Hurricane

Annual Report and Group Financial Statements 2016

“...the largest undeveloped discovery on the U.K. continental shelf...”

Hurricane

Contents

Hurricane Highlights

Portfolio of the largest currently undeveloped discoveries in the UKCS
100% owned

2P Reserves of 37 million barrels and 2C Resources of 691 million barrels
- Lancaster and Whirlwind (oil case)*

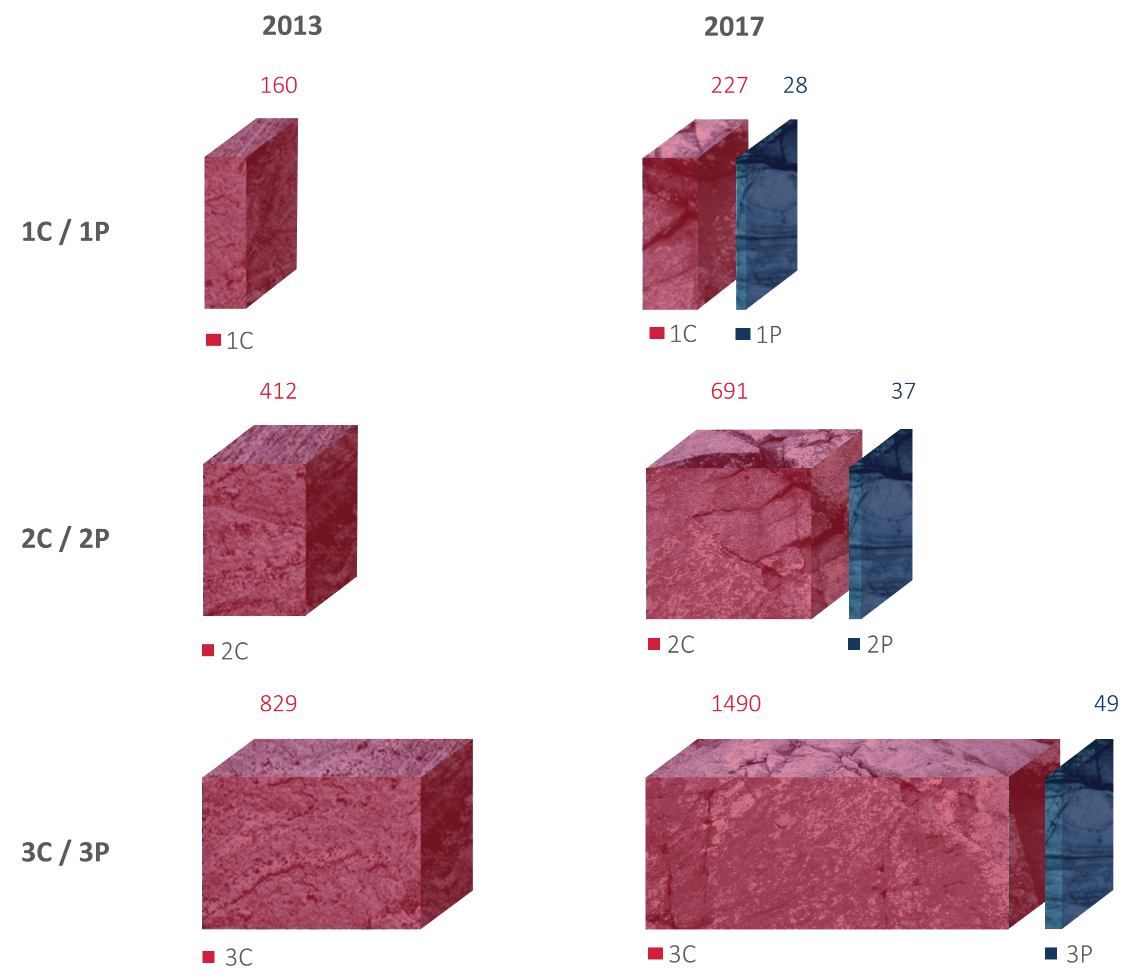
Lancaster field now proceeding to first phase of development **- first oil targeted for H1 2019 at approximately 17,000 barrels of oil per day**

2016 Pre-tax loss of £4.7 million;
Profit after tax of £0.7 million

Ended 2016 with £82.2 million in cash**

* 2P Reserves are taken from the Competent Person's Report (CPR) prepared by RPS Energy Consultants Limited in May 2017 ("2017 CPR"). The 2C Resources are a summation of the Whirlwind (oil case) 2C Resources in the 2013 CPR (being barrels of oil equivalent) and the Lancaster 2C Resources in the 2017 CPR. (The 2017 CPR only addressed the Lancaster Field). Reserves status is subject to Hurricane achieving project sanction.
** Includes restricted cash of £9.9 million.

Reserves and Resources (million barrels)



Reserves are taken from the Competent Person's Report (CPR) prepared by RPS Energy Consultants Limited in May 2017 ("2017 CPR"). The Resources are a summation of the Whirlwind (oil case) Resources in the 2013 CPR (being barrels of oil equivalent) and the Lancaster Resources in the 2017 CPR. (The 2017 CPR only addressed the Lancaster Field). Reserves status is subject to Hurricane achieving project sanction.

Introduction

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

Hurricane acreage is concentrated on the Rona Ridge, West of Shetland. The Lancaster licence, the Company's most appraised asset, has combined 2P Reserves and 2C Resources of 523 million barrels. In addition, the Company has 205 million barrels of oil equivalent on its Whirlwind licence (under the Whirlwind oil case).

During the 2016-2017 drilling campaign the Company made two significant discoveries* at Halifax and Lincoln, indicating that the Greater Lancaster Area and the Greater Warwick Area have the potential to be two large accumulations.

* Discovery - This classification is consistent with SPE/AAPG/WPC and SPEE guidelines for Petroleum Resource Management – Determination of Discovery Status

Chairman's Statement

Welcome to Hurricane Energy's 2016 Annual Report.

2016 was a good year for Hurricane. From the proceeds of our initial £52.1 million capital raise in May, the Company took the Transocean Spitsbergen on hire on 2 July 2016. On 24 March 2017, 265 days of continuous drilling operations later, the rig left the Halifax Well, our fourth consecutive well and second exploration success of the drilling campaign.

Underpinning our success was the result of the Pilot Well drilled on Lancaster which demonstrated a deep oil column below local structural closure. The Pilot Well was followed up by the successful Horizontal Sidetrack Well. The flow rate of 15,375 stb/d achieved with electrical submersible pump support from the Horizontal Sidetrack Well demonstrated that the Lancaster field is highly productive.

As a result of the success of the Pilot Well, the Company applied for the Halifax Licence in an out of round application. Thanks must go to the Regulators for awarding the licence and approving the subsequent drilling permits in record time.

The Company returned to the capital markets in November 2016, raising £74.4 million in a significantly oversubscribed offering. We were once again grateful for the support of Kerogen and Crystal Amber whose initial injection of capital in May kick-started our drilling campaign in July. Importantly, in an equity market which was not yet fully-open to junior E&P companies, we were pleased that we were able to start rebuilding our institutional shareholder base.

The November capital raise also included capital to allow us to invest in front end engineering design ("FEED") studies for the Lancaster Early Production System ("EPS"). The purpose of the EPS is to obtain reservoir performance data in order to plan for the full field development ("FFD") on our Rona Ridge licences. Whilst the subsurface team were busy drilling, the development and commercial teams spent the second half of 2016 securing an Floating Production Storage and Offloading Vessel ("FPSO"), the Aoka Mizu, and the support of TechnipFMC to provide the subsea equipment and control systems for the two horizontal wells. We remain on track to reach final investment decision ("FID") in mid-2017, with first oil targeted for H1 2019. The details of the EPS are included within the Group Strategic Review. I am delighted that with project maturity the operating costs have reduced such that the project remains robust under most foreseeable oil price scenarios. The downturn in the industry and consequent reduction in the cost base has also helped focus service providers to support Hurricane.

The success of the Lincoln and Halifax wells highlight the potential scale of the discovered resource. As such, the EPS is a vital element to optimise the FFD of the Greater Lancaster Area ("GLA"), Greater Warwick Area ("GWA") and Whirlwind. Further appraisal drilling will, however, be needed to delineate the volumes in GLA, GWA and Whirlwind, thus setting the conditions for the Company to achieve maximum value from its assets

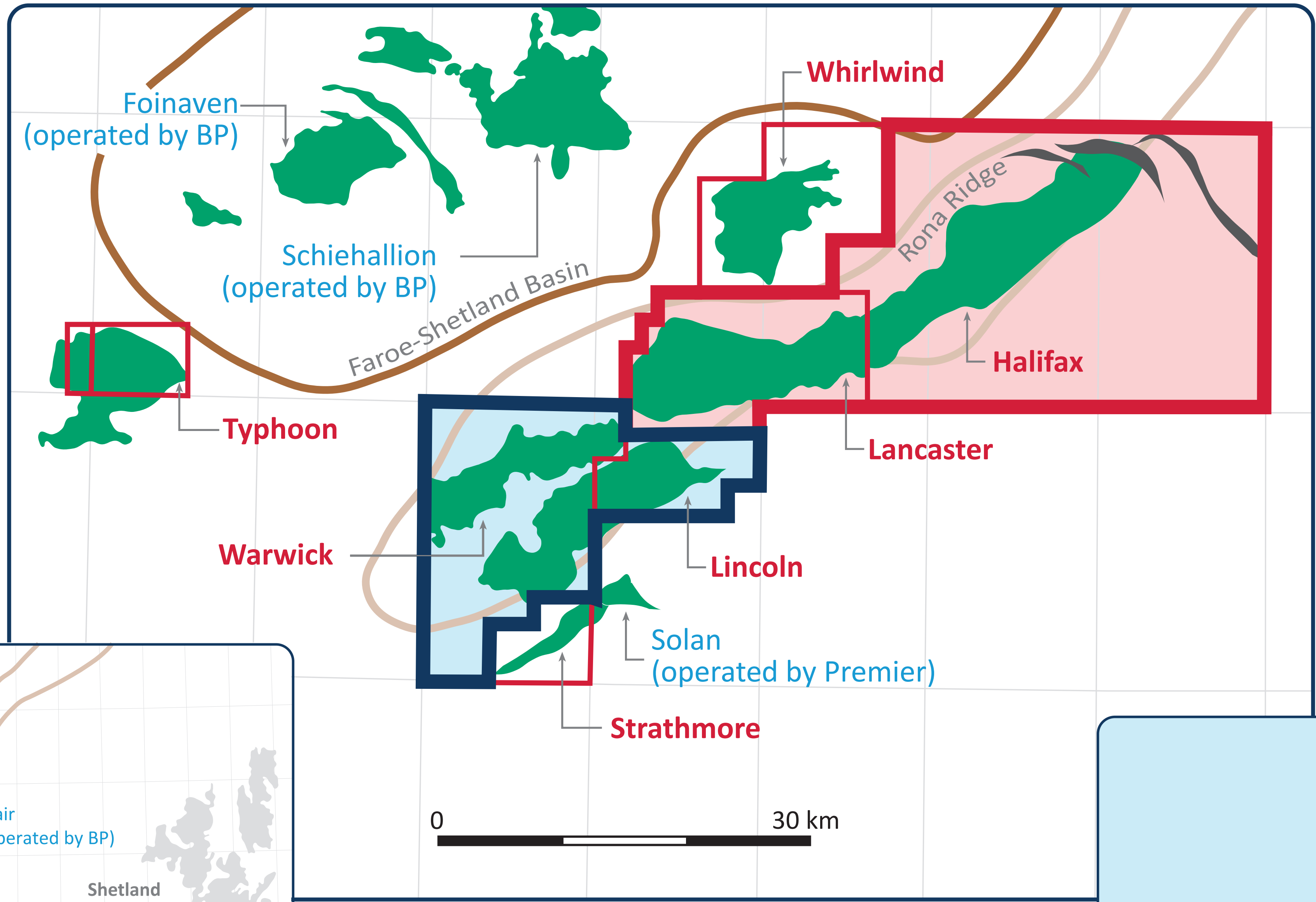
The funding of the EPS will be a significant moment in 2017. In May 2017 the Company intends to initiate an interim equity raise to provide additional funds to preserve flexibility around both the timing and the optimal structure for the funding required for the EPS, anticipated to occur in mid-2017, and to ensure we are appropriately funded for the coming twelve months. We continue to progress our debt, equity and farm-out discussions with a view to securing the best risk-adjusted returns to shareholders. To this end we reopened our dataroom to a limited number of high quality participants in early 2017. As Hurricane is an explorer and appraiser of fractured basements, we will look to those with the requisite skill set to take the Rona Ridge project on to FFD.

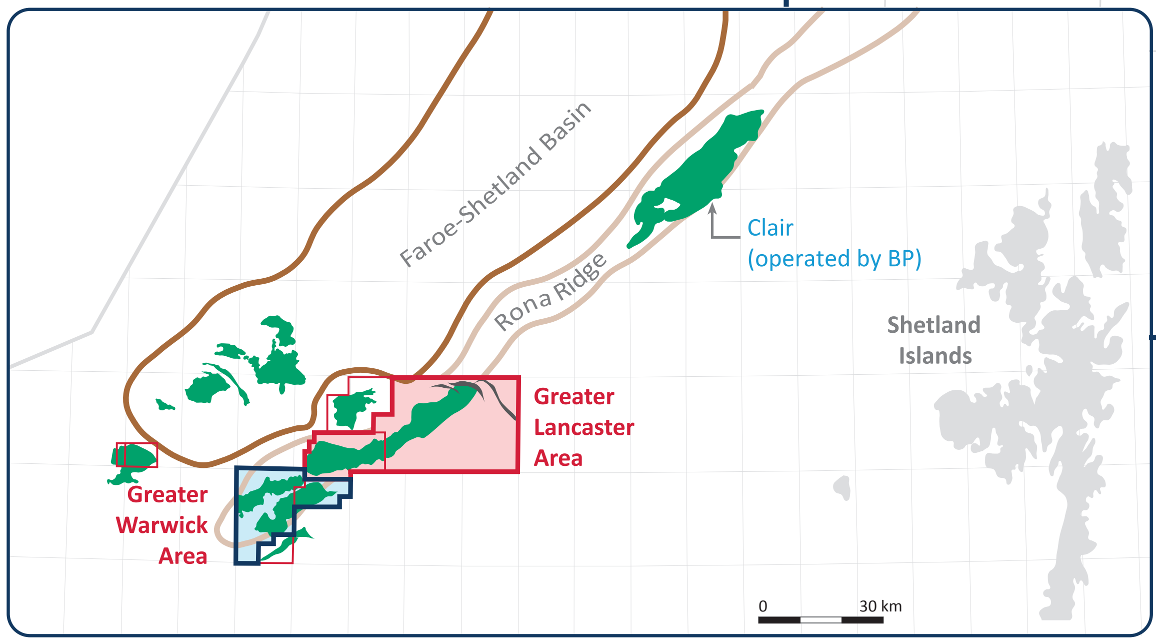
At the end of my first year as Chairman there are a number of people and organisations to whom I would like to extend the thanks of the Company. Transocean, Bluewater and TechnipFMC have all worked collaboratively with the Company to achieve the results I have set out above. Thanks also go to the Regulators who have supported the Company throughout its drilling and EPS planning phase. Finally, the board and staff of Hurricane; to have safely drilled 265 days West of Shetland whilst planning for the EPS and raising the capital to fund the above has been a remarkable achievement.

I look forward to the Company continuing its strong performance in 2017.

Dr Robert Arnott
Chairman
12 May 2017

Hurricane's Asset Locations





Greater Lancaster Area (GLA)

Greater Warwick Area (GWA)

Group Strategic Report: Review of 2016

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 missed 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 has been 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 mature a discovery through to development and production. Given the potential scale of the Company's assets, it is our intention to introduce a development partner at the right time to share the financial and operational development risk of the assets. Hurricane is focused on bringing its existing discoveries to field development.

Strategy

Our strategy is to create shareholder value through the exploration, appraisal and development of naturally fractured basement reservoirs. We will progress our resources through the value chain from prospects to discoveries and contingent resources, culminating in reserves and ultimately production. We do this through exploration and appraisal drilling and early stage field development.

We believe that fractured basement reservoirs can be associated with oil outside of structural closure that is of material commercial value.

To date we have maintained 100% ownership and Licence and Field Operatorship of all of our discoveries. Being in a position to independently complete 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 form a part of the overall financing strategy going forward.

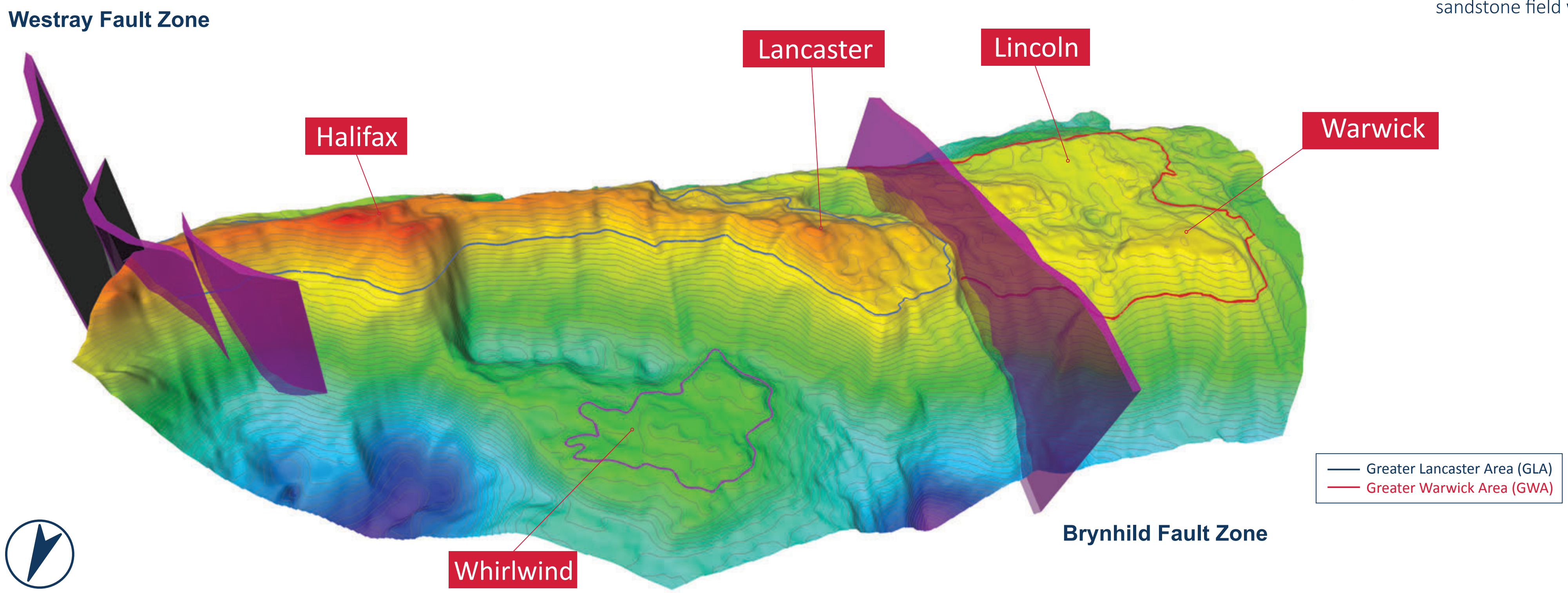
Current Acreage

The Company's Rona Ridge basement discoveries (summarised on the underlying map) comprise the GLA, the GWA, and Whirlwind. In addition to the significant oil volumes associated with these discoveries, their geographic proximity and shallow water setting (approximately 140 – 190 metres) reinforce the potential for these discoveries to act as a production hub for future West of Shetland developments. The GLA consists of the Lancaster Field and the P2308 licence (the "Halifax Licence"). The Halifax Licence was applied for in 2016 in an out of round application as a direct result of the Lancaster 7 Pilot Well results. The Halifax Licence was awarded in November 2016 and includes the 2017 Halifax discovery which, together with Lancaster, has the potential to form part of a single and extensive hydrocarbon accumulation. Proof of such will require confirmation through future appraisal of the Lancaster and Halifax licences.

The GWA comprises the Lincoln Discovery and the yet to be drilled Warwick Prospect. The 2017 Lincoln Well (205/26b-12) is interpreted as demonstrating the presence of an extensive oil column. As a result, the Lincoln Discovery and the Warwick Prospect are viewed as potentially a single hydrocarbon accumulation. Confirmation of single accumulation status for the GWA will require further appraisal drilling of licences P1368 South and P2294 (GWA). (It should be noted that in November 2015 OGA consented to the sub-division of Hurricane's Frontier Licence P1368 into 4 sub-areas, P1368 North, Central, South and Southwest.)

Whirlwind comprises a basement reservoir that is significantly deeper than the GLA and GWA and is also associated with lighter oil than the GLA/GWA. Further appraisal drilling of licence P1368 North will be required to establish the precise hydrocarbon type and depth of the Whirlwind oil water contact ("OWC"). Currently the Whirlwind Discovery is associated with a hydrocarbon column height of 200 metres true vertical thickness ("TVT") and a probable light oil accumulation of 200 million stock tank barrels ("MMstb") (2C Resource). (The hydrocarbons may possibly be a gas condensate, but this cannot be determined without further testing).

Hurricane's other assets include Typhoon and Strathmore. Typhoon is a basement and sandstone prospect with a P50 Prospective Resource of 149 MMstb. Strathmore is a stranded sandstone field with a 2C Resource of 32 MMstb of oil.



Group Strategic Report: Review of 2016

2016 Operations

Hurricane's 2016 operations included drilling the Lancaster 205/21a-7 Pilot Well and -7Z Horizontal Sidetrack Well and the Lincoln exploration well. In 2017, prior to the date of this report, the Halifax Well was also drilled, logged and tested. The results of each of these wells have individually and collectively increased the Company's resource base and support and the progression of the Lancaster field development, whilst materially increasing the Company's understanding of the Rona Ridge basement play.

Lancaster Pilot and Horizontal Sidetrack Wells

(205/21a-7 & 205/21a-7Z)

The Pilot Well provided new data that unequivocally demonstrated that an extensive hydrocarbon column is present at Lancaster. This new data reinforces Hurricane's geological model that producible hydrocarbons are present at a depth significantly deeper than the Lancaster Field's structural closure. It is therefore probable that producible oil volumes are likely to be present within basement beyond the Lancaster Field's eastern block boundary. This conclusion, combined with the hydrocarbon column found by the Halifax Well, provides material support to the significant hydrocarbon potential of the Lancaster Licence. Testing of the Pilot Well also demonstrated higher flow rates than anticipated, thus providing further support for the Company's reservoir model that the basement reservoir comprises a highly connected and permeable fracture network.

The Horizontal Sidetrack Well was also a successful operation providing further flow rate and pressure data that supports the Company's assertion that commercially producible volumes of oil can be delivered through the planned EPS phase of the Lancaster field development. The well was successfully suspended so that it, and the Lancaster 6 Horizontal Well (205/21a-6), drilled in 2014, are now awaiting completion and future production. The combined data from the Lancaster Pilot and Horizontal Sidetrack Wells also provided further de-risking of the Victory sandstone reservoir (previously identified as the Rona sandstone), which overlies and is in pressure communication with the basement.

The Lincoln Exploration Well

(205/26b-12)

Lincoln well operations resulted in a significant fractured basement discovery identified through gas chromatography, logging-while-drilling and wireline data. No OWC was encountered and an oil down to ("ODT") of approximately 520 metres true vertical depth ("TVD") below structural closure indicates a hydrocarbon column of at least 618 metres TVT. The Lincoln well was planned to exclude testing, and therefore estimates of the hydrocarbon type have been derived from isotube analysis and sidewall core hydrocarbon extracts, indicating that Lincoln oil is similar to that of Lancaster.

The depth of the Lincoln ODT is significantly deeper than the OWC at Lancaster. This depth variation indicates that a pressure barrier is present between Lancaster and Lincoln. The barrier has been identified as the Brynhild Fault which is a well-documented regional geological feature and has been mapped at Lincoln from 3D seismic and gravity magnetic data. Lincoln is therefore most likely to be a separate field to Lancaster. The ODT at Lincoln also indicates that the yet undrilled Warwick Prospect could form part of the same oil accumulation as Lincoln.

The Halifax Exploration Well

(205/23-3A)

Following the end of the period, the Company drilled, logged and tested the Halifax Well. The Halifax Well was drilled in close proximity to the Bombardier Well (205/23-2) drilled by Arco in 1998. Subsequent analysis of the Bombardier Well by Hurricane indicated the presence of hydrocarbons within basement.

The Halifax Well identified an extensive oil column significantly below structural closure (which is at 1,040 metres true vertical depth subsea ("TVDSS")). The well identified a very significant hydrocarbon column of 1,156 metres TVT. In the absence of data identifying pressure barriers between Lancaster and Halifax, the Company believes that Lancaster and Halifax are potentially a single large accumulation. This will need to be evaluated through further analysis and appraisal drilling.

Revised Volumetrics

The impact of the Pilot and Horizontal Sidetrack Wells on the Lancaster field in place hydrocarbon volumes is material, with the best-case estimates of oil in place increasing by 120% for the basement (from 1,056 MMstb in the 2013 CPR to 2,326 MMstb in the 2017 CPR). Another significant change to the volumetric assessment is that Hurricane believes the recent results from the Pilot Well confirms our sub-surface model that the Lancaster Field structural closure is no longer considered as a realistic geological mechanism for constraining recoverable hydrocarbon resources.

The assignment of Reserves and Contingent Resources to Lancaster is specific to the Field Development Plan ("FDP"). The Company's approach to the Lancaster field development is phased so that an initial modest volume is produced with the objective of securing key technical data that will allow for the optimizing of a more extensive FFD, targeted at producing a materially larger hydrocarbon volume. In the 2017 CPR the EPS phase of development has been assigned 2P Reserves of 37 million barrels assuming a 6 year cut-off and 62 million barrels assuming a 10 year field life. The assignment of 2P Reserves is subject to the Company achieving sanction of the EPS project. FFD is expected to include upscaled surface facilities and subsea infrastructures, including the provision of a possible gas export pipeline, all of which will be designed to optimise the recovery of the barrels allocated as the 2C Contingent Resource for Lancaster. Additional reserve potential for a Lancaster development exists in the recoverable hydrocarbon volumes that could be accessed to the east of the Lancaster Field boundary in the Halifax Licence. The ultimate scale of the Lancaster FFD will therefore require the potential of P2308 to be assessed and this will be achieved through further appraisal drilling.

Lancaster Reserves and Resources increasing in size

2013 CPR

207 MMstb, 2C

2017 CPR

523 MMstb, 2C + 2P

Lancaster Reserves and Resources are taken from the Competent Person's Reports (CPR) prepared by RPS Energy Consultants in November 2013 ("2013 CPR") and in May 2017 ("2017 CPR"). Reserve status is subject to the Company achieving sanction of the EPS project.

Lancaster Early Production System

In parallel with the well operations, the development team spent the first six months of 2016 finalising the concept selection for the Lancaster EPS. They also put in place the contracting strategy required to deliver first oil during H1 2019 and the Lancaster EPS objectives, which are:

- To provide long term production data to confirm the productivity and extent of the Lancaster reservoir to optimise FFD planning and sanction;
- Commence development of the resources of the field in a phased manner, to enhance the understanding of the subsurface, ahead of FFD;
- Deliver an acceptable return on capital invested.

Having selected Bluewater to provide the FPSO Aoka Mizu (Figure 1) and TechnipFMC as the preferred primary contractors, work commenced in early August with the respective FEED studies. The Bluewater FPSO FEED 1, and subsequent FEED 2 studies, which commenced in Q4 2016, focused on four areas:

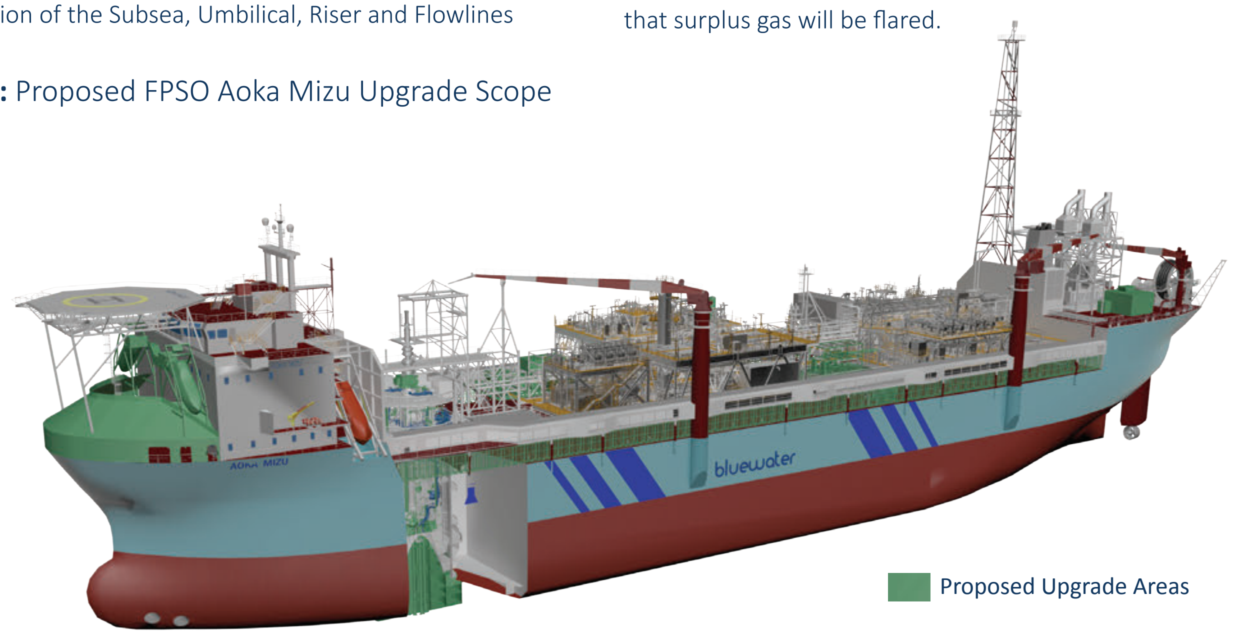
1 Repair & life extension
2 New mooring system and turret buoy
3 Vessel & marine upgrades
4 Topsides upgrade

Meanwhile the FEED 1 & 2 studies with TechnipFMC for the provision of the Subsea, Umbilical, Riser and Flowlines ("SURF") and Subsea Production System ("SPS") elements of the project and Well Completions with Petrofac Facilities Management Limited ("PFML") were also kicked off in parallel. Figure 2 provides an illustration of the simplicity of the EPS concept, based on production from the two existing wells, the Lancaster 6 Horizontal Well (205/21a-6) and the Horizontal Sidetrack Well (205/21a-7Z) being completed and tied back to the turret-moored FPSO via individual flowlines. The design, allowing for topside metering of the individual wells, uses dual pod electrical submersible pumps in each well to provide artificial lift as well as providing additional well data from downhole gauges.

The key elements of the EPS project are:

- The re-entry and completion of the existing horizontal wells, 205/21a-6 and 205/21a-7Z;
- The procurement, fabrication, installation and commissioning of a subsea infrastructure consisting of; twin 6" flowlines, a power and control umbilical, risers and subsea manifold;
- The procurement, fabrication and installation of a new turret buoy and mooring systems;
- The upgrade, relocation and recommissioning of the Aoka Mizu FPSO;
- Future oil export will be by shuttle tanker, with produced gas during the EPS phase being used on the FPSO for either power generation and/or utilities. It is proposed that surplus gas will be flared.

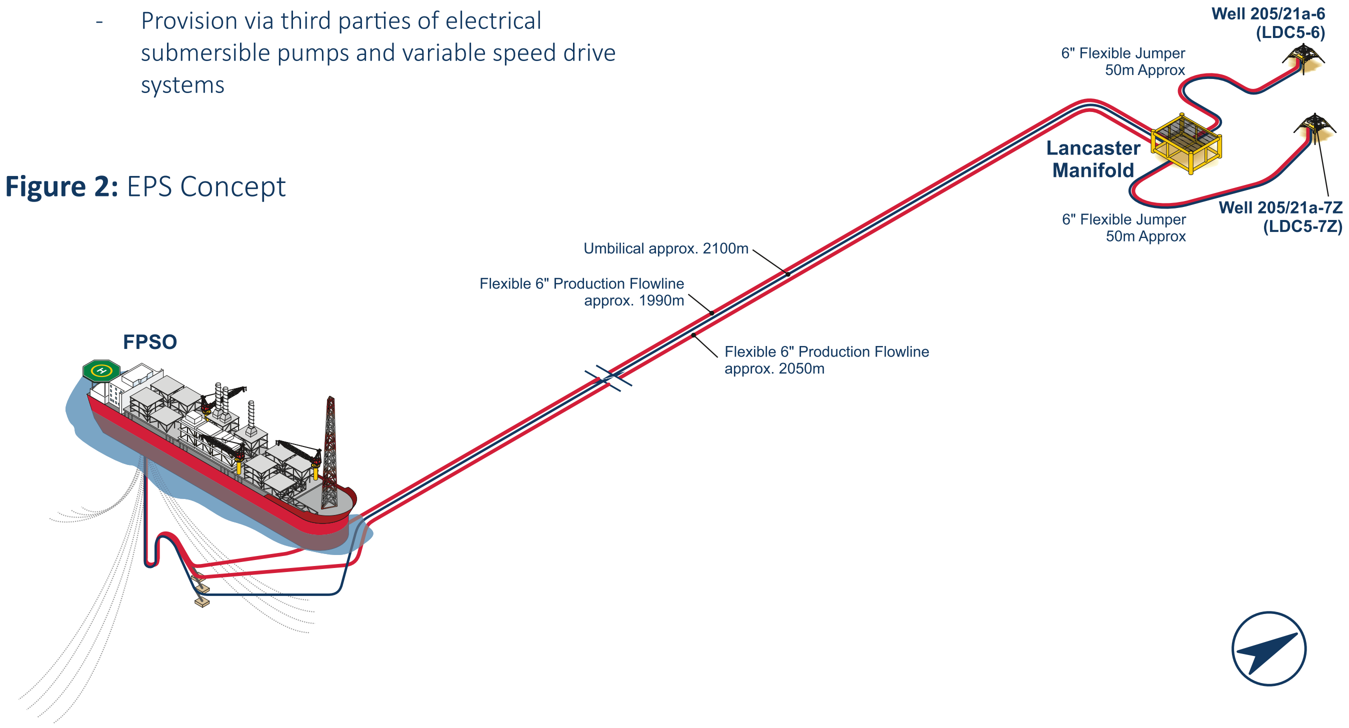
Figure 1: Proposed FPSO Aoka Mizu Upgrade Scope



The subdivision of these scopes of work are split amongst the main project contracts as follows:

- Bluewater
    - Installation Operator
    - Proposed Pipeline Operator (at introduction of Hydrocarbons)
    - Engineer Procure Construct ("EPC") contract for:
        - Repair & life extension
        - New mooring system and turret buoy
        - Limited vessel & marine upgrades
        - Limited topsides upgrades
    - FPSO Facility & Pipeline Operations contracts
- TechnipFMC
    - Engineer Procure Construct Install (EPCI) scope for:
        - Supply and installation of Subsea Production System (SPS) and
        - Supply and installation of Subsea Umbilical Risers and Flowline (SURF)
    - FPSO Turret Mooring System buoy installation
- PFML
    - Well Operator
    - Well completions
        - Provision via third parties of electrical submersible pumps and variable speed drive systems

Figure 2: EPS Concept



After the initial EPS period, the feasibility for tie backs and future gas export will be assessed as part of the FFD concept plans based on the long-term productivity testing of the initial two EPS wells.

As at the end of 2016, the project remains on schedule with FEED 2 studies having commenced in December 2016 in support of first oil in H1 2019 subject to EPC progress post FID in mid-2017. Figure 3, on the next page, illustrates the current project plan as previously presented in the Lancaster EPS Environmental Statement.

In summary, the plans are in place, the respective teams are fully resourced and the project remains on track to achieve first oil during H1 in 2019 provided we maintain our current progress and milestones. The next most critical milestone is project FID in mid-2017, which is subject to the required funding being in place and the Regulators' approval of the Lancaster EPS FDP and the Environmental Statement.

Fundraising in 2016

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 £0.15 per share. 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 £0.20 per share.

On 8 November 2016, the Company raised a further £74.4 million (before expenses) through the issue of 218,830,120 new Ordinary Shares in a significantly oversubscribed offering. The shares were issued at a price of £0.34 per share.

The net proceeds of the Fundraisings were used to fund the drilling of the Lancaster Pilot and Horizontal Sidetrack Wells, the Lincoln and Halifax wells, FEED studies, certain long lead items for the EPS and for general corporate purposes.

Key Performance Indicators

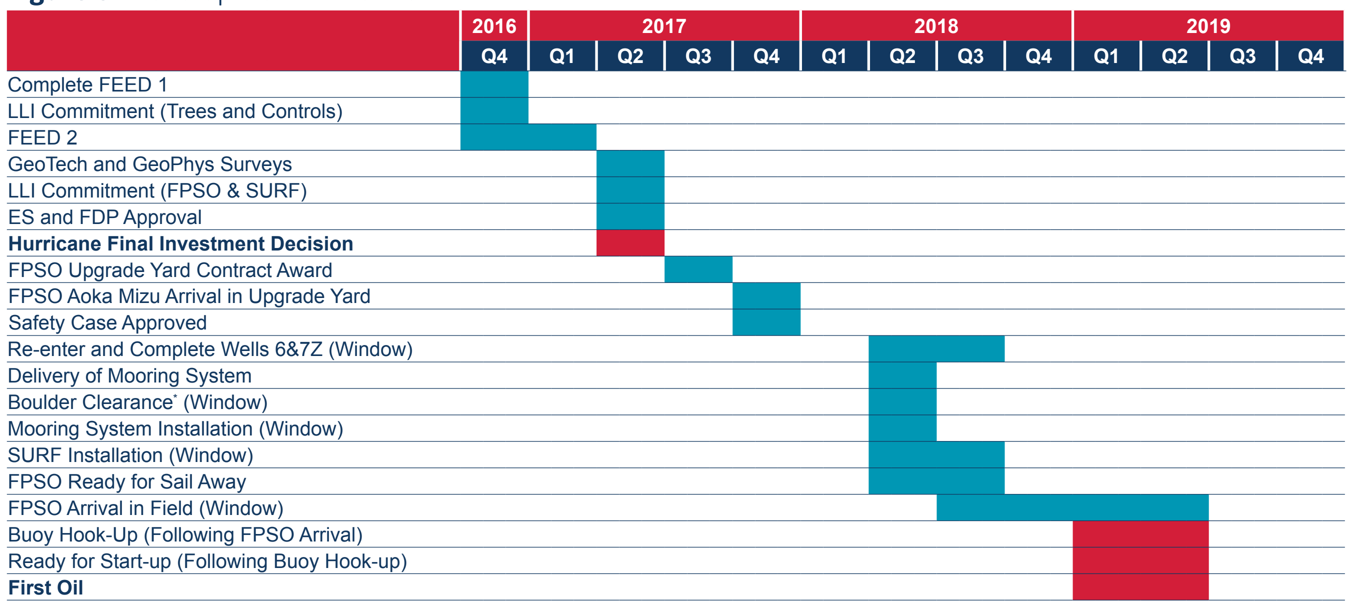
The Group uses corporate targets and individual Key Performance Indicators ("KPIs") for the assessment of the performance of individuals for remuneration purposes, as further described in the Remuneration Report. However, given the early stage nature of the Group's development activities, the Group's 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.

Government and Regulatory Authorities

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

The Group continues to maintain its ISO 14001 Environmental Management System accreditation in preference to alternate accreditation approaches. ISO 14001 or an equivalent are essential to enable Hurricane to undertake a number of its offshore operations where Hurricane is viewed by the Regulators as the Operator.

Figure 3: Development Timeline



* dependent on results of geophysical survey

The plans are in place, the respective teams are fully resourced and the project remains on track to achieve first oil during H1 in 2019

Group Strategic Report: Future Outlook

Farm-out and Future Fundraising

In early 2017 Hurricane re-opened its dataroom to a limited number of high quality participants to attract an industry partner into some or all of the Group's assets. The farm-out process has principally focused on financing the EPS phase of the development of Lancaster, along with the potential for a wider appraisal programme.

Alongside the farm-out process, the Company continues to develop its funding strategy to finance the EPS. The total forecast capital cost of the EPS is approximately $467 million (including costs already incurred to date). Therefore, the Company has a significant funding requirement that may include a combination of equity, debt and / or a farm-out (the "Primary Funding"). This Primary Funding is, subject to market conditions, anticipated to occur in mid-2017.

In order to preserve flexibility around both the timing and the optimal structure for the Primary Funding, on 12 May 2017 the Company intends to enter into a smaller financing arrangement (the "Interim Funding") with Stifel Nicolaus Europe Limited ("Stifel"). Under this arrangement the Company intends to issue Stifel warrants over 25,000,000 ordinary shares of 0.1 pence each. The exercise price for each of the warrants will be 95% of the volume weighted average price of the ordinary shares, calculated over the trading day prior to exercise. Stifel will use reasonable endeavours to procure purchasers for the ordinary shares granted under the warrants. The Company will have the right to terminate the warrants at any time, otherwise they will expire on 30 June 2017.

Subsurface

The immediate subsurface work plan is to fully evaluate and correlate the Lancaster, Lincoln and Halifax wells. Such work includes detailed petrophysical analysis, fracture picking, reservoir modelling, reservoir simulation and further seismic mapping. The work plan is intended to refine existing analytical techniques, narrow in-house volumetric assessments and establish potential well sites for further exploration and / or appraisal drilling.

Output from this work will also feed into the planned 2017 second phase of a revised Competent Person's Report ("CPR") which is intended to provide an update on resource estimates for the assets not covered in the May 2017 CPR. This new CPR is expected to be completed in late 2017.

Long term planning, excluding that necessary for the first phase of the Lancaster field development, will be focused on well planning for appraisal and exploration drilling. Timing of such operations is to be confirmed and will be a function of funding and rig operations related to the Lancaster development. That stated, well planning will continue with the objective of positioning the Company in an optimum position to take advantage of the rig market. The potential new well locations are intended to further delineate the GLA and GWA. For the GLA, the wells will be focused on demonstrating pressure connectivity between Halifax and Lancaster and confirming that a common OWC is present across the GLA. Furthermore, commercial hydrocarbon flow needs to be demonstrated on the Halifax Licence. It is envisaged that at least two appraisal wells, one of which should be planned as a horizontal producer, would be sufficient to demonstrate that a single accumulation is probable. For the GWA a two well appraisal programme is envisaged with an OWC penetration at Warwick and a horizontal well test on either the Lincoln or Warwick structures. The depth to top reservoir at the GWA provides the potential for these uncertainties to be addressed with a single well location and a Drill Stem Test ("DST") sidetrack, similar to the programme on Lancaster undertaken during 2016.

Greater Lancaster Area

Lancaster

The Lancaster asset is held under Licence P1368 Central and is in a water depth of approximately 155 metres. 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 FFD on Lancaster and is expected to consider the inclusion of Halifax (as part of the GLA), the GWA and Whirlwind.

Halifax

The Halifax asset is held under Licence P2308 and was awarded to the Company in an out of round licence in November 2016. The licence is immediately adjacent to the Lancaster licence, located North East along the Rona Ridge. Halifax was drilled in Q1 2017 and was an oil discovery. In the absence of data identifying pressure barriers between Lancaster and Halifax, the Company believes that Lancaster and Halifax are potentially a single large accumulation . This will need to be evaluated through further analysis and appraisal drilling.

Greater Warwick Area

Lincoln

Also controlled by Hurricane under Licence P1368 South, the Lincoln Prospect lies to the south west of Lancaster. In Q4 2016 the Company drilled the Lincoln Well resulting in a significant fractured basement discovery. Hydrocarbons were encountered in the well. Gas chromatography and logging while drilling data indicated a very significant hydrocarbon column of at least 660 metre TVD, comparable to that found at Lancaster.

The ODT in the Lincoln discovery of 2,258 metre TVDSS demonstrates that it is a separate hydrocarbon accumulation to Lancaster, with the Lancaster field and Lincoln discovery being separated by the Brynhild Fault Zone. The ODT at Lincoln has provided the Company with sufficient evidence to believe that the yet undrilled Warwick Prospect could form part of the same oil accumulation as Lincoln. Should these interpretations be confirmed through further drilling and testing it is anticipated that a Lincoln/Warwick accumulation will be assigned a separate field status to Lancaster.

Warwick

The Warwick Prospect, controlled by the Company under the P2294 licence, sits to the west of the Lincoln Field. As stated above, the results of the Lincoln Well suggests that the Lincoln and Warwick prospects could be part of the same large hydrocarbon accumulation.

The Company plans to drill Warwick at some point in the future, subject to obtaining the necessary funding and regulatory consents and permits.

Both Lincoln and Warwick (the GWA) are expected to ultimately be included in the wider FFD on the Rona Ridge

Whirlwind

Whirlwind is located about 10 kilometres north of Lancaster in a water depth of approximately 185 metres. In 2010 the Company 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 will be appraised and developed on either a standalone basis or as a future incremental hub to the GLA development. The well is currently 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 2013 CPR has assigned unrisked P50 Prospective Resources of 149 million barrels of oil equivalent ("MMboe") to Typhoon and 1,266 MMboe for the P10 Prospective Resource volume acknowledging the material flank potential of this asset.

In April 2016 the Group reduced the acreage of both licences to reduce the annual cost to the business, whilst maintaining prospectivity by giving the Group a range of options for optimum drilling location choice. In May 2016 Hurricane extended the drilling commitment on the P1485 and P1835 licences to 2018.

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.

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 activities 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, other financial institutions and potential farm-in partners to understand the range of options available to the Group.
Operational risks	There are many operational risks. These include, but are not limited to, failure of the rig or other crucial equipment, problems occurring during installation and / or construction 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.
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 such as the impact of a greater market shift to renewable energy sources. 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 price sensitivity scenarios.

Key risk factor	Risk detail	How is it managed
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 within 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.
Development project delivery	Development projects are subject to various risks including availability of third party services and manufacturing slots, labour disputes, installation windows, permits, consents and weather. Problems with any of the above can cause delays to the project that impact both the timing for completion of the project as well as the cost. This can have a material impact on the projected cashflow from the project and the funding required.	The Group invests significant time and resources to plan its development projects and focuses on minimising the various development risks. The Group uses a range of third party experts to co-ordinate, plan and deliver development projects. Contingency is built into all project plans to allow for unexpected delays and cost overruns.

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

Dr Robert Trice, CEO
12 May 2017

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, Audit and Technical Advisory 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.

Robert is Chairman of the Environmental Management Committee and is also a member of the Technical Advisory Committee.

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 (CFO) at Oando Exploration & Production. Prior to this, Alistair founded both Volga Gas, where he was CFO and led its IPO to raise US$135 million, and was CFO at 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. Alistair is a member of the Environmental Management Committee.

Neil Platt
Chief Operations Officer

Neil has more than 25 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). Neil is a member of the Environmental Management Committee.

Dr David Jenkins
Independent Non-executive Director

David is currently a member of the Advisory Board of Riverstone Holdings.

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 Technical Advisory 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 at Kerogen Capital, and was appointed as a Director of the Company on completion of the Fundraising in May 2016.

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, and is a member of the Audit, Remuneration, Nominations and Technical Advisory committees. 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 Hurricane's 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 2016 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 Operate

The Board intends to meet at least five times each year. 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 Hurricane's 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 audit 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 2016 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 certain major Financial Statement items that require significant judgement and estimation. These are described in Note 3 of the Group 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 Dr Robert Trice and the other members are Alistair Stobie 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 Technical Advisory Committee

The Technical Advisory Committee is chaired by Dr David Jenkins and the other members are Dr Robert Trice, Dr Robert Arnott and Roy Kelly. The Committee has no formal decision making powers but makes recommendations and provides 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.

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
12 May 2017

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. Annual bonus is payable to the extent annual corporate performance targets and individual KPIs are met, as determined by the Remuneration Committee. Challenging KPIs are established each year by agreement between Management and the Remuneration Committee.

The long term incentive plan for the Group has been updated during the year. The Group had previously used the Performance Share Plan ("PSP"). This involved the award of shares to Directors and staff and vesting was conditional on achieving a challenging performance target that if met, would underpin the long term success of the business. During the year the Group introduced the Value Creation Plan ("VCP") with an aim of more fully aligning the incentive with the delivery of value to Shareholders. Employees and Directors receiving awards under the VCP were required to forfeit any PSP awards previously received. The focus of the performance conditions under the VCP is to incentivise the progression and development of the Lancaster EPS which aligns with the delivery of value to Shareholders.

The Remuneration Committee has reviewed the base salary levels for the executive Directors and determined that no increases would be made for 2017. A cash bonus was paid to each of the executive Directors as a result of 2016 being an exceptional year where annual corporate targets were either met or exceeded.

The Group contributes to personal pension schemes. Under current legislation, from 1 January 2018 Hurricane will be required to provide a workplace pension scheme for all employees.

Directors' Emoluments

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

Year Ended 31 Dec 2016	Emoluments[7] £'000	Cash bonus £'000	Deferred share bonus[8] £'000	Pension contributions £'000	Total £'000
Dr Robert Trice	400	313	187	9	909
Nicholas Mardon Taylor[1]	23	-	138	2	163
Alistair Stobie[2]	239	229	-	-	468
Neil Platt	293	229	138	7	667
John Hogan[3]	55	-	-	-	55
Robert Arnott[4]	75	-	-	-	75
Dr David Jenkins	55	-	-	-	55
John van der Welle[5]	55	-	-	-	55
Roy Kelly[6]	35	-	-	-	35
	1,230	**771**	**463**	**18**	**2,482**

[1] Retired 31 January 2016.
[2] Joined 16 March 2016.
[3] Resigned 1 March 2016.
[4] Joined 1 March 2016.
[5] 50% of emoluments were consulting fees paid to Northlands Advisory Services Limited, a company controlled by John van der Welle.
[6] Joined 10 May 2016. 100% of emoluments were consulting fees paid to Kerogen Capital.
[7] Includes payments in lieu of pension contributions (Dr. Robert Trice: £25,000, Alistair Stobie: £20,000, Neil Platt: £18,000).
[8] Deferred bonus shares issued in 2016 with respect to services provided in 2014.

Year Ended 31 Dec 2015	Emoluments £'000	Cash bonus £'000	Deferred share bonus £'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.

Directors' 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 vested at IPO) and replaced with awards under the Hurricane Energy 2013 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.

In November 2016 the Group introduced a VCP for employees and executive Directors, involving the issue of 840 growth shares in Hurricane Group Limited (a Group subsidiary). The VCP will run for 5 years until November 2021. At the end of the vesting period the value of the growth shares will be driven by the amount by which the price of ordinary shares in Hurricane Energy plc has increased above £0.34 per ordinary share ("Threshold Value"). The Threshold Value is the price of the ordinary shares as at the date of issue of the growth shares and will be adjusted for any capital raises that occur during the vesting period. The growth shares have no value unless the price of the ordinary shares exceeds a hurdle of £0.55 per share at the vesting date (calculated as the average price for the previous 3 months). If the hurdle is met, and a vesting event occurs within the vesting period, the growth shares may be exchanged for ordinary shares of an amount, in aggregate, equivalent to up to 8.4% of the growth in the price of the issued ordinary shares above the Threshold Value, multiplied by the number of ordinary shares in issue at the time. This would be broadly equivalent to 8.4% of the growth in the market capitalisation. The proportion of the growth shares that vest to participants and the amount received is dependent on the Remuneration Committee certifying, at its discretion, the Group meeting various non market-based performance conditions consistent with the progression and development of the Lancaster Early Production System during the vesting period.

Those employees and executive Directors who entered the VCP were required to forfeit any PSP awards held at that time. In February 2017, non-executive Directors who are participants in the PSP have agreed to have the performance conditions of their PSP awards amended to align with those of the VCP. It should be noted that the PSP participants have a fixed award on vesting whereas the VCP participants' awards will be determined as described above.

Further information about both plans is included within note 20 of the Group Financial Statements.

During the period 420 VCP growth shares were granted to executive Directors of the company, 140 to each of Dr Robert Trice, Alistair Stobie and Neil Platt.

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

Grant date	Award	As at 1 Jan 2016	Granted	Exercised	Lapsed / Forfeited	As at 31 Dec 2016	Exercise price	Date from which exercisable	Expiry date
Dr Robert Trice									
25/01/11	Share option	225,000	-	-	-	225,000	£1.00	25/01/14	31/12/20
17/04/13	PSP	4,533,333	-	-	(4,533,333)	-	£nil	n/a	04/02/19
Nicholas Mardon Taylor[1]									
25/01/11	Share option	68,000	-	-	(68,000)	-	£1.00	25/01/14	31/12/20
17/04/13	PSP	4,533,333	-	-	(1,121,615)	3,411,718	£nil	n/a	04/02/19
Neil Platt									
17/04/13	PSP	4,533,333	-	-	(4,533,333)	-	£nil	n/a	04/02/19
Alistair Stobie									
16/03/16	PSP	-	4,533,333	-	(4,533,333)	-	£nil	n/a	04/02/19
John Hogan[2]									
17/04/13	PSP	666,667	-	-	(150,665)	516,002	£nil	n/a	04/02/19
Dr David Jenkins									
17/04/13	PSP	333,333	-	-	-	333,333	£nil	n/a	04/02/19
John van der Welle									
17/04/13	PSP	333,333	-	-	-	333,333	£nil	n/a	04/02/19
Total		**15,226,332**	**4,533,333**	**-**	**(14,940,279)**	**4,819,386**			

[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	Award	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	Share option	225,000	-	-	-	225,000	£1.00	25/01/14	31/12/20
17/04/13	PSP	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
Nicholas Mardon Taylor[1]									
25/01/11	Share option	68,000	-	-	-	68,000	£1.00	25/01/14	31/12/20
17/04/13	PSP	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
Neil Platt									
17/04/13	PSP	4,533,333	-	-	-	4,533,333	£nil	n/a	04/02/19
John Hogan[2]									
17/04/13	PSP	666,667	-	-	-	666,667	£nil	n/a	04/02/19
Dr David Jenkins									
17/04/13	PSP	333,333	-	-	-	333,333	£nil	n/a	04/02/19
John van der Welle									
17/04/13	PSP	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.

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 all our offshore operations.

We are committed to achieving continual improvement in our environmental performance management system to enhance environmental performance, and regard compliance with the relevant laws and regulations and other obligations as a minimum standard. We will consider the context of the company and relevant interested parties to ensure our obligations and other management issues are identified comprehensively.

We will 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 certified Environmental Management System
- We will identify and conform to all 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 protect the environment, including prevention of pollution, 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 identify steps to reduce disturbance to sensitive seabed communities and preserve biodiversity as far as possible
- 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.

We are committed to achieving continual improvement to enhance our Health and Safety performance, and regard compliance with the relevant laws, regulations and other obligations as a minimum standard. We will consider the context of the company and relevant interested parties to ensure our obligations and other management issues are identified comprehensively.

We will work with our employees, contractors and suppliers to identify and reduce the Health and Safety impacts of our activities.

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
- Ensures appropriate emergency response procedures are in place and regularly tested to minimise the impact of any such incidents or emergencies

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 2016 the Group engaged in a significant drilling programme starting in July 2016 and continuing through to March 2017. The Group also made significant progress in relation to the Lancaster development, whilst at the same time re-engaging with various third parties concerning possible farm-out opportunities.

In May 2016 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 £0.15 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 £0.20 per share.

In November 2016 the Company raised a further £74.4 million (before expenses) through the issue of 218,830,120 new ordinary shares by way of a placing and open offer at a subscription price of £0.34 per share.

The Group ended 2016 with £82.2 million of cash and cash equivalents (including £9.9 million held in escrow, of which £2.3 million is classified in other non-current assets).

Subsequent to year-end the Company received £4.7 million related to claims for Research and Development ("R&D") expenditure tax relief. A tax credit of £5.4 million was recorded in the income statement during the period, of which £0.7 million was collected in 2016 and £4.7 million was collected in 2017.

In order to preserve flexibility around both the timing and the optimal structure for the Primary Funding for the EPS (anticipated to occur in mid-2017), on 12 May 2017 the Company intends to enter into the Interim Funding with Stifel. Under this arrangement the Group intends to issue Stifel warrants over 25,000,000 ordinary shares of 0.1 pence each. The exercise price for each of the warrants will be 95% of the volume weighted average price of the ordinary shares, calculated over the trading day prior to exercise. Stifel will use reasonable endeavours to procure purchasers for the ordinary shares granted under the warrants. The Company will have the right to terminate the warrants at any time, otherwise they will expire on 30 June 2017.

Income Statement

The Group's profit after tax for 2016 is £0.7 million (2015: loss after tax £5.5 million). The move to a profit after tax position is due to a significant R&D tax credit of £5.4 million, combined with foreign exchange gains of £1.8 million resulting from the purchase of $19.0 million dollars prior to the devaluing of the Pound against the Dollar following the Brexit referendum.

The operating expenses for the year were £6.5 million (2015: £5.4 million). The increase is primarily driven by the Group increasing its activities in relation to the Lancaster and Lincoln drilling programme and the Lancaster development.

Due to the nature of the Group's business, it has accumulated significant tax losses since incorporation. At 31 December 2016, the Group has pre-trading revenue expenses of £19.4 million (2015: £24.8 million) and has incurred £208.3 million (2015: £158.7 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 £227.7 million (2015: £183.5 million) may attract Ring Fenced Expenditure Supplement on the commencement of trade, which would result in a further uplift of £50.1 million (2015: £77.1 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 £69.1 million increase in the Group's intangible exploration and evaluation assets is largely due to the drilling programme that has dominated the second half of the year, combined with the FEED work on the Lancaster EPS. The drilling of the Lancaster Pilot Well, the second horizontal well and the FEED EPS work added £48.9 million to the Lancaster asset, with the Lincoln exploration well adding £17.2 million.

The additions in 2016 are a significant increase from 2015, and were made possible due to the two separate fundraises in the year.

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 the addition of the second Lancaster horizontal well and a revision of the Directors' best estimate of the cost and timing of the decommissioning of the assets. 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 £4.1 million is an increase from the £2.6 million recorded in 2015, due to the increased level of activity in the year. Expenditure on the intangible exploration and evaluation assets in the year was £46.8 million (2015: £3.0 million), which included primarily the Lancaster and Lincoln wells and FEED on the EPS.

The net cash provided by financing activities was £121.5 million as a result of the capital raises in May and November.

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
12 May 2017

Financial Statements

Directors' Report

Directors
The following Directors held office during the year ended 31 December 2016 and up to the date of this report.

Dr Robert Trice	Neil Platt	Dr David Jenkins
Nicholas Mardon Taylor (retired 31 January 2016)	John Hogan (resigned 1 March 2016)	Roy Kelly (appointed 10 May 2016)
	Dr Robert Arnott (appointed 1 March 2016)	Jason Cheng (appointed 10 May 2016)*
Alistair Stobie (appointed 16 March 2016)	John van der Welle	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 profit of the Group for the year was £664,000 (2015: loss of £5,523,000). The Directors do not recommend the payment of a dividend.

Financial risk management and objectives
The Group's financial risk management and objectives 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 the year with £82.2 million of cash and cash equivalents (including £9.9 million of restricted cash held in escrow). These balances have allowed the Group to meet its outstanding trade and other payables of £21.3 million that existed at 31 December 2016 and the costs of the remainder of the drilling programme and to commence the purchase of long lead items and other required pre-sanction expenditure (the "Pre-sanction Commitments") under the Lancaster EPS development.

The total forecast capital cost of the EPS is approximately $467 million (including costs already incurred to date). Therefore, the Group has a significant funding requirement that may include a combination of equity, debt and / or a farm-out. This Primary Funding is, subject to market conditions, anticipated to occur in mid-2017.

In order to preserve flexibility around both the timing and the optimal structure for the Primary Funding, on 12 May 2017 the Group intends to enter into the Interim Funding with Stifel. Under this arrangement the Group intends to issue Stifel warrants over 25,000,000 ordinary shares of 0.1 pence each. The exercise price for each of the warrants will be 95% of the volume weighted average price of the ordinary shares, calculated over the trading day prior to exercise. Stifel will use reasonable endeavours to procure purchasers for the ordinary shares granted under the warrants. The Company will have the right to terminate the warrants at any time, otherwise they will expire on 30 June 2017.

Both the Interim Funding and Primary Funding are subject to market conditions outside of the Group's control and if the Interim Funding is unsuccessful and the Primary Funding does not take place, the Group's projections indicate that, after meeting its existing pre-sanction commitments, it is likely to run out of funds in the second half of 2017. This risk constitutes a material uncertainty that may cast significant doubt upon the use of the going concern basis of accounting. However, the Directors have a reasonable expectation that both the Interim Funding and the Primary Funding will be completed successfully. On this basis, the Group's projections indicate that the Group will have sufficient liquidity and will be able to meet its pre-sanction commitments, licence renewal costs and other liabilities as they fall due for a period of at least 12 months from the date of finalising the 2016 Annual Report and Financial Statements.

Therefore, the Directors have a reasonable expectation that the Group has 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. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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
12 May 2017

Alistair Stobie
Chief Financial Officer
12 May 2017

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 2016 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent 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 and, as regards the parent company financial statements, 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern
In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the going concern disclosures made in note 2.2 of the financial statements. The Group is anticipating raising significant funds in mid-2017 in order to develop the Lancaster Early Production System (the "Primary Funding"). In order to preserve flexibility around both the timing and the optimal structure for the Primary Funding, the Group intends to enter into a smaller financing arrangement (the "Interim Funding") with Stifel Nicolaus Europe Limited. Both the Interim Funding and Primary Funding are subject to market conditions outside of the Group's control and if the Interim Funding is unsuccessful and the Primary Funding does not take place, the Group's projections indicate that, after meeting its existing pre-sanction commitments, it is likely to run out of funds in the second half of 2017. These conditions, along with other matters explained in note 2.2 of the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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
12 May 2017

Group Income Statement
for the Year Ended 31 December 2016

	Notes	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Operating expenses		**(6,540)**	(5,448)
Operating loss	6	**(6,540)**	(5,448)
Investment revenue	5	**65**	37
Foreign exchange gains		**1,840**	28
Finance costs	7	**(66)**	(140)
Loss before tax		**(4,701)**	(5,523)
Tax	9	**5,365**	-
Profit / (Loss) for the year		**664**	(5,523)
Earnings / (Loss) per share, basic and diluted	10	**0.07 pence**	(0.87) 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 2016
Registered company number 05245689

	Notes	31 Dec 2016 £'000	31 Dec 2015 £'000
Non-current assets			
Property, plant and equipment	11	**15**	89
Intangible exploration and evaluation assets	12	**245,146**	176,012
Other receivables	13	**130**	130
Other non-current assets*	16	**2,330**	2,318
		247,621	178,549
Current assets			
Inventory	14	**359**	410
Trade and other receivables	15	**5,893**	420
Cash and cash equivalents*	16	**79,900**	7,623
		86,152	8,453
Total assets		**333,773**	187,002
Current liabilities			
Trade and other payables	17	**(21,341)**	(271)
Current tax liabilities		**-**	-
		(21,341)	(271)
Non-current liabilities			
Decommissioning provisions	18	**(4,829)**	(3,221)
Total liabilities		**(26,170)**	(3,492)
Net assets		**307,603**	183,510
Equity			
Share capital	19	**1,203**	633
Share premium		**332,313**	210,814
Share option reserve		**10,135**	8,089
Own shares held by SIP Trust	21	**(232)**	(195)
Equity shares to be issued	27	**-**	649
Accumulated deficit		**(35,816)**	(36,480)
Total equity		**307,603**	183,510

*2015 balances have been restated (see note 2.1).

The Financial Statements of Hurricane Energy plc were approved by the Board of Directors and authorised for issue on 12 May 2017. They were signed on its behalf by:

Dr Robert Trice
Chief Executive Officer
12 May 2017

Alistair Stobie
Chief Financial Officer
12 May 2017

Group Statement of Changes in Equity
for the Year Ended 31 December 2016

	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 2015	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
Shares allotted	570	126,497*	-	-	-	-	127,067
Transaction costs	-	(4,998)	-	-	-	-	(4,998)
Share option charge	-	-	2,046	-	-	-	2,046
Own shares held by SIP Trust	-	-	-	(37)	-	-	(37)
Settlement of deferred bonus (note 19)	-	-	-	-	(649)	-	(649)
Total comprehensive profit for the year	-	-	-	-	-	664	664
At 31 December 2016	**1,203**	**332,313**	**10,135**	**(232)**	**-**	**(35,816)**	**307,603**

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).

* Includes £463,000 in relation to the portion of the deferred bonus settled in equity (see note 19).

Group Cash Flow Statement
for the Year Ended 31 December 2016

	Notes	**Year Ended 31 Dec 2016 £'000**	Year Ended 31 Dec 2015 £'000
Net cash outflow from operating activities	22	**(4,115)**	(2,558)
Investing activities			
Interest received		**58**	35
Expenditure on property, plant and equipment		**(13)**	(3)
Expenditure on intangible exploration and evaluation assets		**(46,818)**	(3,029)
Expenditure on inventory		**-**	(410)
Net cash used in investing activities		**(46,773)**	(3,407)
Financing activities			
Interest paid		**(4)**	(1)
Deferred bonus arrangements settled in cash	19	**(187)**	-
Net proceeds from issue of share capital		**121,529**	23
Net cash provided by financing activities		**121,338**	22
Net increase / (decrease) in cash and cash equivalents		**70,450**	(5,943)
Cash and cash equivalents at the beginning of the year*		**9,941**	15,856
Net decrease in cash and cash equivalents		**70,450**	(5,943)
Effects of foreign exchange rate changes		**1,839**	28
Cash and cash equivalents at the end of the year*	16	**82,230**	9,941

*Cash and cash equivalents includes £2,330,000 (31 December 2015: £2,318,000) of cash held in escrow which has been included in the balance sheet in other non-current assets.

Notes to the Group Financial Statements
for the Year Ended 31 December 2016

1. General information
Hurricane Energy plc is a public company, limited by shares, 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. Although a detailed assessment of IFRS 16 has not been completed, it is likely to require the Group's building lease to be recorded as a right of use asset, with a corresponding lease liability also being recorded.

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.

During the year, management have reconsidered the classification of cash balances held in escrow that relate to decommissioning. As these balances may not be available for at least 12 months from the Balance Sheet date, these balances have been reclassified from cash and cash equivalents within current assets to non-current assets. The comparative balances have been restated to reflect this reclassification.

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, including details of a related material uncertainty due to the requirement to raise additional funding to meet its liabilities as they fall due in the next twelve months.

2.3 Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

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.

Notes to the Group Financial Statements
for the Year Ended 31 December 2016

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. All entities within the Group are considered to have a British Pound Sterling functional currency.

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.

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 equity settled share-based employee compensation arrangements 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 statistical models. The expected vesting period 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 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.

Notes to the Group Financial Statements
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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, whilst at the exploration and evaluation stage, not considered to represent 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.

3. Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies
The following are critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

3.1 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 the Interim Funding and reasonably possible changes as described above, show that the Group will be able to operate and 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.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

3.2 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.

3.3 Accounting for share-based payments
Charges relating to the Group's share-based payment arrangements requires making a number of 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 estimates 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.

Notes to the Group Financial Statements
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6. Operating loss

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Operating loss is stated after charging:		
Staff costs (note 8)	**4,257**	4,443
Operating lease rentals – land and buildings	**183**	170
Depreciation of property, plant and equipment (note 11)	**40**	82
Auditor's remuneration (see below)	**80**	58

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

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Audit services		
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**54**	41
The audit of the Company's subsidiaries	**6**	5
	60	46
Non audit services		
Other services pursuant to legislation – interim review	**15**	10
Taxation compliance services	**5**	2
	20	12
Total	**80**	58

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

7. Finance costs

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Bank charges	**5**	1
Unwinding of discount on decommissioning provisions (note 18)	**61**	139
	66	140

8. Staff costs

	Year Ended 31 Dec 2016 Number	Year Ended 31 Dec 2015 Number
The average number of persons employed by the Group during the year was:		
Operations	**15**	16
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	**3,398**	1,865
Social security costs	**665**	221
Share-based payment expense	**2,086**	2,764
Pension costs	**77**	157
Total employment costs	**6,226**	5,007
Less amounts capitalised	**(1,969)**	(564)
Staff costs recognised in the income statement	**4,257**	4,443

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 £3,671,000 (2015: £2,722,000). These costs include emoluments of £1,938,000 (2015: £1,185,000); social security costs of £399,000 (2015: £136,000); pension contributions of £18,000 (2015: £94,000), share-based payment expense of £1,253,000 (2015: £1,307,000) and payments in lieu of pension contributions of £63,000 (2015: £nil). Further details are provided in the Remuneration Report.

The highest paid Director received emoluments of £713,000 (2015: £375,000) and pension contributions of £9,000 (2015: £38,000). Included in emoluments are consulting fees of £nil (2015: £28,000) paid to Chartwood Resources Ltd, a company controlled by Dr David Jenkins, consulting fees of £27,000 (2015: £28,000) paid to Northlands Advisory Services Limited, a company controlled by John van der Welle and consulting fees of £35,000 paid to Kerogen Capital II Limited.

At 31 December 2016 the Directors held 4,819,386 (2015: 15,226,332) PSP awards and share options. 4,533,333 PSP awards were granted to Directors in the year (2015: nil). No share options were granted or exercised during 2016 (2015: nil). In 2016 13,599,999 PSP awards were forfeited by Directors in exchange for awards under the Value Creation Plan. 1,272,280 PSP awards held by Directors lapsed in 2016 (2015: nil). 68,000 share options held by Directors lapsed in 2016 (2015: nil).

In November 2016 the Group introduced a Value Creation Plan (VCP) for employees and executive Directors and 420 VCP awards were made to Directors prior to year-end. For further detail on the Group's PSP awards, share options and VCP see note 20.

Notes to the Group Financial Statements
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9. Tax on loss on ordinary activities

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
UK corporation tax		
Current tax – current year	**(5,365)**	-
Total current tax	**(5,365)**	-
Deferred tax – current year	**(231)**	-
Adjustment in respect of previous periods	**289**	-
Effect of changes in tax rates	**(58)**	-
Total deferred tax	**-**	-
Tax credit per income statement	**(5,365)**	-
Loss on ordinary activities before tax	**(4,701)**	(5,523)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil and gas companies of 40% (2015: 50%)	**(1,880)**	(2,761)
Effects of:		
Adjustment to prior years	**289**	-
Expenses not deductible for tax purposes	**851**	1,506
Effect of changes in tax rates	**(58)**	(1)
Research & development tax credit	**(5,365)**	-
Unrecognised pre-trade revenue expenditure carried forward	**798**	1,256
Total tax credit for the year	**(5,365)**	-

A 10% reduction of the supplementary charge rate was announced in the 2016 Budget, reducing the rate applying to oil and gas companies from 50% to 40%. This rate reduction was published in the Finance Bill 2016 on 24 March 2016 and applies to accounting periods beginning on or after 1 January 2016.

In 2016 the Company made a claim under the SME Research & Development tax relief scheme and has surrendered the resulting losses for a payable tax credit. £0.7 million of the research and development tax credit was received in cash during the year, relating to the 2013 claim. The remaining £4.7 million relating to the 2014 claim was received in February 2017 and has been included within Trade and other receivables at the year end (see note 15).

9.1 Factors which may affect future tax charges
The Group has pre-trading revenue expenses of £19.4 million (2015: £24.8 million), covering the period from 2010 onwards, and pre-trading capital expenditure of £208.3 million (2015: £158.7million) which will be available for tax relief on commencement of a petroliferous trade for UK tax purposes.

The total pre-trading expenditure of £227.7 million (2015: £183.5 million) (referred to above) may attract Ring Fence Expenditure Supplement on the commencement of trade, which would result in a further uplift of tax relief being available at that time.

No asset has been recognised in these Financial Statements for a potential deferred tax asset of £0.3 million (2015: £12.4 million) resulting from the effect of carried forward pre-trading revenue expenses, after offsetting £7.4 million (2015: nil) against a deferred tax liability. 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 40% (2015: 50%).

10. Earnings per share
The basic and diluted earnings / (loss) per share has been calculated using the profit for the year ended 31 December 2016 of £664,000 (2015: loss for the year of £5,523,000). The earnings / (loss) per share is calculated using a weighted average number of ordinary shares in issue less treasury shares.

	Year Ended 31 Dec 2016 £	Year Ended 31 Dec 2015 £
Profit / (loss) after tax	**664,000**	(5,523,000)
	Number of shares	Number of shares
Weighted average shares in issue (basic)	**889,529,040**	632,151,017
Effect of dilutive potential ordinary shares:		
Warrants	**15,022,831**	-
Weighted average shares in issue (diluted)	**904,551,871**	632,151,017
	Pence	Pence
Earnings / (loss) per share (basic)	**0.07**	(0.87)
Earnings / (loss) per share (diluted)	**0.07**	(0.87)

11. Property, plant and equipment

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Cost		
At 1 January	**793**	790
Additions	**13**	3
At 31 December	**806**	793
Depreciation		
At 1 January	**(704)**	(575)
Charge for the year	**(87)**	(129)
At 31 December	**(791)**	(704)
Carrying amount at 31 December	**15**	89

Property, plant and equipment comprises the Group's investment in leasehold improvements, fixtures, office equipment and computer hardware. In 2016 £47,000 (2015: £47,000) of depreciation has been capitalised into the Group's intangible exploration and evaluation expenditure in accordance with the Group's overhead allocation policy.

Notes to the Group Financial Statements
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12. Intangible exploration and evaluation assets

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
At 1 January	**176,012**	177,308
Additions	**67,587**	2,903
Effects of additions / changes to decommissioning estimates (note 18)	**1,547**	(4,199)
At 31 December	**245,146**	176,012

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 (2015: £130,000) represents the deposit for the office lease. Further details are given in note 25.

14. Inventory

	31 Dec 2016 £'000	31 Dec 2015 £'000
Inventory	**359**	410
	359	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 2016 £'000	31 Dec 2015 £'000
Research & development tax credit (see note 9)	**4,693**	-
Other receivables	**812**	141
Prepayments and accrued income	**388**	279
	5,893	420

No amounts were past due at either Balance Sheet date. The carrying amounts of trade and other receivables are considered to be materially equivalent to their fair values.

16. Cash and cash equivalents

	31 Dec 2016 £'000	31 Dec 2015 £'000
Unrestricted funds	**72,339**	7,623
Current restricted funds	**7,561**	-
Current cash and cash equivalents	**79,900**	7,623
Non-current restricted funds	**2,330**	2,318
Total cash and cash equivalents	**82,230**	9,941

At 31 December 2016 the current restricted funds of £7,561,000 (2015: nil) are held in escrow for future expected drilling costs related to the Lincoln and Halifax exploration wells. The amounts held in escrow can only be withdrawn on the consent of both the relevant third party and the Company.

At 31 December 2016 the non-current restricted funds of £2,330,000 (2015: £2,318,000) are 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 OGA and the Company. These funds have been included in the Balance Sheet in other non-current assets.

17. Trade and other payables

	31 Dec 2016 £'000	31 Dec 2015 £'000
Trade payables	**6,749**	71
Other payables	**788**	78
Accruals	**13,804**	122
	21,341	271

The carrying amounts of trade and other payables are considered to be materially equivalent to their fair values. All payables are due within 30 days at year end.

Notes to the Group Financial Statements
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18. Decommissioning provisions

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
At 1 January	**3,221**	7,281
Unwinding	**61**	139
Additions	**1,373**	-
Changes to estimate	**174**	(4,199)
At 31 December	**4,829**	3,221

The provision for decommissioning relates to the costs required to decommission the suspended wells previously drilled on the Lancaster and Whirlwind assets. The additions to the decommissioning estimate in the year is due to the inclusion of the Lancaster 7 well in the provision. The changes to the estimate are due to: (a) revision of the Directors' best estimate of the timing of the decommissioning of the assets to 2026 (2015: 2019); and (b) the revision of the inflation rate and discount rate used in the calculation of the provision to 2.0% and 1.31% (2015: 2.5% and 1.9%) to align with current market conditions.

19. Called up share capital

	Ordinary Shares of £0.001	31 Dec 2016 £'000	Ordinary Shares of £0.001	31 Dec 2015 £'000
Alloted, called up and fully paid				
At 1 January	633,112,533	633	632,277,788	632
Issued	569,747,864	570	844,745	1
At 31 December	1,202,860,397	1,203	633,122,533	633

The Company does not have an authorised share capital.

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.

On 21 January 2016 1,016,976 new ordinary shares were issued to the Hurricane Energy plc SIP at a subscription price of £0.09 per share.

On 10 May 2016 347,245,265 new ordinary shares were issued to Kerogen Capital and other institutional investors at a subscription price of £0.15 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 £0.20 per share. The expiry date of these warrants is 10 May 2019.

On 08 June 2016 2,655,503 new ordinary shares were issued to Directors who held office during 2014 in partial settlement of the 2014 deferred bonus, at a market price at that date of £0.17 per share, with the remainder of the deferred bonus settled via a cash payment of £187,000.

On 8 November 2016 218,830,120 new ordinary shares were issued by way of a placing and open offering at a subscription price of £0.34 per share.

20. Equity settled compensation arrangements
The Group recognised total expenses of £2,086,000 in respect of share-based payments in 2016 (2015: £2,764,000).

20.1 PSP awards

	Number of awards	Year Ended 31 Dec 2016 Weighted average exercise price £	Number of awards	Year Ended 31 Dec 2015 Weighted average exercise price £
Outstanding at 1 January	**32,339,405**	**-**	33,283,332	-
Granted	**4,533,333**	**-**	-	-
Forfeited / lapsed	**(27,942,384)**	**-**	(943,927)	-
Exercised	**-**	**-**	-	-
Outstanding at 31 December	**8,930,354**	**-**	32,339,405	-

Under the Hurricane Energy 2013 Performance Share Plan ("PSP") certain employees, including executive Directors, were granted conditional rights to receive ordinary shares at nil cost. The share awards vest based on the Group meeting certain funding milestones across the next four 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 ordinary shares at nil cost. The share awards vest based on the same conditions as the PSP.

In November 2016 certain employees and executive Directors forfeited their PSPs as part of the terms of participating in the Value Creation Plan ("VCP"). The transfer of employees and executive Directors to the VCP has been accounted for as a modification to the PSP. See section 20.3 below.

20.2 Share Options
There are two tranches of share options that remain outstanding at 31 December 2016. Both tranches vested either on or before IPO. All other share options and LTIP awards were replaced by the PSP. As at 31 December 2016 the number of options that remained outstanding was 901,500 (2015: 1,074,500). The weighted average exercise price for these options was £0.53 (2015: £0.61). All outstanding options are exercisable.

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of 2.1 years (2015: 3.1 years).

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. 173,000 of these share options lapsed in 2016. 301,500 lapse in December 2020.

20.3 Value Creation Plan
In November 2016 the Group introduced the VCP for employees and executive Directors, involving the issue of 840 growth shares in Hurricane Group Limited (a Group subsidiary). The VCP will run for 5 years until November 2021. At the end of the vesting period the value of the growth shares will be driven by the amount by which the price of ordinary shares in Hurricane Energy plc has increased above £0.34 per ordinary share (the "Threshold Value"). The Threshold Value is the price of the ordinary shares as at the date of issue of the growth shares and will be adjusted for any capital raises that occur during the vesting period. The growth shares have no value unless the price of the ordinary shares exceeds a hurdle of £0.55 per share at the vesting date (calculated as the average price for the

Notes to the Group Financial Statements
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previous 3 months). If the hurdle is met, and a vesting event occurs within the vesting period, the growth shares may be exchanged for ordinary shares of an amount, in aggregate, equivalent to up to 8.4% of the growth in the price of the issued ordinary shares above the Threshold Value, multiplied by the number of ordinary shares in issue at the time. This would be broadly equivalent to 8.4% of the growth in the market capitalisation. The proportion of the growth shares that vest to participants and the amount received is dependent on the Remuneration Committee certifying, at its discretion, the Group meeting various non market-based performance conditions consistent with the progression and development of the Lancaster EPS during the vesting period.

A total of 840 growth shares were issued under the VCP in November 2016. The fair value of the VCP as at the grant date was calculated as £18.1 million, of which £6.9 million has been charged to date under the terms of the PSP awards which it replaced. The fair value was calculated using a simulation model with the following key assumptions: (i) volatility of 68%; (ii) risk free rate of 0.62%; (iii) dividend yield of 0%; (iv) life of 5 years; and (v) share price at grant date of £0.34. The Group has currently assumed a vesting period which runs to early 2021, based on their assessment of the various non-market based performance conditions. If the assumed vesting period was shortened by 1 year, 2 year, or 3 years, the additional charge per year would be approximately £0.8 million, £2.4 million and £6.5 million respectively.

Those employees or Directors who entered the VCP were required to forfeit any PSPs held at that time.

21. Own shares held by SIP Trust

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
At 1 January	**195**	194
Acquired in the period	**77**	95
Shares disposed of to employees	**(40)**	(94)
At 31 December	**232**	195

The Own shares held by SIP Trust 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 SIP administered by MM&K Share Plan Trustees Limited.

During 2016 the SIP acquired 1,016,976 new ordinary shares of £0.001 nominal value (2015: 844,745) at a subscription price of £0.09 per share (2015: £0.14 per share), all of which were allocated to participants. At 31 December 2016 there were 1,694,821 ordinary shares held in the SIP Trust (2015: 1,110,604). With the exception of 100,000 shares (2015: nil) which were unallocated, the remainder of these shares were all allocated to participants.

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

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Operating loss	**(6,540)**	(5,448)
Adjustments for:		
Depreciation of property, plant and equipment (note 11)	**40**	82
Equity shares to be issued	**-**	(5)
Share-based payment charge (note 20)	**2,086**	2,764
Operating cash outflow before working capital movements	**(4,414)**	(2,607)
(Increase) / Decrease in receivables	**(772)**	1,113
Increase / (Decrease) in payables	**399**	(1,058)
Cash used in operating activities	**(4,787)**	(2,552)
Corporation tax received / (paid)	**672**	(6)
Net cash outflow from operating activities	**(4,115)**	(2,558)

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) and 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 2016 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 2016 equity attributable to equity holders of the parent is £307.6 million (2015: £183.5 million), whilst cash and cash equivalents amount to £82.2 million, (2015: £9.9 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 £2.3 million (2015: £0.1 million) on the profit after tax of the Group for the year ended 31 December 2016. A 10% weakening in the strength of the US Dollar against Sterling, would cause an increase of £2.7million (2015: £0.1 million) on the profit after tax of the Group for the year ended 31 December 2016.

Notes to the Group Financial Statements

for the Year Ended 31 December 2016

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 an economic hedge against exchange rate movements.

23.4 Credit risk

The Group is only exposed to significant 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 profit after tax for the year ended 31 December 2016 would have increased by £1.0 million (2015: £0.01 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 2016 the Group had capital commitments of £6.0 million (2015: £ nil).

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 2016	31 Dec 2015
	£'000	£'000
Within one year	**132**	138
In the second to fifth years inclusive	**423**	520
After five years	**-**	33
	555	691

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

26. Related parties

During 2016, the only related party transactions are those with the Directors who are considered as the Group's key management personnel. These transactions include £35,000 paid to Kerogen Capital (2015 : £nil), who are a related party of the Company due to the size of their shareholding. All transactions with the Directors are detailed in note 8.

27. Equity shares to be issued

At 31 December 2015, the balance of £649,000 in Equity shares to be issued reserve, represented the value of deferred ordinary shares that had 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. During 2016, once the Company was out of the close period, the Board reviewed the recommendations of the remuneration committee and £463,000 of the deferred share element of the 2014 bonus was settled via equity. The remaining amount of £187,000 was settled via cash.

28. Subsequent events

28.1 Share incentive plan

On 13 January 2017, MM&K Plan Trustees Limited, trustee of the HMRC approved Hurricane Energy plc SIP, awarded 227,726 ordinary shares in the Company to participants in the SIP at a price of £0.49 per share. The SIP award has been satisfied by the issue of 127,726 new ordinary shares issued to the SIP at a subscription price of £0.49 per share, plus 100,000 ordinary shares already held in the Plan.

28.2 Research & Development Tax claim

On 13 February 2017, the Group received £4.7 million in respect of an R&D tax claim for the period ended 31 December 2014. This amount was included as a receivable as at 31 December 2016 (see note 15).

28.3 Completion of the Halifax exploration well

On 27 March 2017, the Group announced that operations on the 205/23-3A well (the "Halifax Well") were complete. The Group confirmed that the well is an oil discovery and that initial data analysis indicates Halifax is linked to the Lancaster field forming a single large hydrocarbon accumulation.

28.4 Fundraising

On 12 May 2017 the Group intends to enter into a financing arrangement with Stifel. Under this arrangement the Group intends to issue Stifel warrants over 25,000,000 ordinary shares of 0.1 pence each. The exercise price for each of the warrants will be 95% of the volume weighted average price of the ordinary shares, calculated over the trading day prior to exercise. Stifel will use reasonable endeavours to procure purchasers for the ordinary shares granted under the warrants. The Company will have the right to terminate the warrants at any time, otherwise they will expire on 30 June 2017.

Company Balance Sheet
as at 31 December 2016
Registered company number 05245689

	Notes	**31 Dec 2016 £'000**	31 Dec 2015 £'000
Non-current assets			
Property, plant and equipment	1	**15**	89
Intangible exploration and evaluation assets	2	**116,827**	80,249
Investments	3	**15,090**	15,090
Amounts due from subsidiary undertakings		**111,209**	79,262
Other receivables	4	**130**	130
Other non-current assets*	7	**2,330**	2,318
		245,601	177,138
Current assets			
Inventory	5	**359**	410
Trade and other receivables	6	**5,878**	420
Cash and cash equivalents	7	**79,900**	7,623
Total current assets		**86,137**	8,453
Total assets		**331,738**	185,591
Current liabilities			
Trade and other payables	8	**(21,341)**	(271)
Current tax liabilities		**-**	-
		(21,341)	(271)
Non-current liabilities			
Decommissioning provision	9	**(2,414)**	(1,610)
Total liabilities		**(23,755)**	(1,881)
Net assets		**307,983**	183,710
Equity			
Share capital	10	**1,203**	633
Share premium		**332,313**	210,814
Share option reserve		**10,135**	8,089
Own shares held by SIP Trust	10	**(232)**	(195)
Equity shares to be issued	10	**-**	649
Accumulated deficit		**(35,436)**	(36,280)
Total equity		**307,983**	183,710

*2015 balances have been restated (see note 2.1 in the Group Financial Statements)

The profit of the parent company for 2016 was £844,000 (2015: loss of £5,452,000). 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.

The Financial Statements of Hurricane Energy plc were approved by the Board of Directors and authorised for issue on 12 May 2017. They were signed on its behalf by:

Dr Robert Trice
Chief Executive Officer
12 May 2017

Alistair Stobie
Chief Financial Officer
12 May 2017

Company Statement of Changes in Equity
for the Year Ended 31 December 2016

	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 2015	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)
Total comprehensive loss for the year	-	-	-	-	-	(5,452)	(5,452)
At 31 December 2015	633	210,814	8,089	(195)	649	(36,280)	183,710
Shares allotted	570	126,497*	-	-	-	-	127,067
Transaction costs	-	(4,998)	-	-	-	-	(4,998)
Share option charge	-	-	2,046	-	-	-	2,046
Own shares held by SIP Trust	-	-	-	(37)	-	-	(37)
Settlement of deferred bonus	-	-	-	-	(649)	-	(649)
Total comprehensive profit for the year	-	-	-	-	-	844	844
At 31 December 2016	**1,203**	**332,313**	**10,135**	**(232)**	**-**	**(35,436)**	**307,983**

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.

* Includes £463,000 in relation to the portion of the deferred bonus settled in equity (see Note 19 in the Group Financial Statements).

Company Cash Flow Statement
for the Year Ended 31 December 2016

	Notes	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Net cash outflow from operating activities	11	**(3,952)**	(2,558)
Investing activities			
Interest received		**58**	35
Expenditure on property, plant and equipment		**(13)**	(3)
Expenditure on intangible exploration and evaluation assets		**(24,292)**	(1,574)
Expenditure on inventory		**-**	(410)
Working capital provided to subsidiary companies		**(22,689)**	(1,455)
Net cash used in investing activities		**(46,936)**	(3,407)
Financing activities			
Interest paid		**(4)**	(1)
Deferred bonus arrangements settled in cash		**(187)**	-
Net proceeds from issue of share capital		**121,529**	23
Net cash provided by financing activities		**121,338**	22
Net increase / (decrease) in cash and cash equivalents		**70,450**	(5,943)
Cash and cash equivalents at the beginning of the year*		**9,941**	15,856
Net decrease increase in cash and cash equivalents		**70,450**	(5,943)
Effects of foreign exchange rate changes		**1,839**	28
Cash and cash equivalents at the end of the year*	7	**82,230**	9,941

*Cash and cash equivalents includes £2,330,000 (2015: £2,318,000) of cash held in escrow which has been included in the balance sheet in other non-current assets.

Notes to the Company Financial Statements
for the Year Ended 31 December 2016

1. Property, plant and equipment

	Year Ended 31 Dec 2016 £'000	Year Ended 31 Dec 2015 £'000
Cost		
At 1 January	**793**	790
Additions	**13**	3
At 31 December	**806**	793
Depreciation		
At 1 January	**(704)**	(575)
Charge for the year	**(87)**	(129)
At 31 December	**(791)**	(704)
Carrying amount at 31 December	**15**	89

Property, plant and equipment comprises the Company's investment in leasehold improvements, fixtures, office equipment and computer hardware. In 2016 £23,000 (2015: £24,000) 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 2016 £'000	Year Ended 31 Dec 2015 £'000
At 1 January	**80,249**	80,875
Additions	**35,805**	1,473
Effects of additions / changes to decommissioning estimates (note 9)	**773**	(2,099)
At 31 December	**116,827**	80,249

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.

Notes to the Company Financial Statements
for the Year Ended 31 December 2016

3. Investments

	31 Dec 2016 £'000	31 Dec 2015 £'000
Investment in subsidiaries	**9,751**	9,751
Loan to subsidiary	**5,339**	5,339
	15,090	15,090

Details of investments in which the Company holds shares are as follows:

Company	Country of Registration	Company Number	Nature of business
Hurricane Exploration (UK) Limited	UK	05458508	Oil and gas exploration
Hurricane Group Limited	UK	07700755	Holding company
Hurricane Basement Limited	UK	07700492	Dormant company
Hurricane Petroleum Limited	UK	07700415	Dormant company

The Company holds the entire ordinary share capital of each of the subsidiaries. Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The registered office for each of the subsidiaries is the same as that for Hurricane Energy plc, being The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey GU7 2QN.

The dormant companies have taken advantage of the s394A exemption from preparing individual accounts, and the s479A exemption from audit.

4. Other non-current receivables

The other non-current receivables of £130,000 (2015: £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 2016 £'000	31 Dec 2015 £'000
Inventory	**359**	410
	359	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 2016 £'000	31 Dec 2015 £'000
Research & development tax credit	**4,693**	-
Other receivables	**812**	141
Prepayments and accrued income	**373**	279
	5,878	420

No amounts were past due at either balance sheet date. The carrying amounts of trade and other receivables are considered to be materially equivalent to their fair values.

7. Cash and cash equivalents

	31 Dec 2016 £'000	31 Dec 2015 £'000
Unrestricted funds	**72,339**	7,623
Current restricted funds	**7,561**	-
Current cash and cash equivalents	**79,900**	7,623
Non-current restricted funds	**2,330**	2,318
Total cash and cash equivalents	**82,230**	9,941

At 31 December 2016 the current restricted funds of £7,561,000 (2015: nil) are held in escrow for future expected drilling costs related to the Lincoln and Halifax exploration wells. The amounts held in escrow can only be withdrawn on the consent of both the relevant third party and the Company.

At 31 December 2016 the non-current restricted funds of £2,330,000 (2015: £2,318,000) are 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 OGA and the Company. These funds have been included in the balance sheet in other non-current assets.

8. Trade and other payables

	31 Dec 2016 £'000	31 Dec 2015 £'000
Trade payables	**6,749**	71
Other payables	**788**	78
Accruals	**13,804**	122
	21,341	271

The carrying amounts of trade and other payables are considered to be materially equivalent to their fair values. All payables are due within 30 days at year end.

Notes to the Company Financial Statements
for the Year Ended 31 December 2016

9. Decommissioning provisions

	31 Dec 2016 £'000	31 Dec 2015 £'000
At 1 January	**1,610**	3,641
Unwinding	**31**	68
Changes to estimates	**686**	(2,099)
Additions	**87**	-
At 31 December	**2,414**	1,610

The provision for decommissioning relates to the costs required to decommission the suspended wells previously drilled on the Lancaster and Whirlwind assets. The additions to the decommissioning estimate in the year is due to the inclusion of the Lancaster 7 well in the provision. The changes to the estimate are due to: (a) revision of the Directors' best estimate of the timing of the decommissioning of the assets to 2026 (2015: 2019); and (b) the revision of the inflation rate and discount rate used in the calculation of the provision to 2.0% and 1.31% (2015: 2.5% and 1.9%) to align with current market conditions.

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 2016 £'000	Year Ended 31 Dec 2015 £'000
Operating loss	**(6,390)**	(5,448)
Adjustments for:		
Depreciation of property, plant and equipment (note 1)	**41**	82
Equity shares to be issued	**-**	(5)
Share-based payment charge	**2,086**	2,764
Operating cash outflow before working capital movements	**(4,263)**	(2,607)
(Increase) / decrease in receivables	**(758)**	1,113
Increase / (decrease) in payables	**397**	(1,058)
Cash used in operating activities	**(4,624)**	(2,552)
Corporation tax received / (paid)	**672**	(6)
Net cash outflow from operating activities	**(3,952)**	(2,558)

12. Other disclosures
Certain other disclosures in notes 24, 25, 26, 27 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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