**464**	**461**	**108**	**2,838**

[1] Retired 31 January 2016.
[2] Resigned 1 March 2016.
[3] Resigned 22 June 2014. Emoluments includes £482,500 consisting of payment in lieu of notice period, bonus entitlement and ex-gratia payments.
[4] Emoluments includes £30,000 that is required to be used to acquire Ordinary Shares in the Company.
[5] 50% of emoluments were consulting fees paid to Chartwood Resources Ltd, a company controlled by Dr David Jenkins.
[6] 50% of emoluments were consulting fees paid to Northlands Advisory Services Limited, a company controlled by John van der Welle.
[7] Bonus in respect of services provided in 2014 was awarded 50% in cash and 50% in deferred shares which are yet to be issued.

Remuneration Report

Directors' PSP share awards and share options

In April 2013, all awards under the Group's Long Term Incentive Plan were surrendered together with all unvested share options (other than those that vest at IPO) and replaced with awards under the Hurricane Energy 2013 Performance Share Plan (PSP). A mirror image plan (the Hurricane Energy 2013 Nominal Cost Option Plan (NED Plan)) was also introduced for the purpose of enabling conditional awards of nil cost options to the Group's non-executive Directors. The NED Plan operates on materially the same terms and conditions as the PSP. Further information about both plans is included within note 20 of the Group Financial Statements.

Details of Directors' PSP awards and share options at the beginning and end of the year are as follows:

Grant date	As at 1 Jan 2015	Granted	Exercised	Lapsed	As at 31 Dec 2015	Exercise price	Date from which exercisable	Expiry date
Dr Robert Trice								
25/01/11	225,000	-	-	-	225,000	£1.00	25/01/14	31/12/20
17/04/13	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
Nicholas Mardon Taylor[1]								
25/01/11	68,000	-	-	-	68,000	£1.00	25/01/14	31/12/20
17/04/13	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
Neil Platt								
17/04/13	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
John Hogan[2]								
17/04/13	666,667	-	-	-	666,667	£nil	n/a	04/02/19
Dr David Jenkins								
17/04/13	333,333	-	-	-	333,333	£nil	n/a	04/02/19
John van der Welle								
17/04/13	333,333	-	-	-	333,333	£nil	n/a	04/02/19
Total	**15,226,332**	**-**	**-**	**-**	**15,226,332**			

[1] Retired 31 January 2016.
[2] Resigned 1 March 2016.

Details of Directors' PSP awards and share options at the beginning and end of the previous year are as follows:

Grant date	As at 1 Jan 2014	Granted	Exercised	Lapsed	As at 31 Dec 2014	Exercise price	Date from which exercisable	Expiry date
Dr Robert Trice								
25/01/11	225,000	-	-	-	225,000	£1.00	25/01/14	31/12/20
17/04/13	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
Keith Kirby[3]								
17/04/13	4,533,333	-	-	(4,533,333)	-	£nil	n/a	04/02/19
Nicholas Mardon Taylor[1]								
25/01/11	68,000	-	-	-	68,000	£1.00	25/01/14	31/12/20
17/04/13	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
Neil Platt								
17/04/13	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
John Hogan[2]								
17/04/13	666,667	-	-	-	666,667	£nil	n/a	04/02/19
Dr David Jenkins								
17/04/13	333,333	-	-	-	333,333	£nil	n/a	04/02/19
John van der Welle								
17/04/13	333,333	-	-	-	333,333	£nil	n/a	04/02/19
Total	**19,759,665**	**-**	**-**	**(4,533,333)**	**15,226,332**			

[1] Retired 31 January 2016.
[2] Resigned 1 March 2016.
[3] Resigned 22 June 2014. All PSP awards lapsed on resignation.

Environmental Policy

The operations of the Group are subject to a variety of laws and regulations governing the discharge of materials into the environment or otherwise relating to environment protection. Hurricane is committed to minimising its impact on the environment in which it works and achieves this through the implementation of its Environmental Policy.

The policy

Hurricane recognises its responsibility to the environment and will take positive steps to address the environmental impacts associated with our offshore operations.

We are committed to achieving continual improvement in our environmental performance, and regard compliance with the relevant laws and regulations as a minimum standard. We work with our employees, contractors and suppliers to identify and reduce the environmental impacts of our activities.

Our objectives

- All of our offshore operations shall be managed under our ISO 14001:2004 certified Environmental Management System
- We will identify and conform to all legal and other compliance obligations relevant to our operations
- We will involve our employees in maintaining the Environmental Management System, provide a clear feedback structure, establish appropriate operating practices and implement training programmes
- All our employees will be selected, trained and developed to carry out their duties safely, competently and with due care for the environment
- We will implement measures to prevent pollution to the environment, where reasonably practicable
- We will continually review all our business operations, in order to identify and minimise our environmental impacts
- We will consider the sustainability of required resources during the planning and execution of our offshore operations and conduct them in the most sustainable fashion achievable
- We will set appropriate environmental objectives, monitor progress in achieving these and report the results to the Board on a regular basis
- We will take environmental considerations into account in all our operations, ensure that our suppliers and contractors are aware of our policy, and encourage them to commit to good environmental practices

These commitments will be reviewed regularly and specifically prior to major operational activities. As a measure of Hurricane's environmental performance, the fulfilment of these commitments will be monitored continually and communicated to both the Board and employees.

For further information including our work as part of the SERPENT project and commitment to the emergency capping device through OSPRAG, please refer to Hurricane's website.

Health and Safety Policy

Hurricane conducts its business responsibly, with respect for the people and communities within the areas in which we work. We safeguard our activities to ensure that we never knowingly compromise our health and safety obligations and recognised standards in pursuit of improving our business results.

Our objectives

We provide leadership which fosters a safe and healthy working environment, enabling us to conduct business in a manner that:

- Seeks to prevent injury and ill health to those engaged in delivering our business objectives and those people and communities within the areas in which we work
- Engages and involves competent people in our business
- Makes accountabilities and responsibilities clear
- Promotes open and honest communication
- Assesses, manages and controls risk through a hierarchy of control
- Creates a culture of continual improvement specific, but not exclusive to, H&S management and performance
- Plans and prepares for the unexpected: we investigate and learn from events where our safeguards may have failed
- Ensures our third party service providers, as a minimum, conform to our core standards
- Monitors and manages safety performance in accordance with our Incident Reporting Procedure
- Complies with all our statutory requirements

We will stop work rather than conduct activities that are in conflict with our policy.

These objectives form the basis from which internal targets for achievement are monitored, reported and revised.

Other core policies

As part of Hurricane's comprehensive Business Management System, we have three other core policies in addition to the Environmental and Health and Safety Policies, covering People, Assurance and Ethics. These can be found on Hurricane's website.

Chief Financial Officer's Review

Overview

In 2015 the Group continued to focus on refining the Lancaster development concept alongside progressing the farm-out and other funding opportunities. The Group ended 2015 with £9.9 million of cash and cash equivalents (including £2.3 million held in escrow).

Subsequent to year-end the Company raised £52.1 million (before expenses) through the issue of 347,245,265 new Ordinary Shares to Kerogen Capital and other institutional investors at a price of 15 pence per share. In connection with the Fundraising, the Company agreed to issue warrants to Crystal Amber to subscribe for up to 23,333,333 new Ordinary Shares at a price of 20 pence per share. In addition the Company received £0.7 million related to claims for Research and Development expenditure tax relief.

Income statement

The Group's loss after tax for 2015 is £5.5 million (2014: £9.0 million). The significant decrease in the loss recorded for the Group is due to the reduction in the operating costs for the Group and no further interest charges for the convertible loan notes which were converted in 2014.

The operating expenses for the year were £5.4 million (2014: £8.6 million). The decrease is primarily driven by the reduction in staff costs which is due to an overall reduction in headcount and performance related bonus awards. The Group has also focused on decreasing the G&A costs of the business by reviewing its cost base and making cost reductions where appropriate.

Due to the nature of the Group's business, it has accumulated significant tax losses since incorporation. At 31 December 2015, the Group has pre-trading revenue expenses of £24.8 million (2014: £23.7 million) and has incurred £158.7 million (2014: £155.8 million) of pre-trading capital expenditure on which tax relief should be available to carry forward against future trading profits. In addition, the total pre-trading expenditure of £183.5 million (2014: £179.5 million) may attract Ring Fenced Expenditure Supplement on the commencement of trade, which would result in a further uplift of £77.1 million (2014: £59.3 million) of tax relief being available at that time. None of these potential tax benefits have been recorded in the Group financial results due to the inherent uncertainty of realisation at this early stage of the life cycle of the Group's field interests.

Balance sheet

The £1.3 million reduction in the Group's intangible exploration and evaluation assets is due to the £2.9 million of additions in the year being offset by a non-cash reduction in the Group's decommissioning provisions of £4.2 million. The majority of the £2.9 million of additions to the Group's intangible exploration and evaluation assets are costs associated with the continued work on refining the Lancaster development concept. The additions in 2015 are a significant decrease from the £37.2 million in 2014, when the Group was drilling and testing the Lancaster horizontal well.

The Group's decommissioning provisions relate to the anticipated costs required to decommission the suspended wells previously drilled on the Lancaster and Whirlwind assets. The change to the decommissioning estimate in the year is due to a revision of the Directors' best estimate of the cost to decommission the assets at the end of the current licence term in 2019. The revised approach to decommissioning the suspended wells in an integrated campaign, coupled with the underlying reduction in the rates charged for oil field services, has driven the reduction in the provision. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the related asset.

Cash flow

Net cash outflow from operating activities of £2.6 million is a decrease from the £4.6 million recorded in 2014, as G&A cash costs for running the business have been reduced. Expenditure on the intangible exploration and evaluation assets in the year was £3.0 million (2014: £36.6 million), primarily made up of licence fees and technical work on refining the potential Lancaster development.

The net cash provided by financing activities was minimal in the year as the Group did not conclude any further fundraising. The £16.8 million in 2014, was primarily the cash received from the placing of Ordinary Shares at the time of IPO.

Financial risk

The Group's policies are to fund its activities from cash resources derived from Shareholder subscriptions, to minimise its exposure to risks derived from financial instruments, not use complex financial instruments and to ensure that its cash resources are available to meet anticipated business needs.

The most significant financial risks to which the Group is exposed are movements in foreign exchange and default from financial institutions. The Group considers that volatility in foreign exchange is a regular part of its business environment, so the Group does not systematically hedge through financial instruments to mitigate this risk. The Group will however hold foreign currencies, primarily US Dollars, where it feels such an action helps mitigate foreign exchange risk.

To mitigate the risk of default from financial institutions, deposits are predominately held with institutions that have, as a minimum, an A rating. For further detail on the financial risks see note 23 of the Group Financial Statements.

Alistair Stobie
Chief Financial Officer
23 May 2016

Financial Statements

Directors' Report

Directors
The following Directors held office during the year ended 31 December 2015 and up to the date of this report.

Dr Robert Trice
Nicholas Mardon Taylor (retired 31 January 2016)
Alistair Stobie (appointed 16 March 2016)
Neil Platt
John Hogan (resigned 1 March 2016)
Dr Robert Arnott (appointed 1 March 2016)
John van der Welle
Dr David Jenkins
Roy Kelly (appointed 10 May 2016)
Jason Cheng (appointed 10 May 2016)*
Leonard Tao (appointed 10 May 2016)*

* In accordance with the terms of the Kerogen Subscription, Roy Kelly appointed Jason Cheng or, in his absence, Leonard Tao as his alternate Director on the Board.

Results for the year and dividends
The loss of the Group for the year was £5,523,000 (2014: loss of £9,006,000). The Directors do not recommend the payment of a dividend.

Financial risk management and objectives
The Group's financial risk management and objective are detailed in note 23 of the Group Financial Statements.

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 Group Strategic Report. The financial position of the Group, its cash flows, and liquidity position are described in the Chief Financial Officer's review and set out in the Group Financial Statements. Further details of the Group's commitments are set out in notes 24 and 25 of the Group Financial Statements. In addition, note 23 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has no source of operating revenue and currently obtains working capital primarily through equity financing. The Group is therefore dependent on future fundraising, capital receipts or other forms of finance in order to continue in operation over the long term and the Group's work programme for developing its core assets is dependent on this future fundraising activity. The Group has no external borrowings and ended 2015 with £7.6 million of cash and cash equivalents (excluding amounts held in escrow). Subsequent to the year end the company completed a capital raise of £52.1 million before expenses which was supplemented by a further £0.7 million in relation to a claim for Research and Development tax relief.

The Directors have considered sensitivities to the Group's forecasts, including the effect of the work programme for the Lancaster 7 Wells for which the additional capital has been raised. These sensitivities indicate that the Group is fully funded for both the Lancaster 7 Wells operation and for prospective G&A costs for at least the next twelve months based on the Group's cash flow forecasts.

Therefore, having considered reasonable possible sensitivities, the Directors believe that the Group will be able to operate within its existing funding and to meet all commitments as they fall due. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Subsequent events
The key events which have occurred since the end of the Group's financial year are detailed in note 28 of the Group Financial Statements.

Disclosure of information to the auditor
In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant information of which the Group's auditor was unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor was aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' Responsibility Statement
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Hurricane's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement
We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

This Directors' Report and Responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Dr Robert Trice
Chief Executive Officer
23 May 2016

Alistair Stobie
Chief Financial Officer
23 May 2016

Independent auditor's report to the members of Hurricane Energy plc

We have audited the Financial Statements of Hurricane Energy plc for the year ended 31 December 2015 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes 1 to 28 and 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Paterson ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
23 May 2016

Group Income Statement
for the Year Ended 31 December 2015

	Notes	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
Operating expenses		**(5,448)**	(8,584)
Operating loss	6	**(5,448)**	(8,584)
Investment revenue	5	**37**	67
Foreign exchange gains		**28**	125
Finance costs	7	**(140)**	(633)
Loss before tax		**(5,523)**	(9,025)
Tax	9	**-**	19
Loss for the year		**(5,523)**	(9,006)
Loss per share, basic and diluted	10	**(0.87) pence**	(1.45) pence

All of the Group's operations are classed as continuing.

There was no income or expense in the period other than that disclosed above. Accordingly a Consolidated Statement of Comprehensive Income is not presented.

Group Balance Sheet
as at 31 December 2015
Registered company number 05245689

	Notes	31 Dec 2015 £'000	31 Dec 2014 £'000
Non-current assets			
Property, plant and equipment	11	**89**	215
Intangible exploration and evaluation assets	12	**176,012**	177,308
Other receivables	13	**130**	130
		176,231	177,653
Current assets			
Inventory	14	**410**	-
Trade and other receivables	15	**420**	1,553
Cash and cash equivalents	16	**9,941**	15,856
		10,771	17,409
Total assets		**187,002**	195,062
Current liabilities			
Trade and other payables	17	**(271)**	(1,481)
Current tax liabilities		**-**	(6)
		(271)	(1,487)
Non-current liabilities			
Decommissioning provisions	18	**(3,221)**	(7,281)
Total liabilities		**(3,492)**	(8,768)
Net assets		**183,510**	186,294
Equity			
Share capital	19	**633**	632
Share premium		**210,814**	210,697
Share option reserve		**8,089**	5,420
Own shares held by SIP Trust	21	**(195)**	(194)
Equity shares to be issued	27	**649**	696
Accumulated deficit		**(36,480)**	(30,957)
Total equity		**183,510**	186,294

The Financial Statements of Hurricane Energy plc were approved by the Board of Directors and authorised for issue on 23 May 2016. They were signed on its behalf by:

Dr Robert Trice
Chief Executive Officer
23 May 2016

Alistair Stobie
Chief Financial Officer
23 May 2016

Group Statement of Changes in Equity

for the Year Ended 31 December 2015

	Share capital £'000	Share premium £'000	Share option reserve £'000	Own shares held by SIP Trust £'000	Equity Shares to be issued £'000	Accumulated deficit £'000	Total £'000
At 1 January 2014	483	167,328	1,901	(136)	-	(37,643)	131,933
Shares allotted	42	18,077	-	-	-	-	18,119
Transaction costs	-	(1,272)	-	-	-	-	(1,272)
Conversion of convertible loan	99	26,564	-	-	-	14,278	40,941
Exercise of warrant	8	-	-	-	-	1,414	1,422
Share option charge	-	-	3,519	-	-	-	3,519
Own shares held by SIP Trust	-	-	-	(58)	-	-	(58)
Equity shares to be issued	-	-	-	-	696	-	696
Total comprehensive loss for the year	-	-	-	-	-	(9,006)	(9,006)
At 31 December 2014	632	210,697	5,420	(194)	696	(30,957)	186,294
Shares allotted	1	117	-	-	-	-	118
Share option charge	-	-	2,669	-	-	-	2,669
Own shares held by SIP Trust	-	-	-	(1)	-	-	(1)
Equity shares to be issued	-	-	-	-	(47)	-	(47)
Total comprehensive loss for the year	-	-	-	-	-	(5,523)	(5,523)
At 31 December 2015	**633**	**210,814**	**8,089**	**(195)**	**649**	**(36,480)**	**183,510**

The share option reserve arises as a result of the expense recognised in the income statement account for the cost of share-based employee compensation arrangements (see note 20).

Group Cash Flow Statement

for the Year Ended 31 December 2015

	Notes	**Year Ended 31 Dec 2015 £'000**	Year Ended 31 Dec 2014 £'000
Net cash outflow from operating activities	22	**(2,558)**	(4,677)
Investing activities			
Interest received		**35**	67
Expenditure on property, plant and equipment		**(3)**	(24)
Expenditure on intangible exploration and evaluation assets		**(3,029)**	(36,585)
Expenditure on inventory		**(410)**	-
Net cash used in investing activities		**(3,407)**	(36,542)
Financing activities			
Interest paid		**(1)**	(3)
Net proceeds from issue of share capital		**23**	16,786
Net cash provided by financing activities		**22**	16,783
Net decrease in cash and cash equivalents		**(5,943)**	(24,436)
Cash and cash equivalents at the beginning of the year		**15,856**	40,167
Net decrease in cash and cash equivalents		**(5,943)**	(24,436)
Effects of foreign exchange rate changes		**28**	125
Cash and cash equivalents at the end of the year	16	**9,941**	15,856

Notes to the Group Financial Statements
for the Year Ended 31 December 2015

1. General information
Hurricane Energy plc is a company incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006. The nature of the Group's operations and its principal activity is exploration of oil and gas reserves principally on the UK Continental Shelf.

1.1 New and revised standards International Financial Reporting Standards
In the current year, the following accounting amendments, standards and interpretation became effective and have been adopted in these Financial Statements but have not materially affected the amounts reported in these Financial Statements:

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
Annual improvements to IFRS: 2010-2012 cycle and 2011-2013 cycle

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective (and in some cases had not been adopted by the EU):

IFRS 9 Financial Instruments
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
Annual improvements to IFRS: 2012-2014 cycle
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exemption
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1: Disclosure Initiative
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
Amendments to IAS 27: Equity Method in Separate Financial Statements

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Company with the exception of IFRS 16, the impact of which has not yet been assessed.

2. Significant accounting policies
2.1 Basis of accounting
The Financial Statements have been prepared under the historical cost convention, except for share-based payments, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), and in accordance with the requirements of the AIM Rules.

2.2 Going concern
The Financial Statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing position, additional details of which are provided in the going concern section of the Directors' Report.

2.3 Basis of consolidation
The Group Financial Statements consist of the Financial Statements of the Company and its subsidiaries drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passes. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to gain benefit from its activities.

On an acquisition that qualifies as a business combination, the assets and liabilities of the subsidiary are measured at their fair value as at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is capitalised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the Income Statement in the period of acquisition. All intra group transactions, balances, income and expenses are eliminated on consolidation.

2.4 Revenue recognition
Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of revenue can be measured reliably. Interest income is recognised on an accrual basis, by reference to the principal outstanding and the effective interest rate applicable.

2.5 Oil and gas exploration and evaluation activity
The Group follows the successful efforts method of accounting for oil and gas exploration and evaluation activities (intangible exploration and evaluation assets).

Pre licence costs, which relate to costs incurred prior to having obtained the legal right to explore an area, are charged directly to the Income Statement within operating expenses as they are incurred.

Once a licence has been awarded, all licence fees, exploration and appraisal costs relating to that licence are initially capitalised in well, field or specific exploration cost centres as appropriate pending determination. Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

When commercial reserves have been found, the net capitalised costs incurred to date in respect of those reserves are transferred into a single field cost centre and reclassified as development and production assets. Subsequent development costs in respect of the reserves are capitalised within development and production assets.

If there are indications of impairment, an impairment test is performed comparing the carrying value with the estimated discounted future cash flows based on Management's expectations of future oil and gas prices and future costs. Costs which are initially capitalised and subsequently written off are classified as operating expenses.

2.6 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged so as to write off the cost, less estimated residual value, of assets on a straight line basis over their useful lives of between two and five years.

2.7 Inventory
Inventory is comprised of materials and equipment that are acquired for future use. Inventories are stated at the lower of cost and net realisable value, cost being determined on an average cost basis.

2.8 Decommissioning provisions
Provisions for decommissioning are recognised in full when wells have been suspended or facilities have been installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas exploration and evaluation expenditure. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the related asset. The unwinding of the discount on the decommissioning provision is included as a finance cost.

2.9 Foreign currencies
Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into sterling at the exchange rate ruling at the Balance Sheet date, with a corresponding charge or credit to the Income Statement.

2.10 Taxation
Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets and liabilities are calculated in respect of temporary differences using a Balance Sheet liability method. Deferred tax assets and liabilities are recorded for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except in relation to goodwill or the initial recognition of an asset as a transaction other than a business combination. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deferred tax asset will be realised or if it can be offset against existing deferred tax liabilities.

Notes to the Group Financial Statements
for the Year Ended 31 December 2015

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the Balance Sheet date.

2.11 Share-based payments
The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of share options, is recognised as an employee benefit expense in the Income Statement. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market based vesting conditions) at the date of grant.

The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market based vesting to reflect the conditions prevailing at the Balance Sheet date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

2.12 Financial instruments
Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2.12.1 Cash and cash equivalents
Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with three months or less remaining to maturity from the date of acquisition and that are subject to an insignificant risk of change in value. Cash held in escrow is for future expected costs associated with the Group's decommissioning obligations or is held only to be dispersed to the benefit of independent third parties for work undertaken as part of the Group's drilling operations.

2.12.2 Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2.12.3 Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit and loss (FVTPL) or other financial liabilities.

2.12.4 Financial liabilities at FVTPL
Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated at FVTPL. A financial liability is classified as held for trading if it has been incurred principally for the purpose of repurchasing it in the near term.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

2.12.5 Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.12.6 Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.12.7 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Where warrants are granted in conjunction with other equity instruments, which themselves meet the definition of equity, they are recorded at their fair value, which is measured by the use of an appropriate valuation model. Warrants which do not meet the definition of equity are classified as derivative financial instruments.

2.12.8 Compound instruments
The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

If the conversion feature meets the definition of equity, the fair value of the liability component is estimated at the date of issue using the prevailing market interest rate for a similar non convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured

If the conversion feature of a convertible bond issued does not meet the definition of an equity instrument, it is classified as an embedded derivative and measured accordingly. The debt component of the instrument is determined by deducting the fair value of the conversion option at inception from the fair value of the consideration received for the instrument as a whole. This amount (the debt component) is recorded as a liability on an amortised cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

2.12.9 Embedded derivatives
Derivatives embedded in financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2.12.10 Derivative financial instruments
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date. The resulting gain or loss is recognised in the Income Statement immediately.

2.13 Borrowing costs
Borrowing costs directly relating to the construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time as the assets are substantially ready for their intended use, i.e. when they are capable of commercial production. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the Income Statement in the period in which they are incurred. The Group's capital projects are not qualifying assets to which interest costs are capitalised. No interest was capitalised in the current year.

2.14 Operating leases
Rentals under operating leases are charged to the Income Statement on a straight line basis over the lease term, even if the payments are not made on such a basis.

Notes to the Group Financial Statements
for the Year Ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty
In the process of applying the Group's accounting policies, Management has made the following judgements that have the most significant effect on the amounts recognised in the Financial Statements.

3.1 Recoverability of intangible exploration and evaluation assets
Intangible exploration and evaluation assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to: (i) the likely future commerciality of the asset having regard to licence terms and the Group's plans for further exploration and evaluation activities, (ii) future revenues and costs pertaining to the asset in question to the extent there is sufficient information to estimate these, and (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

Note 12 discloses the carrying values and any impairments of the Group's intangible exploration and evaluation assets.

3.2 Estimation of decommissioning costs
Provisions for decommissioning are recognised in full when wells have been suspended or facilities have been installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas exploration and evaluation expenditure. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements.

The provision therefore reflects estimates of the decommissioning cost, timings of decommissioning and the appropriate discount rate which are subject to revisions as better information becomes available.

Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the related oil and gas exploration and evaluation expenditure. The unwinding of the discount on the decommissioning is included as a finance cost.

Note 18 discloses the movement in the Group's decommissioning provisions.

3.3 Presumption of going concern
The Group closely monitors and manages its liquidity risk, through review of cash flow forecasts. In calculating cash flow forecasts, Management make a number of judgements and estimates, including forecast capital expenditure, overhead costs and foreign exchange rates. The cash flow forecasts are regularly produced and sensitivities run for different scenarios. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed potentially to enhance the financial capacity and flexibility of the Group.

The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its existing funding and to meet all commitments as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Full details of the assessment are provided in the going concern section of the Directors' Report.

3.4 Accounting for share-based payments
Charges relating to the Group's share-based payment arrangements requires making a number of judgements and estimates in the calculation of fair value of the awards made and the number and likelihood of the awards vesting. The calculation of the fair value of the awards requires judgements related to the inputs such as share price and volatility. Estimates are also required for the number of shares vesting, based on assumptions of how many options will be forfeited and the likelihood of vesting criteria being met.

Note 20 provides further detail on the Group's share-based payment arrangements.

4. Operating segments
The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

In the opinion of the Directors, the operations of the Group comprise one class of business, being oil and gas exploration and related activities in only one geographical area, the UK Continental Shelf.

5. Revenue
The Group has no revenue in the current or comparative year other than interest income.

6. Operating loss

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
Operating loss is stated after charging:		
Staff costs (note 8)	**4,443**	6,944
Operating lease rentals – land and buildings	**170**	135
Depreciation of property, plant and equipment (note 11)	**82**	95
Auditor's remuneration (see below)	**58**	259

The following is an analysis of the gross fees paid to the Group's auditor, Deloitte LLP.

Audit services		
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**41**	40
The audit of the Company's subsidiaries	**5**	5
	46	45
Non audit services		
Other services pursuant to legislation – interim review	**10**	10
Taxation compliance services	**2**	5
Corporate finance	**-**	199
	12	214
Total	**58**	259

The Group made no charitable or political donations in either year presented.

7. Finance costs

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
Bank charges	**1**	3
Interest on convertible loan notes	**-**	517
Unwinding of discount on decommissioning provisions (note 18)	**139**	113
	140	633

The interest on convertible loan notes relates to the interest charged on the convertible loan notes issued in April 2013 as part of the Group's pre-IPO funding. On admission of the Company's shares to AIM in February 2014 all outstanding loan notes were converted into ordinary shares of the Company.

Notes to the Group Financial Statements

for the Year Ended 31 December 2015

8. Staff costs

	Year Ended 31 Dec 2015 Number	Year Ended 31 Dec 2014 Number
The average number of persons employed by the Group during the year was:		
Operations	**16**	17
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	**1,865**	4,005
Social security costs	**221**	434
Share-based payment expense	**2,764**	3,531
Pension costs	**157**	175
Total employment costs	**5,007**	8,145
Less amounts capitalised	**(564)**	(1,201)
Staff costs recognised in the income statement	**4,443**	6,944

The Group does not currently operate a pension scheme but undertakes to make contributions to employees' existing pension schemes.

The employment cost for the Directors employed by the Group was £2,722,000 (2014: £4,827,000). These costs include emoluments of £1,185,000 (2014: £2,730,000); social security costs of £136,000 (2014: £282,000); pension contributions of £94,000 (2014: £108,000) and a share-based payment expense of £1,307,000 (2014: £1,707,000).

The highest paid Director received emoluments of £375,000 (2014: £750,000) and pension contributions of £38,000 (2014: £38,000). Included in emoluments are consulting fees of £27,500 (2014: £27,500) paid to Chartwood Resources Ltd, a company controlled by Dr David Jenkins and consulting fees of £27,500 (2014: £27,500) paid to Northlands Advisory Services Limited, a company controlled by John van der Welle.

At 31 December 2015 the Directors held 15,226,332 (2014: 15,226,332) PSP awards and share options. No PSP awards or share options were granted or exercised during 2015 (2014: nil). No PSP awards lapsed in 2015 (2014: 4,533,333 PSP awards and share options lapsed). For further detail on the Group's PSP awards and share options see note 20.

Further information on the remuneration of the Directors is included in the Remuneration Report.

9. Tax on loss on ordinary activities

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
UK corporation tax		
Current tax – current year	**-**	-
Current tax – prior year	**-**	(19)
Deferred tax	**-**	-
	-	(19)
Loss on ordinary activities before tax	**(5,523)**	(9,025)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil and gas companies of 50% (2014: 62%)	**(2,761)**	(5,596)
Effects of:		
Adjustment to prior years	**-**	(19)
Expenses not deductible for tax purposes	**1,506**	3,252
Unrecognised pre-trade revenue expenditure carried forward	**1,256**	2,339
Losses / (profits) subject to tax at lower rate	**(1)**	5
Total tax charge for the year	**-**	(19)

9.1 Factors which may affect future tax charges
Future profits may be subject to ring fence taxation at a combined rate of 40% on taxable oil extraction profits (ring fence corporation tax at 30% and a supplementary charge at 10%, with no deduction for financing costs). A 10% reduction of the supplementary charge rate was announced in the in the 2016 Budget. These rate reductions were published in the Finance Bill 2016 on 24 March 2016 (which is currently awaiting Royal Assent) and apply to accounting periods beginning on or after 1 January 2016.

The Group has pre-trading revenue expenses of £24.8 million (2014: £23.7 million) and pre-trading capital expenditure £158.7 million (2014: £155.8 million) which will be available for tax relief on commencement of a petroliferous trade for UK tax purposes.

The total pre-trading expenditure of £183.5 million (2014: £179.5 million) (referred to above) may attract Ring Fence Expenditure Supplement on the commencement of trade, which would result in a further uplift of £77.1 million (2014: £59.3 million) of tax relief being available at that time.

No provision has been made in these Financial Statements for a potential deferred tax asset of £12.4 million (2014: £14.7 million) resulting from the effect of carried forward pre-trading revenue expenses. A deferred tax asset would only be recognised where there is reasonable certainty that the Group will generate suitable taxable profits in the foreseeable future. The Group's practice is generally not to recognise potential deferred tax assets during exploration and evaluation stage activities due to the inherent uncertainty of success at this stage. The potential deferred tax asset is calculated at a rate of 50% (2014: 62%).

Notes to the Group Financial Statements
for the Year Ended 31 December 2015

10. Loss per share
The basic and diluted loss per share has been calculated using the loss for the year ended 31 December 2015 of £5,523,000 (2014: £9,006,000). The loss per share is calculated using a weighted average number of Ordinary Shares in issue less treasury shares. For the year ended 31 December 2015 this amounts to 632,151,017 Ordinary Shares (2014: 621,420,531). The loss per share for the year ended 31 December 2015 was 0.87 pence (2014: 1.45 pence).

As the Group has made losses for both periods, the share options detailed in note 20 were antidilutive and have not been included in the fully diluted loss per share calculation.

11. Property, plant and equipment

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
Cost		
At 1 January	**790**	766
Additions	**3**	24
At 31 December	**793**	790
Depreciation		
At 1 January	**(575)**	(436)
Charge for the year	**(129)**	(139)
At 31 December	**(704)**	(575)
Carrying amount at 31 December	**89**	215

Property, plant and equipment comprises the Group's investment in leasehold improvements, fixtures, office equipment and computer hardware. In 2015 £47,000 (2014: £44,000) of depreciation has been capitalised into the Group's intangible exploration and evaluation expenditure in accordance with the Group's overhead allocation policy.

12. Intangible exploration and evaluation assets

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
At 1 January	**177,308**	137,681
Additions	**2,903**	37,223
Effects of changes to decommissioning estimates (note 18)	**(4,199)**	2,404
At 31 December	**176,012**	177,308

Intangible exploration and evaluation expenditure comprises the book cost of licence interests and exploration and evaluation expenditure within the Group's licensed acreage in the West of Shetlands.

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 plans 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 is necessary at this time.

13. Other non-current receivables
The other non-current receivables of £130,000 (2014: £130,000) represents the deposit for the office lease. Further details are given in note 25.

14. Inventory

	31 Dec 2015 £'000	31 Dec 2014 £'000
Inventory	**410**	-
	410	-

Inventory is comprised of materials and equipment that are to be used in future exploration and appraisal activity.

15. Trade and other receivables

	31 Dec 2015 £'000	31 Dec 2014 £'000
Other receivables	**141**	222
Prepayments and accrued income	**279**	1,331
	420	1,553

16. Cash and cash equivalents

	31 Dec 2015 £'000	31 Dec 2014 £'000
Unrestricted funds	**7,623**	13,470
Restricted funds	**2,318**	2,386
	9,941	15,856

At 31 December 2015 the restricted funds of £2.3 million (2014: £2.3 million) is held in escrow for future expected costs associated with the Group's decommissioning obligations. The amounts held in escrow can only be withdrawn on the consent of both DECC and the Company.

17. Trade and other payables

	31 Dec 2015 £'000	31 Dec 2014 £'000
Trade payables	**71**	405
Other payables	**78**	80
Accruals	**122**	996
	271	1,481

Notes to the Group Financial Statements

for the Year Ended 31 December 2015

18. Decommissioning provisions

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
At 1 January	**7,281**	4,764
Unwinding	**139**	113
Change to estimate	**(4,199)**	-
Additions	**-**	2,404
At 31 December	**3,221**	7,281

The provision for decommissioning relates to the costs required to decommission the suspended wells previously drilled on the Lancaster and Whirlwind assets. The change to the decommissioning estimate in the year is due to a revision of the Directors' best estimate of the cost to decommission the assets at the end of the current licence term in 2019, discounted at 1.9% (2014: 1.9%). The revised approach to decommissioning the suspended wells in an integrated campaign coupled with an underlying reduction in the rates charged for oil field services has driven the reduction in the provision.

The additions in 2014 represent the expected decommissioning cost for the Lancaster 205/21a-6 horizontal well which was completed in June 2014.

19. Called up share capital

	31 Dec 2015 £'000	31 Dec 2014 £'000
Allotted, called up and fully paid 2015: 633,112,533 (2014: 632,267,788) Ordinary Shares of £0.001 each	**633**	632

The Company does not have an authorised share capital.

On 4 February 2014 all of the Company's authorised shares were admitted to the AIM market of the London Stock Exchange as part of its IPO. At the same time a total of 41,860,465 new Ordinary Shares were issued at a price of £0.43 per share, raising £18.0 million (gross).

The listing of the Company's shares on AIM triggered the conversion of all outstanding loan notes into Ordinary Shares of the Company to give the holders a conversion price at a 30% discount to the placing price. This resulted in 99,070,189 Ordinary Shares being issued to loan note holders.

The listing of the Company's shares on AIM also triggered the exercise of the warrant attached to the Ordinary Shares issued in April 2013. This resulted in the issue of Ordinary Shares at a price which gave the holder an average subscription price, across the Ordinary Shares already subscribed for and those subscribed on exercise of the warrant, which equated to a discount of 30% to the placing price. This resulted in 7,663,453 new Ordinary Shares being issued at £0.001 per share to the warrant holder.

On 24 February 2014 the Board approved the purchase of 102,903 new Ordinary Shares by the Chairman, John Hogan, at a subscription price of £0.31 per share.

On 25 February 2014 282,729 new Ordinary Shares issued were issued to the Hurricane Energy plc Share Incentive Plan (SIP) at a subscription price of £0.31 per share.

On 23 January 2015 844,745 new Ordinary Shares were issued to the Hurricane Energy plc Share Incentive Plan (SIP) at a subscription price of £0.14 per share.

20. Share options

	Year Ended 31 Dec 2015 Number of options	Year Ended 31 Dec 2015 Weighted average exercise price £	Year Ended 31 Dec 2014 Number of options	Year Ended 31 Dec 2014 Weighted average exercise price £
Outstanding at 1 January	**34,357,832**	**0.02**	38,191,165	0.02
Granted	**-**	**-**	700,000	-
Forfeited	**(200,000)**	**-**	(4,533,333)	-
Exercised	**-**	**-**	-	-
Outstanding at 31 December	**34,157,832**	**0.02**	34,357,832	0.02
Exercisable at 31 December	**1,074,500**	**0.61**	1,074,500	0.61

The Group recognised total expenses of £2,764,000 in respect of share-based payments in 2015 (2014: £3,531,000). The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 3.1 years (2014: 4.1 years).

20.1 PSP awards

In April 2013, all awards under the Group's Long Term Incentive Plan (LTIP) were surrendered together with all unvested share options (other than those that vested at IPO) and replaced with awards under the Hurricane Energy 2013 Performance Share Plan (PSP). Under the PSP certain employees, including executive Directors, were granted conditional rights to receive in aggregate 45,450,000 Ordinary Shares at nil cost. The share awards vest based on the Group meeting certain operational and funding milestones across the next three years.

A mirror image plan (the Hurricane Energy 2013 Nominal Cost Option Plan (NED Plan)) was also introduced for the purpose of enabling conditional awards of nil cost options to the Group's non-executive Directors. The NED Plan operates on materially the same terms and conditions as the PSP. Under the NED Plan the non-executive Directors, were granted conditional rights to receive in aggregate 2,000,000 Ordinary Shares at nil cost. The share awards vest based on the same conditions as the PSP.

In November 2013, a total of 10,666,668 conditional awards under the PSP were surrendered. The remaining 34,783,332 conditional awards under the PSP had their performance conditions modified so that the share awards vest based on the Group meeting certain funding milestones across the next five years. A further 1,000,000 conditional rights to receive Ordinary Shares at nil cost were granted under the updated PSP. Also, a total of 666,667 conditional awards under the NED Plan were surrendered. The remaining 1,333,333 conditional awards under the NED Plan had their performance conditions modified in line with those modified in the PSP. The changes to the PSP and NED Plan have been accounted for as modifications to the original schemes.

In September 2014 700,000 PSP awards were granted to certain employees under the same performance conditions as the November 2013 awards. The fair value of these awards at grant was £0.43 per award.

No awards were granted in 2015.

20.2 Share Options

There are two tranches of share options that remain outstanding at 31 December 2015. Both tranches vested either on or before IPO. All other share options and LTIP awards were replaced by the PSP. All outstanding options are exercisable at 31 December 2015.

The first tranche of 600,000 share options were granted in April 2009 with an exercise price of £0.30 and lapse in June 2019. The second tranche of 474,500 share options was granted in January 2011 at an exercise price of £1.00 and lapse in December 2020.

Notes to the Group Financial Statements

for the Year Ended 31 December 2015

21. Own shares held by SIP Trust

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
At 1 January	**194**	136
Acquired in the period	**95**	89
Shares disposed of to employees	**(94)**	(31)
At 31 December	**195**	194

The own shares reserve represents the cost of Ordinary Shares in Hurricane Energy plc purchased and held by the Group's SIP Trust to satisfy the Group's Share Incentive Plan administered by MM&K Share Plan Trustees Limited.

During 2015 the SIP acquired 844,745 new Ordinary Shares of £0.001 nominal value (2014: 282,729) at a subscription price of £0.14 per share (2014: £0.31 per share), all of which were allocated to participants. At 31 December 2015 there were 1,110,604 Ordinary Shares held in the SIP Trust (2014: 389,881), all of which were allocated to participants.

22. Reconciliation of operating loss to net cash outflow from operating activities

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
Operating loss	**(5,448)**	(8,584)
Adjustments for:		
Depreciation of property, plant and equipment (note 11)	**82**	95
Equity shares to be issued (note 27)	**(5)**	486
Share-based payment charge (note 20)	**2,764**	3,531
Operating cash outflow before working capital movements	**(2,607)**	(4,472)
Decrease / (increase) in receivables	**1,113**	(455)
(Decrease) / increase in payables	**(1,058)**	250
Cash used in operating activities	**(2,552)**	(4,677)
Corporation tax paid	**(6)**	-
Net cash outflow from operating activities	**(2,558)**	(4,677)

23. Financial instruments

23.1 Financial risk management

The Group monitors and manages the financial risks relating to its operations on a continuous basis. These include foreign exchange, credit, liquidity and interest rate risks. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes. The Group's significant financial instruments are cash and cash equivalents (note 16), trade payables (note 17). The Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The Group has no material financial assets that are past due.

23.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders.

Capital managed by the Group at 31 December 2015 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by Management through regular internal and financial reporting and forecasting. As at 31 December 2015 equity attributable to equity holders of the parent is £183.5 million (2014: £186.3 million), whilst cash and cash equivalents amount to £9.9 million, (2014: £15.9 million).

23.3 Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currencies; hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are predominately held in Pounds Sterling although the Group will hold cash balances in US Dollars to meet actual or expected commitments in that currency.

A 10% increase in the strength of the US Dollar against Sterling would cause a decrease of £0.1 million (2014: £0.7 million) on the loss after tax of the Group for the year ended 31 December 2015. A 10% weakening in the strength of the US Dollar against Sterling, would cause an increase of £0.1 million (2014: £0.9 million) on the loss after tax of the Group for the year ended 31 December 2015.

This sensitivity analysis includes only foreign currency denominated cash and cash equivalents, and adjusts their translation at the period end for a 10% change in the foreign currency rate. Whilst the effect of any movement in exchange rates is charged or credited to the Income Statement, the economic effect of holding US Dollars against actual or expected commitments in US Dollars is as an economic hedge against exchange rate movements.

23.4 Credit risk

The Group is only exposed to credit risk on its cash and cash equivalents. The risk to the Group is deemed to be limited because the cash and cash equivalents are deposited with banks with at least A credit ratings assigned by an international credit rating agency. The carrying value of cash and cash equivalents represents the Group's maximum exposure to credit risk at year end.

23.5 Liquidity risk

The Group manages its liquidity risk by maintaining adequate cash and cash equivalents to cover its liabilities as and when they fall due. The financial liabilities of the Group are currently limited to trade payables, which are due to be paid within 60 days of the Balance Sheet date. Consideration of the Group's current and forecast financing position are provided in more detail in the going concern section of the Directors' Report.

23.6 Interest rate risk

The Group is exposed to interest rate movements through its cash and cash equivalents which earn interest at variable interest rates.

If interest rates had been 1% higher, the Group's loss after tax for the year ended 31 December 2015 would have decreased by £0.1 million (2014: £0.2 million), assuming the cash and cash equivalents at the Balance Sheet date had been outstanding for the whole year. No sensitivity analysis has been undertaken for a 1% decrease in interest rates because of the low level of prevailing interest rates during the year.

24. Capital commitments

As at 31 December 2015 and 2014 the Group had no capital commitments.

Notes to the Group Financial Statements
for the Year Ended 31 December 2015

25. Financial commitments
The Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	31 Dec 2015 £'000	31 Dec 2014 £'000
Within one year	**138**	136
In the second to fifth years inclusive	**520**	520
After five years	**33**	163
	691	819

Operating lease payments represent rentals payable by the Group for certain of its office properties.

26. Related parties
During 2015, the only related party transactions are those with the Directors who are considered as the Group's key management personnel. All transactions with the Directors are detailed in note 8.

27. Equity shares to be issued
The balance of £649,000 at 31 December 2015, (2014: £696,000) in equity shares to be issued reserve, represents the value of deferred Ordinary Shares that have been assigned for future awards to employees in respect of the 2014 bonus scheme. The Company was in a close period at the time when the awards were intended to be made. As such the Company was unable to grant the deferred shares to employees. Once the Company is out of the close period, the Board will review the recommendations of the remuneration committee in relation to the deferred share element of the 2014 bonus.

28. Subsequent events
28.1 Share incentive plan
On 22 January 2016, MM&K Plan Trustees Limited, trustee of the HMRC approved Hurricane Energy plc Share Incentive Plan (SIP), awarded 1,016,976 Ordinary Shares in the Company to participants in the SIP at a price of £0.09 per share. The SIP award has been satisfied by the issue of 1,016,976 new Ordinary Shares issued to the SIP at a subscription price of £0.09 per share.

28.2 Directorate changes
On 31 January 2016, Chief Financial Officer Nicholas Mardon Taylor retired. On 16 March 2016, Alistair Stobie was appointed as Chief Financial Officer. On 1 March 2016, Chairman John Hogan resigned and Dr Robert Arnott was appointed as his successor. On 10 May 2016 Roy Kelly was appointed as a non-executive Director. In accordance with the terms of the Kerogen Subscription, Roy Kelly appointed Jason Cheng or, in his absence, Leonard Tao as his alternate director on the Board.

28.3 Fundraising
On 18 April 2016, the Group announced that it had conditionally raised approximately £52.1 million (before expenses) through the issue of 347,245,265 new Ordinary Shares to Kerogen Capital and other institutional investors at a price of 15 pence per share. In connection with the fundraising, the Group has issued warrants to Crystal Amber to subscribe for up to 23,333,333 new Ordinary Shares at a price of 20 pence per share.

The fundraising was approved by Shareholders at the General Meeting on 9 May 2016 and the new Ordinary Shares were admitted to trading on 10 May 2016.

28.4 R&D Tax relief
On 27 April 2016, the Group received £0.7 million in respect of an R&D tax claim for the period ended 31 December 2013.

Company Balance Sheet
as at 31 December 2015
Registered company number 05245689

	Notes	31 Dec 2015 £'000	31 Dec 2014 £'000
Non-current assets			
Property, plant and equipment	1	**89**	215
Intangible exploration and evaluation assets	2	**80,249**	80,875
Investments	3	**15,090**	15,090
Amounts due from subsidiary undertakings		**79,262**	77,832
Other receivables	4	**130**	130
		174,820	174,142
Current assets			
Inventory	5	**410**	-
Trade and other receivables	6	**420**	1,553
Cash and cash equivalents	7	**9,941**	15,856
Total current assets		**10,771**	17,409
Total assets		**185,591**	191,551
Current liabilities			
Trade and other payables	8	**(271)**	(1,481)
Current tax liabilities		**-**	(6)
		(271)	(1,487)
Non-current liabilities			
Decommissioning provision	9	**(1,610)**	(3,641)
Total liabilities		**(1,881)**	(5,128)
Net assets		**183,710**	186,423
Equity			
Share capital	10	**633**	632
Share premium		**210,814**	210,697
Share option reserve		**8,089**	5,420
Own shares held by SIP Trust	10	**(195)**	(194)
Equity shares to be issued	10	**649**	696
Accumulated deficit		**(36,280)**	(30,828)
Total equity		**183,710**	186,423

The Financial Statements of Hurricane Energy plc were approved by the Board of Directors and authorised for issue on 23 May 2016. They were signed on its behalf by:

Dr Robert Trice
Chief Executive Officer
23 May 2016

Alistair Stobie
Chief Financial Officer
23 May 2016

Company Statement of Changes in Equity

for the Year Ended 31 December 2015

	Share capital £'000	Share premium £'000	Share option reserve £'000	Own shares held by SIP Trust £'000	Equity shares to be issued £'000	Accumulated deficit £'000	Total £'000
At 1 January 2014	483	167,328	1,901	(136)	-	(37,569)	132,007
Shares allotted	42	18,077	-	-	-	-	18,119
Transaction costs	-	(1,272)	-	-	-	-	(1,272)
Conversion of convertible loan	99	26,564	-	-	-	14,278	40,941
Exercise of warrant	8	-	-	-	-	1,414	1,422
Share option charge	-	-	3,519	-	-	-	3,519
Own shares held by SIP Trust	-	-	-	(58)	-	-	(58)
Equity shares to be issued	-	-	-	-	696	-	696
Loss for the year	-	-	-	-	-	(8,951)	(8,951)
At 31 December 2014	632	210,697	5,420	(194)	696	(30,828)	186,423
Shares allotted	1	117	-	-	-	-	118
Share option charge	-	-	2,669	-	-	-	2,669
Own shares held by SIP Trust	-	-	-	(1)	-	-	(1)
Equity shares to be issued	-	-	-	-	(47)	-	(47)
Loss for the year	-	-	-	-	-	(5,452)	(5,452)
At 31 December 2015	**633**	**210,814**	**8,089**	**(195)**	**649**	**(36,280)**	**183,710**

The share option reserve arises as a result of the expense recognised in the Income Statement for the cost of share-based employee compensation arrangements.

The loss of the parent company for 2015 was £5,452,000 (2014: loss of £8,951,000). The Company has taken advantage of the exemption provided by Section 408 of the Companies Act 2006 not to publish its individual Income Statement and related notes.

Company Cash Flow Statement

for the Year Ended 31 December 2015

	Notes	**Year Ended 31 Dec 2015 £'000**	Year Ended 31 Dec 2014 £'000
Net cash outflow from operating activities	11	**(2,558)**	(4,669)
Investing activities			
Interest received		**35**	67
Expenditure on property, plant and equipment		**(3)**	(24)
Expenditure on intangible exploration and evaluation assets		**(1,574)**	(18,079)
Expenditure on inventory		**(410)**	-
Working capital provided to subsidiary companies		**(1,455)**	(18,514)
Net cash used in investing activities		**(3,407)**	(36,550)
Financing activities			
Interest paid		**(1)**	(3)
Net proceeds from issue of share capital		**23**	16,786
Net cash provided by financing activities		**22**	16,783
Net decrease in cash and cash equivalents		**(5,943)**	(24,436)
Cash and cash equivalents at the beginning of the year		**15,856**	40,167
Net decrease increase in cash and cash equivalents		**(5,943)**	(24,436)
Effects of foreign exchange rate changes		**28**	125
Cash and cash equivalents at the end of the year	7	**9,941**	15,856

Notes to the Company Financial Statements
for the Year Ended 31 December 2015

1. Property, plant and equipment

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
Cost		
At 1 January	**790**	766
Additions	**3**	24
At 31 December	**793**	790
Depreciation		
At 1 January	**(575)**	(436)
Charge for the year	**(129)**	(139)
At 31 December	**(704)**	(575)
Carrying amount at 31 December	**89**	215

Property, plant and equipment comprises the Company's investment in leasehold improvements, fixtures, office equipment and computer hardware. In 2015 £24,000 (2014: £22,000) of depreciation has been capitalised into the Company's intangible exploration and evaluation expenditure in accordance with the Company's overhead allocation policy.

2. Intangible exploration and evaluation assets

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
At 1 January	**80,875**	61,062
Additions	**1,473**	18,611
Effects of changes to decommissioning estimates (note 9)	**(2,099)**	1,202
At 31 December	**80,249**	80,875

Intangible exploration and evaluation expenditure comprises the book cost of licence interests and exploration and evaluation expenditure within the Company's licensed acreage in the West of Shetlands.

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 Company's tenure to its licence interests, its plans for further exploration and evaluation activities in relation to these and the likely opportunities for realising the value of the Company's licences, either by farm-out or by development of the assets. The Directors have concluded that no impairment is necessary at this time.

3. Investments

	31 Dec 2015 £'000	31 Dec 2014 £'000
Investment in subsidiaries	**9,751**	9,751
Loan to subsidiary	**5,339**	5,339
	15,090	15,090

The entire ordinary share capital of Hurricane Exploration (UK) Limited was acquired in 2008. Hurricane Exploration (UK) Limited is registered in the UK and its principal activity is oil and gas exploration. There are three other UK registered dormant subsidiaries; Hurricane Group Limited, Hurricane Basement Limited and Hurricane Petroleum Limited. The Company holds the entire ordinary share capital of each of the dormant subsidiaries. Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

4. Other non-current receivables

The other non-current receivables of £130,000 (2014: £130,000) represent the deposit for the office lease. Further details are given in note 25 of the Group Financial Statements.

5. Inventory

	31 Dec 2015 £'000	31 Dec 2014 £'000
Inventory	**410**	-
	410	-

Inventory is comprised of materials and equipment that are to be used in future exploration and appraisal activity.

6. Trade and other receivables

	31 Dec 2015 £'000	31 Dec 2014 £'000
Other receivables	**141**	222
Prepayments and accrued income	**279**	1,331
	420	1,553

Notes to the Company Financial Statements
for the Year Ended 31 December 2015

7. Cash and cash equivalents

	31 Dec 2015 £'000	31 Dec 2014 £'000
Unrestricted funds	**7,623**	13,470
Restricted funds	**2,318**	2,386
	9,941	15,856

At 31 December 2015 the restricted funds of £2.3 million (2014: £2.3 million) is held in escrow for future expected costs associated with the Company's decommissioning obligations. The amounts held in escrow can only be withdrawn on the consent of both DECC and the Company.

8. Trade and other payables

	31 Dec 2015 £'000	31 Dec 2014 £'000
Trade payables	**71**	405
Other payables	**78**	80
Accruals	**122**	996
	271	1,481

9. Decommissioning provisions

	31 Dec 2015 £'000	31 Dec 2014 £'000
At 1 January	**3,641**	2,382
Unwinding	**68**	57
Changes to estimates	**(2,099)**	-
Additions	**-**	1,202
At 31 December	**1,610**	3,641

The provision for decommissioning relates to the costs required to decommission the suspended wells previously drilled on the Lancaster and Whirlwind assets. The change to the decommissioning estimate in the year is due to a revision of the Directors' best estimate of the cost to decommission the assets at the end of the current licence term in 2019, discounted at 1.9% (2014: 1.9%). The revised approach to decommissioning the suspended wells in an integrated campaign coupled with an underlying reduction in the rates charged for oil field services has driven the reduction in the provision.

The additions in year 2014 represent the expected decommissioning cost for the Lancaster 205/21a-6 horizontal well which was completed in June 2014.

10. Other balance sheet disclosures

Details of the Company's share capital, share options, own shares held by the SIP Trust, financial instruments and equity shares to be issued are provided in notes 19, 20, 21, 23 and 27 of the Group Financial Statements.

11. Reconciliation of operating loss to net cash outflow from operating activities

	Year Ended 31 Dec 2015 £'000	Year Ended 31 Dec 2014 £'000
Operating loss	**(5,448)**	(8,584)
Adjustments for:		
Depreciation of property, plant and equipment (note 1)	**82**	95
Equity shares to be issued	**(5)**	486
Share-based payment charge	**2,764**	3,531
Operating cash outflow before working capital movements	**(2,607)**	(4,472)
Decrease / (increase) in receivables	**1,113**	(455)
(Decrease) / increase in payables	**(1,058)**	258
Cash used in operating activities	**(2,552)**	(4,669)
Corporation tax paid	**(6)**	-
Net cash outflow from operating activities	**(2,558)**	(4,669)

12. Other disclosures

Certain other disclosures in notes 24, 25, 26 and 28 to the Group Financial Statements also apply to the Company in respect of its share of the Group's operations.

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