Hurricane Energy plc

Unaudited Financial Results 2015

Chief Executive's Report

Overview

Having successfully demonstrated the potential commerciality of the Company's Lancaster oil field, a farm-out process was initiated in September 2014 to attract an industry partner with whom to progress the field development. That farm-out process has advanced throughout 2015. Notwithstanding the oil price environment and industry sentiment, I believe the quality of Hurricane's assets continues to stand out and I am pleased to say that detailed technical and commercial discussions are ongoing with several parties.

Throughout this process, our focus has been on maximising shareholder value and progressing the Lancaster development as quickly as possible. To that end, we have worked on a number of parallel strategies, in addition to an industry farm-out. Accordingly, I am delighted to refer you to the fundraising with Kerogen and a number of existing shareholders set out in the Shareholder Circular published today (the Fundraising). We believe it is a reflection of the quality of the Company's assets that we have been able to attract funding to enable us to engage in near-term drilling activity during what is recognised to be a difficult time for the E&P industry.

The Fundraising provides the Company with the opportunity to take advantage of depressed oil field services rates and the availability of the Transocean Spitsbergen rig to drill a pilot and horizontal sidetrack on the Lancaster field. We believe these operations will put in place the remaining well stock for the Early Production System (EPS) phase of development of Lancaster. To be able to progress to this point, whilst retaining a 100% interest in the field, is a tremendous accomplishment.

In addition and as is prudent in light of the current economic environment of the oil industry, the Company has also focused on decreasing the general and administrative (G&A) costs of the business by reviewing its cost base and making cost reductions where appropriate.

Fundraising

Introduction and summary

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

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

The Placing, the Kerogen Subscription and the CA Warrant issue (together the Fundraising Securities) are conditional, among other things, upon the Company obtaining approval from its Shareholders to grant the Board authority to allot the Fundraising Securities, to disapply pre-emption rights which would otherwise apply to the allotment of the Fundraising Securities and to an alteration to the articles of association of the Company. The Placing and the Kerogen Subscription are also conditional upon Admission. Subject to all relevant conditions being satisfied (or if applicable waived), it is expected that admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules (Admission) will take place on or around 10 May 2016.

Chief Executive's Report

Background to the fundraising

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

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

The Company has designed a 2016 well programme incorporating a pilot well and a horizontal sidetrack well on Lancaster as part of a continuous drilling programme in the summer of 2016, known as the Lancaster 7 Wells. The wells are designed to refine Lancaster's resource range, optimally plan field development and act as a future production well for the EPS phase of development. The Company has contracted Transocean's H60 Spitsbergen (the Rig), a state-of-the-art semi-submersible drilling rig which Transocean believes can operate year round in the West of Shetland, to drill and test the Lancaster 7 Wells. The Rig contract is conditional upon the completion of the Fundraising.

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

Update on farm-out

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

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

Furthermore, major oil companies continue to reduce capital expenditure, and feedback received by the Company in several cases indicates that there is no significant budget to commit to Lancaster operations in 2016. The Directors therefore do not believe that a farminee would be able to commit to drill the Lancaster 7 Wells in 2016, and the Company is mindful that any delays in drilling could result in a possible delay to the timing of first oil to 4Q 2019 at the earliest.

The timing of exploration, appraisal and development of the Company's other licences are addressed differently by each potential farminee.

Chief Executive's Report

Update on Lancaster development

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

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

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

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

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

Licences

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

Board changes

On 31 January 2016, Chief Financial Officer Nicholas Mardon Taylor retired. Nicholas had been with Hurricane from the start and throughout a period in which the Company has achieved very significant milestones which have set Hurricane on a path towards Lancaster field development. The Company is enormously grateful for his contributions and everyone wishes him very well in his retirement.

On 16 March 2016, Alistair Stobie was appointed as Chief Financial Officer. Alistair brings significant capital markets and oil and gas industry experience to the Company. He was previously Director of Finance at AIM-listed Zoltav Resources and Chief Financial Officer at Oando Exploration & Production. Prior to this, Alistair founded both Volga Gas, where he was Chief Financial Officer and led its AIM-IPO to raise US$135 million, and Pan-Petroleum (now Panoro Energy), 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 M&A and the acquisition and disposal of licence interests.

On 1 March 2016, Chairman John Hogan stepped down from the Board upon completion of a three year term of office in March 2016. The Company announced that Dr Robert Arnott has joined the Board as a Director and 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, Dr Arnott 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.

Financial Review

Overview

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

Income statement

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

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

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

Balance sheet

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

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

Cash flow

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

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

Financial risk

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

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

To mitigate the risk of default from financial institutions, deposits are predominately held with institutions that have, as a minimum, an A rating.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Group, its cash flows, and liquidity position are described in this report and set out in the notes to this announcement. Further details of the Group's commitments are set out in notes 11 and 12 of this announcement.

The Group has no source of operating revenue and currently obtains working capital primarily through equity financing. The Group is therefore dependent on future fundraising, capital receipts or other forms of finance in order to continue in operation over the long term and the Group's work programme for developing its core assets is dependent on this future fundraising activity. The Group has no external borrowings and ended 2015 with £7.6 million of cash and cash equivalents (excluding amounts held in escrow) which it believes, based on the Group's cash flow forecasts, are sufficient to meet its outstanding trade and other payables of £0.2 million at 31 December 2015, prospective general and administration (G&A) costs, and licence renewal obligations for at least the next twelve months.

The Directors have considered sensitivities to the Group's forecasts, including the effect of the conditional capital raise of £52.1 million before expenses and the associated work programme for the Lancaster 7 Wells. These sensitivities indicate that, if the capital raise is completed, the Group is fully funded for both the proposed Lancaster 7 Wells operation and for prospective G&A costs for at least the next twelve months based on the Group's cash flow forecasts.

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

Group Income Statement

for the year ended 31 December 2015

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

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

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

Group Balance Sheet

as at 31 December 2015

Registered company number 05245689

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

Group Statement of Changes in Equity

for the year ended 31 December 2015

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

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

Group Cash Flow Statement

for the year ended 31 December 2015

	Notes	**Year Ended 31 Dec 2015 (Unaudited) £'000**	Year Ended 31 Dec 2014 (Audited) £'000
Net cash outflow from operating activities	10	**(2,558)**	(4,677)
Investing activities			
Interest received		**35**	67
Expenditure on property, plant and equipment		**(3)**	(24)
Expenditure on intangible exploration and evaluation assets		**(3,029)**	(36,585)
Expenditure on inventory		**(410)**	-
Net cash used in investing activities		**(3,407)**	(36,542)
Financing activities			
Interest paid		**(1)**	(3)
Net proceeds from issue of share capital		**23**	16,786
Net cash provided by financing activities		**22**	16,783
Net decrease in cash and cash equivalents		**(5,943)**	(24,436)
Cash and cash equivalents at the beginning of the year		**15,856**	40,167
Net decrease increase in cash and cash equivalents		**(5,943)**	(24,436)
Effects of foreign exchange rate changes		**28**	125
Cash and cash equivalents at the end of the year	8	**9,941**	15,856

Notes to the Group Financial Information

for the Year Ended 31 December 2015

1. General information

Hurricane Energy plc is a company incorporated 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.

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014. The financial information for the year ended 31 December 2014 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2015 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

2. Basis of preparation

The financial Information has been prepared under the historical cost convention, except for share based payments. While the financial Information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs by the end of June 2016.

The financial Information has 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 Financial Review.

3. Accounting Policies

The accounting policies applied in this announcement are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements. A number of amendments to existing standards and interpretations were applicable from 1 January 2015. The adoption of these amendments did not have a material impact on the group's financial results for the year ended 31 December 2015.

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. Operating loss

	Year Ended 31 Dec 2015 (Unaudited) £'000	Year Ended 31 Dec 2014 (Audited) £'000
Operating loss is stated after charging:		
Staff costs	**4,252**	6,944
Operating lease rentals – land and buildings	**170**	135
Depreciation of property, plant and equipment	**82**	95
Auditor's remuneration	**58**	259

6. Loss per Share

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

As the Group has made losses for both periods, the share options outstanding were anti-dilutive and have not been included in the fully diluted loss per share calculation.

7. Intangible exploration and evaluation assets

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

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

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

8. Cash and cash equivalents

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

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

9. Decommissioning provisions

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

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

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

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

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

11. Capital commitments

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

12. Financial commitments

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

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

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

13. Subsequent events

13.1 *Share incentive plan*

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

13.2 *Directorate changes*

On 31 January 2016, Chief Financial Officer Nicholas Mardon Taylor retired. On 1 March 2016, Chairman John Hogan resigned and Dr Robert Arnott was appointed as his successor. On 16 March 2016, Alistair Stobie was appointed as Chief Financial Officer.