

Annual report and consolidated financial statements for the year ended 31 December 2014

Contents

1 Chairman's Statement
3 Chief Financial Officer's Statement
7 Board of Directors and Senior Management
8 Strategic Report
13 Directors' Report
16 Remuneration Report
19 Corporate Governance
22 Statement of Directors' Responsibilities
23 Independent Auditor's Report on Consolidated Financial Statements
25 Principal Accounting Policies
38 Consolidated Income Statement
39 Consolidated Statement of Comprehensive Income and Expenditure
40 Consolidated Balance Sheet
41 Consolidated Statement of Changes in Equity
42 Consolidated Cash Flow Statement
43 Notes to the Consolidated Financial Statements
73 Parent Company Balance Sheet
74 Notes to the Parent Company Financial Statements
86 Company information
87 Notice of Annual General Meeting

Chairman's Statement
for the year ended 31 December 2014

This past year was on balance another successful year for Nighthawk, with both successes and setbacks during a challenging period for our industry. The Company had approximately US$48 million in revenues and generated US$28 million in annual operating cash flows, both of which were records. Fortunately, we had this forward momentum just as the collapse of the world oil markets occurred in late November and early December 2014. I joined the Board as Executive Chairman on October 1, 2014 and was completing an analysis of our acreage position, drilling inventory and historical drilling success as oil prices collapsed. Our forward production, revenue momentum along with the Group's commodity hedge position exiting 2014, combined with our team's thorough understanding of the Company's future growth prospects served us well as I began preparation of our first capital and operating budgets with the Nighthawk team.

Overall over the last two years, when the Company drilled a Mississippian Spergen well with the use of 3D seismic, the success rate has been in the range of 70% to 80%. On the flip side of the ledger, the Nighthawk team drilled some marginal and unsuccessful wells during 2014, most notably in the John Craig area and the Knoss 9-20 and Snow King 12-33 wells.

With low oil prices at the end of 2014, we like many other oil exploration and production companies in the US and UK have written down the carrying value of some of the Company's assets. Of the total US$20.3 million non-cash exceptional administrative expense, US$6.7 million relates to plugging and abandonment of old wells drilled in earlier years when there was more exploratory risk associated with our drilling, and two wells drilled in 2014. The balance of the impairment charge includes US$12.7 million arising mainly as a result of a lower oil price being applied in determining the carrying value of assets and we would expect that some of carrying value of these wells could be written back up in future years with higher oil prices. The remaining US$0.9 million relates to legacy field infrastructure.

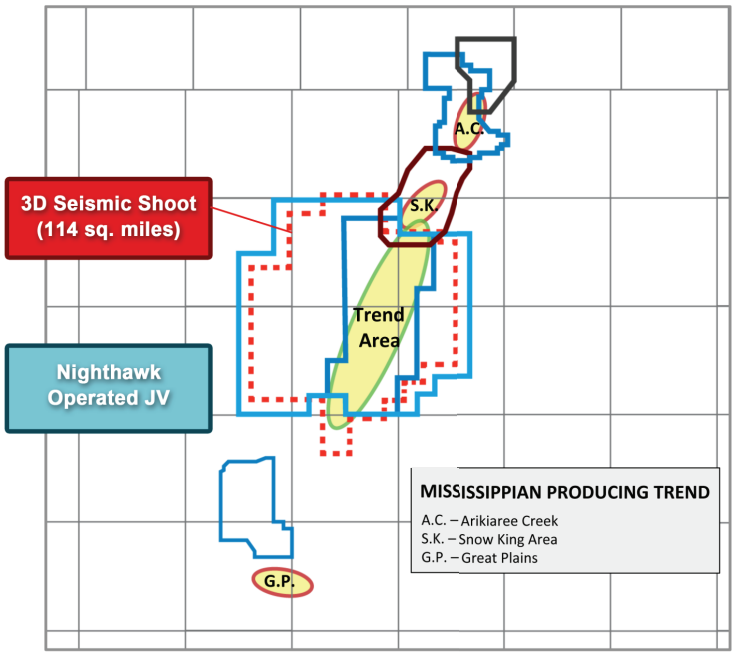
Let's look at some of the major accomplishments of 2014 and since, and discuss a few of them in more depth:

- Nighthawk grew net production to 575,275 barrels, a near 100% increase over 2013 levels;
- The Company successfully completed its first reserves-based revolving credit line in September 2014;
- We successfully drilled and completed 12 new vertical wells during the year, the most in the Company's history;
- An oil hedging program was successfully implemented in late 2014. We have realized approximately US$2.7 million in hedging revenues during the first four months of 2015;
- We completed new 3D surveys of our Snow King field and Salen areas;
- We made new oil discoveries, in the Company's Snow King field and successfully brought production online from the Pennsylvanian Marmaton zone in both the Arikaree Creek and Salen areas;
- The Company completed a comprehensive review of its forward drilling inventory, completed the its first operational and drilling budgets and established five new corporate metrics for measuring performance; and
- Since the year end, Nighthawk has successfully completed two new strategic Joint Ventures with Cascade Petroleum.

During 2014, we began to transition our focus towards a balanced approach of both quasi-developmental drilling combined with continued exploration efforts. We concluded that we must always have the benefit of 3D seismic and our related evaluation of drilling locations before we drill. This was not always the case in 2014, when the commitment to keep the drilling rig running had to be balanced with the need for 3D seismic. Now, our focus is on maintaining and growing a clearly identified forward inventory of drilling locations.

Today, we are encouraged by the extent of our forward drilling inventory and believe it can drive growth in the future. In early 2015, we completed what we believe will prove to be two very valuable strategic joint ventures (JVs) with Cascade Petroleum. The acreage that we tied up in these JVs, particularly the Monarch JV that we operate, is on the same geological structure that runs through our Arikaree Creek and Snow King fields. While we must complete the analysis of the 3D seismic that was recently shot over these two JVs, we have already been encouraged by the similar pop up features that we see in the Monarch JV acreage using our 2D seismic data. We have also used our previously evaluated 3D seismic for our Snow King field and we see a number of potential new Mississippian Spergen locations where our field and the JV overlap. As we outlined earlier this year, following processing and interpretation of the 3D seismic and selection and

permitting of well locations, we will complete the first four wells of our six well drilling commitment later this year. We expect that these JVs will provide many more drilling locations to add to our inventory. Below is a graphic highlighting the location of the JVs with Cascade Petroleum.



2015 has been a challenging year to date with very low oil prices and the unusually high number of well maintenance projects we encountered during the first quarter. We will continue to pursue our capital efficient well solvent clean up and behind pipe projects.

Despite the challenging, but improving, oil price commodity environment, we believe that Nighthawk's highly attractive well economics, the de-risking of the Group's acreage and its growing new well location inventory mean it is well positioned to continue to grow and deliver value to shareholders.

Finally, I would like to thank the Board, employees, shareholders and suppliers for their support during the year.

Rick McCullough
Chairman

1 June 2015

Chief Financial Officer's Statement
for the year ended 31 December 2014

Financial highlights

	Year ended 31 December 2014	Year ended 31 December 2013[3]
Revenue	47,541,974	26,154,210
Cost of sales	(19,927,152)	(8,676,437)
Gross profit	27,614,822	17,477,773
Administrative expenses	(7,274,890)	(5,468,951)
Normalised operating profit[1]	20,339,932	12,008,822
Depreciation, amortisation and contribution from test revenue	7,103,010	3,773,812
Normalised EBITDA[2]	27,442,942	15,782,634
Gross barrels sold	703,414	358,294
Net barrels sold	575,275	290,664
Daily average barrels sold (gross)	1,927	982
Average sales price per barrel	$83.02	$91.05
Normalised EBITDA per gross barrel sold	US$39.01	US$44.05

1. Normalised operating profit is operating profit adjusted for exceptional administrative expenses and, in 2013, a gain on stepped acquisition.
2. Normalised EBITDA is operating profit adjusted for depreciation, amortisation, contribution from test revenue exceptional administrative expenses and, in 2013, a gain on stepped acquisition.
3. Sales based taxes have been reclassified from current taxes to cost of sales in 2013 for consistent presentation with 2014. Foreign exchange gains have been reclassified from administrative expenses to finance income in 2013 for consistent presentation with 2014.

Revenues

Group revenues for the year were US$47.5 million (year ended 31 December 2013: US$26.2 million), an increase of 81% on the prior calendar year.

Gross oil sales during the year ended 31 December 2014 were nearly double those of 2013 and averaged 1,927 bbls/day (year ended 31 December 2013: 982 bbls/day). The average sales price per barrel in the year was US$83.02 per barrel (year ended 31 December 2013: US$91.05 per barrel), reflecting the fall in oil prices, particularly in the last quarter of 2014.

Costs

Cost of sales during the year was US$19.9 million (year ended 31 December 2013: US$8.7 million). In addition to lease operating expenses on wells classified as commercial for IFRS purposes, cost of sales also includes US$4.3 million of sales based taxes which in prior periods had been accounted under current taxation in the income statement. Sales based taxes of US$1.0 million have been reclassified from current taxes to Cost of Sales in 2013 in these financial statements for consistent presentation with 2014. Cost of sales in 2014 also includes US$1.3 million of production profit shares and royalties on mezzanine loans, US$5.4 million of depreciation charges and US$1.7 million contribution from test revenue (being an IFRS measure).

Lease operating expenses across all wells during the year on a non-IFRS basis amounted to US$7.2 million (year ended 31 December 2013: US$4.3 million), equivalent to US$10.26 per gross barrel sold or US$12.54 per net barrel sold (year ended 31 December 2013: US$11.89 per gross barrel sold or US$14.66 per net barrel sold).

On-going administrative expenses during the year were US$7.3 million (year ended 31 December 2013: US$5.5 million). The increase in administrative expenses in 2014 over 2013 is largely accounted for by employment related costs for personnel added during 2013 and costs of consultants and advisers, consistent with the growth in the Group's business during the year. Foreign exchange gains of US$1.1 million have been reclassified from administrative expenses to finance income in 2013 for consistent presentation with 2014.

Inevitably the lower oil commodity price environment had an impact on the carrying value of the Group's assets at 31 December 2014. A total impairment charge has been recognised in exceptional administrative expenses of US$20.3 million, of which US$6.7 million relates primarily to seven wells plugged and abandoned during the year and US$12.7 million mainly arises as a result of a reduction in the oil price assumption used in estimating the future discounted cash flows of wells and may be reversed subsequently with higher oil prices. The remaining US$0.9 million relates to legacy field infrastructure.

Normalised EBITDA

Normalised EBITDA ("NEBITDA") is operating profit adjusted for depreciation, amortisation, test revenue contribution adjustments, exceptional administrative expenses and, in 2013, a gain on stepped acquisition and is a measure of the underlying performance of the business. For the year ended 31 December 2014 NEBITDA was US$27.4 million (year ended 31 December 2013: US$15.8 million) reflecting the highly profitable nature of the Group's oil producing assets. This is also represented by normalised EBITDA per gross barrel sold across all the Group's wells which was US$39.01/bbl (year ended 31 December 2013: US$44.05/bbl) despite the rapid deterioration in oil prices in the second half of 2014.

Loss for the year

The Group reported a loss after tax of US$3.9 million for the year (year ended 31 December 2013: profit after tax US$12.2 million). The movement from profit after tax in the prior year to loss after tax in 2014 was driven by the non-cash impairments included as exceptional administrative expenses explained above under "Costs".

The Directors do not recommend the payment of a dividend for the year (year ended 31 December 2013: US$nil).

Taxation

Group current income tax expense in the US and the UK for the year was US$0.2 million (year ended 31 December 2013: US$0.2 million). Additionally, a deferred tax credit of US$2.1 million (year ended 31 December 2013: US$nil) was recorded in respect of net operating losses in the US which is matched by a deferred tax charge of the same amount in other comprehensive income in respect of fair value gains on hedging instruments.

During the year, the Group undertook a detailed review of the Group's capital deductions under US taxation. As a result, a prior year restatement has been recorded to reflect the impact of such capital deductions on deferred tax. In 2013, the Group recorded a deferred tax asset of US$7.0 million which has been restated to a net deferred tax of US$nil.

The Group carries total net operating losses for US tax purposes, some of which are immediately available for offset against US taxation charges.

See note 8 for further details of the current tax charge and further details of the prior year restatement of deferred tax. Additionally, sales based taxes of US$1.0 million have been reclassified from current taxes to Cost of Sales in 2013 in these financial statements for consistent presentation with 2014.

Cash flow, investment and liquidity

Cash inflow from operating activities for the year ended 31 December 2014 was US$28.2 million (year ended 31 December 2013: inflow US$14.4 million), reflecting the increase in NEBITDA.

Net cash flow used in investing activities during the year of US$40.8 million (year ended 31 December 2013: US$34.1 million) comprised principally capital expenditure in the drilling and completion of new wells.

In September 2014, the Group entered into a senior secured reserves based lending facility with Commonwealth Bank of Australia with a headline facility amount of up to US$100.0 million. Under this facility, the

initial borrowing base was US$35.0 million, which is subject to regular re-determinations based upon factors including but not limited to petroleum reserves and oil prices. The available borrowing base is subject to a US$5.0 million withholding by the bank such that the Group at all times maintains a minimum liquidity requirement. On 29 May 2015, the Group received a credit commitment from Commonwealth Bank of Australia to increase the borrowing base to US$37.0 million. Today the borrowing base is drawn at US$28.0 million.

Upon the initial draw of the borrowing base in September 2014, the Group repaid US$10.0 million of debt provided by major shareholders and extended US$10.0 million 15% coupon debt and £8.30 million of convertible loan notes to March 2019, together with extensions to the related warrants.

Net cash flow from financing activities during the year totalled US$15.9 million (year ended 31 December 2013: US$19.2 million) and comprised principally US$27.9 million raised via debt facilities, US$10.0 million in debt repayments and US$2.8 million in debt servicing payments.

At 31 December 2014, the Group held cash balances of US$5.0 million (31 December 2013: US$1.7 million) and had drawn US$23.0 million under its reserves-based lending facility.

As part of managing the Group's liquidity position, during 2014 we commenced a commodity hedging program in order to provide more certainty around future operational cash flows and liquidity. As at 1 June 2015, the Group held the following oil commodity derivative hedge positions:

	June to December 2015	Calendar 2016	Calendar 2017
Swap contracts			
Total volume (bbls)	212,556	138,104	17,350
Price (WTI NYMEX; average)	$69.80	$65.44	$75.30
Collar Contracts			
Total volume (bbls)	-	28,986	-
Ceiling	-	$70.10	-
Floor	-	$55.00	-

Note: All commodity derivative hedge prices are WTI NYMEX, averaged across the total contracts for Swap Contracts

Commensurate with our increased commodity hedging activities, the Group has elected to apply IFRS hedge accounting in respect of the Group's commodity derivative hedge positions. Hedge accounting mitigates the profit and loss volatility through the income statement that can arise through the use of derivatives. The Group's oil commodity derivative hedges were designated as cash flow hedges and accordingly it is expected that much of the derivative volatility arising from mark-to-market positions on open contracts at period ends will be recorded as an equity movement in the cash flow hedge reserve rather than through the income statement. On utilisation of the oil swaps when the oil sales take place, the amounts held in equity are recycled to revenue.

Shareholders' equity

As at 31 December 2014 there were 962,376,330 ordinary shares of 0.25 pence each in issue.

Additionally, as at 31 December 2014, a total of up to 446,050,000 new ordinary shares may be issued pursuant to the exercise of share options, warrants or convertible loan notes.

Chief Financial Officer's Statement (continued)
for the year ended 31 December 2014

Cautionary Statement

This Annual Report contains certain judgements/assumptions and forward-looking statements and assumptions that are subject to the normal risks and uncertainties associated with the exploration, development and production of hydrocarbons. Whilst the Directors believe that expectations reflected throughout this Annual Report are reasonable based on the information available at the time of approval of this Annual Report, actual outcomes and results may be materially different due to factors either beyond the Group's reasonable control or within the Group's control but, for example, following a change in project plans or corporate strategy. Therefore absolute reliance should not be placed on these judgements/assumptions and forward-looking statements.

Richard Swindells
Chief Financial Officer

1 June 2015

Board of Directors and Senior Management

Board of Directors

Richard (Rick) McCullough, Executive Chairman
Rick joined Nighthawk in October 2014 and has over 30 years' experience in the US energy and oil and gas industries with over 20 years at the executive level. He served with NASDAQ listed PDC Energy Inc. as Chief Financial Officer from 2006 to 2008 and as Chief Executive and then Chairman from 2008 until 2011, where he led a strategic turnaround resulting in an almost four-fold increase in share price. In 2011, he was named as CEO of the year for US mid-cap companies by Investor Relations Magazine.

Prior to joining PDC Energy, Rick served as President and Chief Executive Officer at Gasource, LLC and as an investment banker at JP Morgan. During his career, he has led teams in completing over three billion dollars of transactions in the energy markets.

Rick is Chairman of the Nomination Committee.

Charles (Chuck) Wilson, Chief Operating Officer, US Operations
Chuck joined Nighthawk in August 2011 from Gasco Energy Inc. where he was VP of Engineering and Operations, and was appointed to the Board on 1 April 2014. Previously he was the U.S. Onshore Drilling Manager for Denver-based Forest Oil Company, a NYSE-listed exploration and production company. Chuck has over 30 years of experience in the oil and gas industry ranging from drilling, completion and production operations to surface equipment installations, including horizontal drilling in the Bakken. He holds a BS degree in Petroleum Engineering from the University of Wyoming and in addition has held several positions within the Society of Petroleum Engineers and the American Association of Drilling Engineers.

Richard Swindells, Chief Financial Officer
Richard joined Nighthawk in June 2011 having previously spent 15 years as an investment banker, the past five of which he has spent advising and raising equity for resources companies. Richard joined from Ambrian Partners where he was Head of Oil & Gas Corporate Finance having previously been CEO of Nabarro Wells & Co and director of Corporate Finance at Panmure Gordon. Richard has an economics degree from Birmingham University and holds the Chartered Institute for Securities and Investment diploma.

Johan Claesson, Non-executive
Johan was appointed to the Board of Nighthawk on 1 April 2014. He is a Swedish national whose principal business interests are in property development and real estate and is a director of a number of listed companies. He has a controlling interest in and is chairman of Claesson and Anderzen AB ("C&A") which, indirectly, is the Company's largest shareholder.

Johan is Chairman of the Remuneration Committee.

Stuart Eaton, Non-executive
Stuart joined the Board of Nighthawk in February 2010. He was Head of UK Equity Alpha at Insight Investment Management Limited. Founded by HBOS in 2002, Insight had assets under management of £119 billion in 2009. Stuart joined Insight in May 2005 and was responsible for the management of UK equity long only portfolios.

Stuart is Chairman of the Audit Committee.

Senior Management

Michael Thomsen, Vice President – Geology, US Operations
Michael joined Nighthawk in 2006 and has over 35 years' experience in the natural resources industry and has worked in over 45 countries on acquisitions, project development and exploration. He has directed and managed a number of energy and minerals companies and was the former Chairman of Oil Quest Resources plc. Michael previously held the positions of Chief Geologist with Freeport-McMoRan Inc., a major US energy and minerals producer, and also Director of International Exploration with Newmont Mining Company, at that time the world's largest gold producer. He is a +30 year member of the American Association of Petroleum Geologists, the Society of Economic Geologists, the American Institute of Mining and Petroleum Engineers, and the Society for Mining and Exploration.

US Operations staff are based in Denver, Colorado, USA and are employed by the Group's US subsidiaries.

Strategic Report
for the year ended 31 December 2014

The Directors present their Strategic Report for the year ended 31 December 2014.

Principal Activities and Business Review

Nighthawk Energy plc is a UK registered company whose subsidiaries are focused principally on the development of oil exploration and production assets located in and around Lincoln County, Colorado, United States of America.

A review of the Group and Company operations during the year ended 31 December 2014 is contained in the Chairman's Statement.

There was a net loss for the year amounting to US$3,893,234 (year ended 31 December 2013: profit of US$12,211,765).

The directors do not recommend the payment of a dividend (year ended 31 December 2013: US$nil). A review of the Group's financial results for the year is contained in the Chief Financial Officer's Statement.

Review of the Group's Business and Strategy

Nighthawk's primary business activity is the exploration for, development and sale of, hydrocarbons. The Group operates solely in the state of Colorado USA where it owns interests in approximately 186,000 net mineral acres in and around Lincoln County.

The Group's net revenue interest is determined by the arrangements to pay royalties to landowners and others and varies by lease in a range of 80-85% of its working interest.

The primary business purpose requires the Group to engage in a range of activities including:

- The acquisition of seismic and other geological data to assist in formulating the exploration plan
- Drilling of wells to determine the existence, extent, production capability and commerciality of hydrocarbon deposits
- The installation of production equipment and pipelines
- The sale of hydrocarbons
- The maintenance of all equipment and well-bores including the plugging and abandonment of uncommercial or depleted wells
- Adherence to all State and Federal requirements in respect of environmental, health and safety factors
- Maintenance of existing land leases and addition of new land leases
- Accounting for all revenues and costs associated with the primary business purpose

The Group's business strategy is based upon:

- Focusing on a large scale asset where success is likely to be replicable
- Use of all available geological data to identify drilling locations with the highest probability of discovering commercial quantities of hydrocarbons
- Low cost, vertical drilling to test the existence of hydrocarbons
- Low cost, non-complex techniques to stimulate oil-flow and production as quickly as possible after drilling
- Rapid monetization of production through efficient marketing arrangements
- Generating value for shareholders

During the year ended 31 December 2014, the Group completed the following activities as part of its primary business purpose:

- Shot over 50 miles of 2D seismic
- Shot over 28 square miles of 3D seismic
- Drilled 15 wells, of which 11 were brought into production, one was a salt water disposal well and one was awaiting completion at the year end
- Plugged and abandoned seven wells
- Achieved sales of 703,414 gross barrels of oil (575,275 net barrels) and revenues of US$47.54 million (full year 2013: sales of 358,294 gross barrels of oil and revenues of US$26.15 million)
- Properly maintained all its equipment both above ground and in the well-bores
- Achieved full compliance with all State and Federal laws and guidelines
- Maintained its land leasehold position over areas that the Group considers to be prospective for hydrocarbons
- Published timely financial reports and accounts

In future, the Group expects to continue to pursue its strategy of exploring, appraising and developing its large scale asset in both the Mississippian and Pennsylvanian aged sections with its low cost, cash generative approach.

Key Performance Indicators

The Board regularly reviews the key performance indicators of the business and the Group's progress towards achieving its objectives.

The key performance indicators monitored by the Board and senior management in 2014 included:

- Gross barrels produced by well reported internally on a daily basis and sales by well on a monthly basis
- West Texas Intermediate and realized oil prices monitored on a regular basis
- Performance of wells against operating costs
- Actual capital expenditures against budget
- Earnings before interest, tax, depreciation, amortization and exceptional items ("Normalised EBITDA") and Normalised EBITDA per barrel

During the year ended 31 December 2014, total gross oil sold amounted to 703,414 gross barrels of oil (575,275 net barrels) (year ended 31 December 2013: 358,294 gross barrels of oil (290,664 net barrels of oil)) and revenues were US$47.54 million (year ended 31 December 2013: US$26.15 million). The average sales price per barrel in 2014 was US$83.02 (2013 year: US$91.05). The Group's Normalised EBITDA was US$27.4 million in 2014 (2013 year: US$15.8 million) or US$39.01 per gross barrel of oil sold (2013 year: US$44.05 per gross barrel of oil sold).

Total lease operating expenses for the year ended 31 December 2014 were US$7.2 million (2013 year: US$4.3 million), equivalent to US$10.26 per gross barrel sold (2013 year: US$11.89) or US$12.54 per net barrel sold (2013 year: US$14.66).

The average budgeted cost (AFE) for new wells drilled and completed in 2014 was US$1.9 million and the average actual cost was US$2.2 million. Material variations in capital expenditures from AFE during 2014 were attributable to unavoidable issues encountered whilst drilling which are common to the industry (such as equipment stuck downhole), coring taking longer than expected due to complex, fractured reservoir rock and to decisions made by the Board and senior management to carry out additional procedures on new wells not envisaged in the original AFE.

Financial Risk Management and Objectives

The Company uses various financial instruments including cash, equity shares, loans and borrowings, convertible loan notes, commodity hedging derivatives and items such as receivables and payables that arise directly from its operations. The existence of these financial instruments may expose the Company to financial risks, which are described in note 23 of the financial statements.

Principal Risks and Uncertainties

The Directors are responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the oil & gas exploration and production industry, the Group is exposed to a wide range of risks and uncertainties in the conduct of its operations.

Set out below are the principal risks and uncertainties that may affect performance. Such risks and uncertainties are not intended to be presented in any order of priority. Although the Directors and senior management have significant experience and take steps continually to mitigate and review risks as far as possible and reasonably practicable, any of the risks set out below, as well as any other risks and uncertainties referred to in this annual report, could have a material adverse effect on business performance. In addition, the risks set out below are not exhaustive and additional risks and uncertainties, not presently known to the Directors, or which the Directors currently deem immaterial, may arise or become material in the future.

Financial risks

- Cost inflation
- Oil price movements
- Adverse taxation legislative changes
- Third party counterparty credit risk
- Adverse foreign exchange movements
- Inadequate capital expenditure estimates
- Insurances may not cover all liabilities
- Contractual exposure

Operational risks

- Failure to find hydrocarbons in commercial amounts when drilling
- Failure to flow hydrocarbons to surface
- Production decline
- Dependence on one project only
- The Group's project in eastern Colorado is early stage with few wells which may not be indicative of the entire acreage
- Loss of key personnel
- Delay and cost overrun on work programs
- Health, Safety and Environmental incidents
- Poor or sub-commercial reservoir performance
- Exploration, appraisal or development well failures
- Failure of equipment or third party services
- Leasehold expiries or failure to meet terms and conditions for maintenance of leases
- Failure to keep pace with technological advances
- Failure to comply fully with local, State and national industry regulations
- Availability of drilling and production equipment

Strategic, industry and external risks

- Availability of capital to fund on-going appraisal and development of the project
- Commercial misalignment with joint venture partners
- Material fall in oil price
- Highly competitive industry with numerous significant, financially-strong participants
- Legislation and regulation may increase industry operating costs and/or reduce demand for hydrocarbons

Of these identified risks, the primary risks and actions taken to mitigate such risks, are summarised in more detail below:

Failure to find hydrocarbons when drilling. All geological data is closely analysed by the geological and operational team in Denver before choosing a drilling location. Any publicly available data or data acquired from other operators is also used. The approach to drilling is keep it simple and drill wherever possible vertically to the target. This limits the cost of a dry-hole to around US$1 million on average.

Failure to flow hydrocarbons to surface. The area of the Denver-Julesberg basin in which the Group operates is generally regarded as a low-pressure basin where it is unusual for oil to flow to the surface under natural pressures. In wells where oil is encountered, Nighthawk uses mild stimulation of the reservoir to encourage oil-flow to well bore, swabbing to test the quality and quantity of oil potentially producible and pumps to lift the oil to surface. Nighthawk does not currently regularly use hydraulic fracturing techniques on its wells. Nighthawk only invests in tangible surface and downhole production equipment if the quality and quantity of oil are deemed commercially viable.

Production is not sustainable. Production by well is monitored on a daily basis. The majority of Nighthawk's wells have oil potential in a number of different zones at different depths. If production from a particular formation falls below commercially acceptable levels, Nighthawk has two primary options – further stimulation or clean up of that formation to re-encourage oil-flow or to close off that formation and come up the well-bore to test another zone. Once a well is no longer commercially viable in any form the well will be plugged and abandoned in compliance with Colorado State requirements.

A fall in oil prices. The Board and management monitor oil prices on a daily basis and analyse events of a business, political or environmental nature that might affect future prices. The Board and management executes oil derivative contracts to reduce the Group's exposure to fluctuating oil prices and to protect its future casfhlow as it has done so during 2014.

Employees

At the date of this report, the Board of directors comprises three executive and two non-executive directors, all male, of which two are based in the UK, two in the USA and one in Sweden.

Details of the Group's approach to governance and Board structure are set out in the Corporate Governance section contained in this Annual Report and details of the Group's approach to Board remuneration are set out in the Remuneration Report also contained in this Annual Report.

The Group's primary operational centre is Denver, Colorado, USA. At the date of this report, the Group employs or contracts full time 19 people in Colorado, comprising four female, 15 male, with a range of skills covering operations, drilling, geology, reservoir engineering land and finance.

All full-time staff receive a competitive base salary with holidays, pension contributions and health and insurance cover. The Group believes in aligning all staff with shareholder interests so share option awards have been made to all staff.

Location	Directors	Senior Management	Other Office based staff	Operational field staff
UK	2	-	-	-
Denver, USA	2	1	10	6
Sweden	1	-	-	-

Environment, Health and Safety

The Board and management are committed to maintaining the highest standards in respect of environmental, health and safety matters. All statutory obligations both in the UK and in the USA are fully complied with.

As an operator in the oil industry, the Board and management are very aware of the risks to safety and the environment from operational incidents. The Group's senior management in Denver has substantial operating experience, the staff are properly trained and appropriately qualified, and regular on site safety briefings are held during drilling and work-over programs. The Group has in place procedures for dealing with, and reporting on, incidents such as spillages or lost time injuries.

Social Responsibility

The Group's operations in Colorado are in a sparsely populated area where the primary occupations are in farming and ranching. The Group through its operational team maintains good relations with those landowners from whom it has leased land. Where production is established, the Group pays royalties to the landowners and these amounts make a substantial contribution to the local economy in addition to the direct and indirect employment generated by the Group's operations.

On behalf of the Board

Rick McCullough
Executive Chairman

1 June 2015

Directors' Report
for the year ended 31 December 2014

The Directors present their report together with the consolidated financial statements for the year ended 31 December 2014.

Directors and their interests

The beneficial and other interests of the Directors holding office during the period and their families in the shares and share options of the Company at 31 December 2014 are set out below.

	31 December 2014		31 December 2013	
	Ordinary shares Number	Share options Number[5]	Ordinary shares Number	Share options Number
Mr S Gutteridge[1]	n/a	n/a	2,700,000	8,000,000
Mr R McCullough[3]	1,100,000	2,000,000	n/a	n/a
Mr C Wilson[2]	725,000	6,900,000	n/a	n/a
Mr R Swindells	876,803	10,000,000	878,137	9,300,000
Mr J Claesson[2, 4]	159,365,297	-	n/a	n/a
Mr S Eaton	1,496,500	1,500,000	1,496,500	1,500,000

Notes:

1. Mr S Gutteridge retired as Chairman and from the Board of Directors of the Company on 30 September 2014.
2. Messrs C Wilson and J Claesson joined the Board of Directors of the Company on 1 April 2014.
3. Mr R McCullough joined the Board of Directors of the Company on 1 October 2014.
4. The holdings attributed to Mr J Claesson are held in his own name and in associated entities. He is also interested in £4,092,500 nominal unsecured zero coupon convertible loan notes, £1,611,000 nominal unsecured 9% coupon convertible loan notes, 85.0 million warrants to subscribe new ordinary shares in the capital of the Company and US$10.0 million unsecured loan to the Company, all as further disclosed in note 29 of the financial statements.
5. Share options include the maximum awards made under the Share Awards (as referred to in the Remuneration Report) for Messrs McCullough and Swindells.

Further details of the share options held by Directors are set out in the Remuneration Report.

Retirement and re-election of Directors

Mr S Eaton will retire in accordance with the Company's Articles of Association and offer himself for re-election at the forthcoming Annual General Meeting.

Additionally, having been appointed to the Board since the Company's last Annual General Meeting, Mr R McCullough will offer himself for election at the forthcoming Annual General Meeting.

Directors and officers indemnity insurance

The Company maintains insurance against claims by third parties against its Directors and officers in respect of their lawful actions in connection with the discharge of their duties as officers of the Company.

Share capital

At 31 December 2014, 962,376,330 ordinary shares of 0.25p each are issued and fully paid. Each ordinary share carries one vote. During the period the Company issued 9,890,910 new ordinary shares following receipt of conversion notices from holders of £544,000 nominal 9% coupon unsecured convertible loan notes and issued 4,800,000 new ordinary shares

upon exercise of share options by former and present employees. Additionally, at 31 December 2014, there are share options, warrants and convertible loan notes outstanding that, if exercised or converted, would require a further 446,050,000 new ordinary shares of 0.25p each to be issued.

Further details of all changes to the issued share capital can be found in note 18 to the financial statements.

The directors do not recommend the payment of a dividend (year ended 31 December 2013: US$nil).

Substantial shareholders

As at 1 June 2015, the Company is aware of the following shareholders with interests in excess of 3% of the issued ordinary share capital of the Company:

	Ordinary shares Number	Percentage Ordinary share capital
Mr Johan Claesson[(1)]	159,365,297	16.5%
Mr Peter Gyllenhammar[(2)]	99,767,867	10.4%
Barclayshare Nominees Limited	49,326,648	5.1%
TD Direct Investing Nominees (Europe) Limited, a/c SMKTNOMS	47,918,206	5.0%
Vidacos Nominees Limited, a/c CLRLUX2[(3)]	36,962,707	3.8%
Mackenzie Financial Corporation	30,000,000	3.1%
Lynchwood Nominees Limited, a/c 2006420	29,962,916	3.1%

Notes to the substantial shareholders table:

1. Mr Johan Claesson is a director of the Company and is the direct and indirect owner of more than 50% of Claesson & Anderzén AB that owns indirectly 100% of Fastighets AB Korpralen, holding 106,480,797 shares in Nighthawk Energy plc. Mr Claesson holds 24,584,500 shares in his own name and 28,300,000 shares in his 100% privately owned company Johan och Marianne Claesson AB.
2. Mr Peter Gyllenhammar's holding is held by Bronsstädet AB, of which he is 100% owner.
3. Within this holding is a duplicate of 28,300,000 ordinary shares held indirectly by Mr Johan Claesson, as set out in note (1) above.
4. The above substantial shareholder information has been compiled by the Company based upon shareholding notifications received by the Company and its analysis of the shareholder register.

Personnel

The Group employed 21 people and contracted one person full time as at 31 December 2014 (31 December 2013: employees 17). Additionally the Group contracts consultants on certain projects and in certain operational areas such as geoscience, land management and financial control.

Future development of the Group's business

Information on the future development of the Group's business is included in the Strategic Report at "Review of the Group's Business and Strategy".

Financial Risk Management and Objectives

The Company uses various financial instruments including cash, equity shares, loans and borrowings, convertible loan notes, commodity hedging derivatives and items such as receivables and payables that arise directly from its operations. The existence of these financial instruments may expose the Company to financial risks, which are described in note 23 of the financial statements.

Subsequent Events

Save as disclosed in Note 34 to the Consolidated Financial Statements and Note 12 to the Parent Company Financial Statements, no significant events have occurred since the balance sheet date.

Auditors

A resolution to reappoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

Disclosure of Information to the Auditors

The directors at the date of approval of this Annual Report individually confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to enable it to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Board committees

Information on the Audit, Remuneration and Nomination Committees is included in the Corporate Governance section of the Annual Report.

Company Name and Registered Number

The registered number of Nighthawk Energy plc is 04000483.

Annual General Meeting

The Annual General Meeting will be held on 25 June 2015 as stated in the Notice of Meeting, which accompanies this Annual Report.

On behalf of the Board

Rick McCullough
Executive Chairman

1 June 2015

Remuneration Report
for the year ended 31 December 2014

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for all Directors and Senior Executives. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and senior executive team.

Directors' remuneration

The following remuneration table comprises Directors' fees and benefits in kind that were payable to Directors who held office during the year ended 31 December 2014:

	Basic salary/fees Year ended December 2014 US$	Pension contribution Year ended December 2014 US$	Benefits in kind Year ended December 2014 US$	Total Year ended December 2014 US$	Total Period ended December 2013 US$
Mr S Gutteridge[1]	212,500	20,363	-	232,863	288,797
Mr R McCullough[2]	79,375	-	-	79,375	n/a
Mr C Wilson[3]	344,800	10,400	26,291	381,491	n/a
Mr R Swindells	274,590	27,150	4,778	306,518	281,909
Mr J Claesson[3]	32,910	-	-	32,910	n/a
Mr S Eaton	52,655	-	4,674	57,329	54,050

Notes:
1. Mr S Gutteridge retired from the Board of Directors on 30 September 2014
2. Mr R McCullough was appointed to the Board of Directors on 1 October 2014
3. Messrs C Wilson and J Claesson were appointed to the Board of Directors on 1 April 2014

In addition to the remuneration shown above, the Group incurred share based payment charges during the period of US$260,411 (year ended December 2013: US$166,541) in respect of the above named directors. Such charges are based on IFRS accounting measures, rather than being the fair value of options exercised in the year.

All service agreements and/or letters of appointment for Directors are terminable in the ordinary course by either party on up to a maximum of 12 months' notice. Copies of such agreements and/or letters of appointment for each director are available for inspection at the Company's UK Head Office.

Share Options

The Group operates a share option scheme in which Directors, senior executives and employees of the Company and its subsidiaries may be invited to participate by the Remuneration Committee.

During the period, options were granted over a total of 600,000 ordinary shares to employees of the Company's subsidiaries. Options over 4,800,000 ordinary shares were exercised during the period and options over 200,000 ordinary shares were cancelled during the period. Of the 4,800,000 share options exercised during the year, Chuck Wilson, a director, exercised share options to acquire 1,100,000 ordinary shares, realising a gain (before premium paid on grant of the options) of US$32,233.

Share Awards

During the period, Share Awards over up to 2,700,000 ordinary shares were made to two directors, subject to certain performance and vesting conditions.

The interests of the Directors to subscribe for ordinary shares have not changed since the year end.

The following share options table comprises share options and share awards held by Directors who held office during the year ended 31 December 2014:

	Options held at 31 December 2013	Options granted in period	Options exercised in period	Options lapsed in period	Options held at 31 December 2014	Exercise price (p)	Exercisable from	Exercisable to
Mr S Gutteridge[5]	6,000,000	-	-	-	6,000,000	5.0	*See note 1 below*	
	900,000	-	-	-	900,000	6.24	*See note 2 below*	
	1,100,000	-	-	-	1,100,000	7.25	*See note 3 below*	
	8,000,000	-	-	-	8,000,000			
Mr R McCullough	-	2,000,000	-	-	2,000,000	0.25	*See note 4 below*	
	-	2,000,000	-	-	2,000,000			
Mr C Wilson	6,000,000	-	-	-	6,000,000	5.0	*See note 1 below*	
	900,000	-	-	-	900,000	6.24	*See note 2 below*	
	1,100,000	-	(1,100,000)	-	-	7.25	*See note 3 below*	
	8,000,000	-	(1,100,000)	-	6,900,000			
Mr R Swindells	2,000,000		-	-	2,000,000	8.0	31/05/14	30/05/21
	6,000,000		-	-	6,000,000	5.0	*See note 1 below*	
	600,000		-	-	600,000	6.24	*See note 2 below*	
	700,000		-	-	700,000	7.25	*See note 3 below*	
	-	700,000	-	-	700,000	0.25	*See note 4 below*	
	9,300,000	700,000	-	-	10,000,000			
Mr J Claesson	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	
Mr S Eaton	500,000	-	-	-	500,000	8.0	31/05/14	30/05/21
	1,000,000	-	-	-	1,000,000	5.0	*See note 1 below*	
	1,500,000	-	-	-	1,500,000			

Notes to share options table:

1. The Remuneration Committee had determined in prior years that 30 per cent. of the shares under this option vested on the Group achieving a gross average production over a continuous 90 day period of 350 barrels of oil per day. The shares under option are exercisable from 20 May 2013 to 23 January 2022. During the year the Remuneration Committee determined that the remaining 70 per cent. of shares under option vested in accordance with their terms on the share price achieving an average of 12p per Ordinary Share over a period of 30 consecutive business days. Accordingly the remaining 70 per cent. of these shares under option are exercisable from 21 May 2014 to 23 January 2022.
2. During the year the Remuneration Committee determined that these options vested in accordance with their terms on the share price achieving an average of 12p per Ordinary Share over a period of 30 consecutive business days within two years of the date of grant. Accordingly, these shares under option are exercisable from 21 May 2014 to 19 July 2015.
3. These share options were issued subject to a subscription premium of 0.65p per share option payable by the grantee and are exercisable immediately on issue from 19 July 2013 to 19 July 2015.
4. On 2 October 2014 the Remuneration Committee issued these share options as Share Awards. The awards are based on certain vesting conditions which are share price performance over a 27 month period and value realised in any future change of control event. The minimum price at which any award can be made is 11.66 pence per ordinary share, 25 per cent. above the closing mid-market price of ordinary shares on 1 October 2014. Mr McCullough's award is conditional on him purchasing and holding a minimum of 750,000 ordinary shares throughout the performance period. Mr Swindells' award is subject to him maintaining a holding of at least 5 million ordinary shares or vested options throughout the performance period.
5. Mr S Gutteridge retired from the Board of Directors on 30 September 2014. His holding of share options disclosed in this table at the close of the year is as at his retirement date.

Remuneration Report (continued)
for the year ended 31 December 2014

Restricted Stock Scheme

On 2 October 2014, the Company announced that it had put in place a new US stock option scheme (the "Restricted Stock Scheme") in order to incentivise the Group's US-based staff. There are no vested or un-vested awards outstanding under the Restricted Stock Scheme.

The Remuneration Committee does not intend to make any further awards under the Restricted Stock Scheme and will instead consider an alternative incentivisation scheme or schemes for Group staff. As a result, a resolution to approve the Restricted Stock Scheme is not being put to shareholders at the Annual General Meeting.

Johan Claesson
Chairman of the Remuneration Committee

1 June 2015

Corporate Governance
for the year ended 31 December 2014

Companies on the AIM Market of the London Stock Exchange are not required to comply with the UK Corporate Governance Code (the 'Code') and due to its size, the Company does not seek to comply in full with the Code. While the Company is not required to present a Corporate Governance Statement, as it is not subject to the Listing rules of the Financial Conduct Authority, it has disclosed here certain information in respect of Corporate Governance.

The Directors support high standards of corporate governance. The Company has identified areas of the Code it considers relevant to the current size and nature of the Group's operations and these are set out below.

The Board

The UK Corporate Governance Code recommends that at least half the board of directors of a listed company (excluding the chairman) should comprise independent non-executive directors and should include a balance of executive and non-executive directors (and, in particular, independent non-executive directors). The UK Corporate Governance Code also states that the board of a company should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment. Currently the Board comprises five directors, the Chairman, the Chief Financial Officer, the Chief Operating Officer and two non-executive directors, of which one is deemed independent. The Directors consider the board structure to be a satisfactory balance for the purposes of decision-making at the Board level. In determining whether Stuart Eaton, being a non-executive Director of the Company, should be considered independent, and having regard to the UK Corporate Governance Code, whilst the Board notes that he has a shareholding and options over Ordinary Shares, those are not considered sufficiently material to affect his independence and accordingly the Board considers him to be independent in character and judgment.

The Board meets at least eight times a year and is responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. The Board has adopted a schedule of matters reserved for consideration by the Board, including, amongst others, approval of the Group's long term objectives, policies and budgets, changes relating to the Group's management structure, approval of the Group's annual report and accounts, approval of the dividend policy and ensuring maintenance of sound systems of internal control and risk management. To enable the Board to discharge its duties, all of the Directors receive full and timely information and, if necessary, the non-executive Directors may take independent professional advice at the Group's expense.

In accordance with the Company's Articles of Association, all Directors must retire and may offer themselves for re-election by shareholders at least every 3 years at the Annual General Meeting and, on first appointment, at the first Annual General Meeting after appointment, provided that at least one third of the Board retires and offers itself for re-election at any Annual General Meeting.

As envisaged by the UK Corporate Governance Code, the Board has established three committees: an Audit Committee, a Remuneration Committee and a Nomination Committee, each with formally delegated duties and responsibilities and written terms of reference. The members of these committees currently comprise the Chairman and the independent non-executive Director. If the need should arise, the Board may set up additional committees to consider specific issues as appropriate. A brief description of the terms of reference of the committees is set out below.

Audit Committee

The Audit Committee currently comprises the independent non-executive Director, being Stuart Eaton (chairman), and Rick McCullough. The Audit Committee considers, *inter alia* (i) the integrity of the financial statements of the Group, including its annual and interim accounts, and the effectiveness of the Group's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the Group's auditors. The Audit Committee supervises and monitors, and advises the Board on, risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Group of financial information and a number of other audit related issues. The Audit Committee meets at least twice a year.

Remuneration Committee

The Remuneration Committee currently comprises Johan Claesson (chairman), Stuart Eaton and Rick McCullough. The Remuneration Committee has as its remit, *inter alia*, the review of, amongst other matters, the remuneration of executive Directors and any share option or other equity incentive plans or other bonus plans of the Group and to make recommendations on such matters to Board. In addition, the Remuneration Committee will prepare an annual report on the remuneration policies of the Group. The remuneration of non-executive Directors is a matter for the Chairman and the executive Directors. No Director or manager may be involved in any decisions as to his/ her own remuneration. The Remuneration Committee meets at least once a year.

Nomination Committee

The Nomination Committee comprises Rick McCullough (chairman), Johan Claesson and Stuart Eaton. The Nomination Committee's remit is, *inter alia*, to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the Nomination Committee refers to the skills, knowledge and experience required of the Board given the Group's stage of development and makes recommendations to the Board as to any changes. The Nomination Committee also considers future appointments in respect of the Board's composition as well as making recommendations regarding the membership of the Audit and Remuneration Committees. The Nomination Committee meets at least once a year.

Attendance

Attendance records for Directors who served during the year ended 31 December 2014 are set out below.

	Board		Remuneration Committee		Audit Committee		Nomination Committee	
	Meetings	Attended	Meetings	Attended	Meetings	Attended	Meetings	Attended
Mr S Gutteridge	16	16	2	2	2	2	1	1
Mr R McCullough	9	9	-	-	1	1	-	-
Mr C Wilson	18	12	n/a	n/a	n/a	n/a	n/a	n/a
Mr R Swindells	25	25	n/a	n/a	n/a	n/a	n/a	n/a
Mr J Claesson	18	10	2	2	n/a	n/a	1	1
Mr S Eaton	25	15	2	2	3	3	1	1

Relations with shareholders

Communication with shareholders is given a high priority by the Board of Directors which takes responsibility for ensuring that a satisfactory dialogue takes place. Directors may meet with the Company's institutional shareholders following key announcements and at other appropriate times. The Chairman and Chief Financial Officer also in regular contact with stockbrokers' analysts. The Company has developed a website containing investor information to improve communication with individual investors and other interested parties.

Internal Controls

The Board is responsible for establishing and maintaining the Group's system of internal controls and importance is placed on maintaining a robust control environment. Procedures which the Board has established with a view to ensuring effective internal controls include a monthly management reporting process to enable the Board to monitor the performance of the Group; preparation, adoption and monitoring of a comprehensive annual budget for the Group; maintaining appropriate treasury management policies; maintaining policies for major business risks faced by the Group and determining the appropriate courses of action to manage those risks; and preparation of fully consolidated management information on a regular basis.

The Board also recognises that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal controls operated by the Group will therefore be subject to regular review by the Board in the light of the future development of the Group.

By order of the Board

Richard Swindells
Company Secretary

1 June 2015

Statement of Directors' Responsibilities

The directors are responsible for preparing the Report of the Directors 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 have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 Group and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for Companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the consolidated financial statements;
- state whether the Parent Company financial statements have been prepared in accordance with applicable UK Accounting Standards, subject to any material departures disclosed and explained in the Parent Company Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group 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 the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report on Consolidated Financial Statements

Independent Auditor's Report to the members of Nighthawk Energy plc

We have audited the financial statements of Nighthawk Energy Plc for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation of the Consolidated financial statements is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS). The financial reporting framework that has been applied in their preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the consolidated and parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report on Consolidated Financial Statements (continued)

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.

Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

1 June 2015

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

Principal Accounting Policies
for the year ended 31 December 2014

Basis of Preparation

The annual consolidated financial statements of Nighthawk Energy plc ("the Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applied in accordance with the provisions of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods beginning on or after 1 January 2014.

The financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value, as explained in the accounting policies below.

The principal accounting policies set out below have been consistently applied to all periods presented. Refer to note 8 for details of the restatement of prior year results in respect of deferred tax.

Basis of Consolidation

The consolidated financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities and the ability to use its power over the investee to affect the returns from the investee.

These financial statements consolidate the results and Balance Sheets of the Company and its wholly owned subsidiaries using the acquisition method of accounting.

Intra-Group transactions with subsidiaries are eliminated on consolidation. Transactions, balances, income and expenses with Joint Operations are eliminated to the extent of the Group's interest in these entities.

In accordance with the exemption in IFRS 1, where merger accounting has been used prior to the transition date the accounting method has not been restated.

Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire these shares is accounted for as merger reserve.

On 20 November 2013, the Company carried out a capital reduction exercise. This resulted in the Company's share premium and the merger reserve being cancelled in full, with an amount recognised in the retained earnings reserve and the creation of a special (restricted) reserve.

Going Concern

The Directors have reviewed cash forecasts for the next 12 months and are confident that the Group will have available to it adequate resources to enable it to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Joint Operations

The Group participates in Joint Operations which involve the joint control of assets used in the Group's oil and gas exploration and producing activities. The Group accounts for its share of assets, liabilities, income and expenditure of Joint Operations in which it holds an interest, classified in the appropriate Balance Sheet and Income Statement headings.

Details of the Group's interests in unincorporated Joint Operations is given in note 13.

Revenue Recognition

Sales of hydrocarbons are recognised when the significant risks and rewards of ownership are transferred to the buyer, which occurs at transfer of the hydrocarbons from the Group's facilities to the purchaser's tanker or infrastructure. Royalty interests are recognised on an accruals basis, in accordance with the substance of the relevant agreement.

Finance Income

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive the income is established.

Finance expenses

Interest is recognised using the effective interest method which calculates the amortised cost of a financial liability and allocates the 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 to the net carrying amount of the financial liability.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial Instruments

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

Trade and other receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the Income Statement.

Trade and other payables and borrowings are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

If the terms of borrowings are modified the Group determines whether the modification represents a substantial modification under IFRS. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Borrowings that are considered to be substantially modified are derecognised and transaction costs incurred in respect of such loan modifications are written off to the income statement. Transaction costs arising on modifications of borrowings that do not qualify as substantially modified are deducted from the liability and amortised prospectively through the effective interest rate.

Royalty or profit share interests issued with loans are recorded at fair value through profit or loss, unless the royalty terminates on disposal of the wells or a change in control when such events form part of the Group's strategy. In such circumstances the royalty is recorded on an accruals basis as production arises.

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

Derivative financial instruments
The Group enters into derivative financial instruments in the form of oil price swaps or costless collars to manage its exposure to oil price risk. Further details of derivative financial instruments are disclosed in note 15.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. Fair value is determined inclusive of adjustments for the Group's own credit risk and the credit risk of counterparty to the derivative when the effect of credit risk is material. The resulting gain or loss is recognised in profit or loss immediately, unless the instrument has been designated as a hedging instrument.

Hedge accounting
The Group designates certain hedging instruments, which are derivatives, in respect of commodity price risk, as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group enters into such derivatives to manage the risk associated with oil price fluctuations and therefore the impact of credit risk adjustments are excluded from the hedging relationship. Furthermore, at the inception of the hedge and on an on-going basis, the Group documents whether the hedging instrument is highly effective in offsetting cash flows of the hedged item attributable to the hedged risk.

Notes 15 and 23 sets out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The portion of the change in fair value of the derivative attributable to credit risk adjustments is recognised immediately in profit and loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedge item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Compound instruments
The component parts of compound instruments (convertible notes and loans with detachable warrants) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is subsequently 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 conversion option or detachable warrant classified as equity 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. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the fair value of the debt and equity components. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the compound instruments using the effective interest method.

If the terms of a compound financial instrument are modified the Group determines whether the modification represents a substantial modification under IFRS. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial instrument. Compound financial instruments that are considered to be substantially modified are derecognised and transaction costs incurred in respect of such loan modifications are written off to the income statement and equity in proportion to the relative fair values of the debt and equity component at extinguishment unless the transaction costs can be specifically attributed to the new instrument, in which case the portion attributable to the debt component is amortised prospectively through the effective interest rate.

Incremental fair value changes arising from the modification of warrants originally issued as part the compound financial instrument are considered to represent transaction costs and are determined using a Black-Scholes model.

Foreign Currency

The presentational currency for the Group's consolidated financial statements is United States dollars and it is this currency in which the Group reports. The functional currency of the Group's subsidiaries is United States dollars. Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Income Statement.

The Parent Company's functional currency is sterling. On consolidation the assets and liabilities of the Parent Company are translated into the Group's presentational currency at the exchange rate at the balance sheet date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of the Parent Company is classified as other comprehensive income and is accumulated within equity as a translation reserve.

For the purpose of foreign currency translation, the net investment in a subsidiary is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future. The balance of the foreign currency translation reserve relating to a subsidiary that is disposed of, or partially disposed of, is recognised in the Income Statement at the time of disposal of the equity interest.

The exchange rate applied at the balance sheet date was US$1.5586 per £1 sterling (31 December 2013: US$1.6574).

Share-Based Payments

Where share options have been granted to directors and employees, IFRS 2 has been applied whereby the fair value of the options is measured at the grant date and spread over the period during which the employees become entitled to the options. An options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value at grant date is determined including the effect of market based vesting conditions, to the extent such vesting conditions have a material impact.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the option holder will ultimately receive. The fair value of goods and services received are measured by reference to the fair value of options.

The cost of equitysettled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Income Statement.

Warrants

Share warrants have been issued in lieu of interest on the convertible loans in the prior years; as such the associated cost of these is accounted for as a finance cost.

The fair value of the warrants is measured at the grant date. A Black Scholes valuation model is used to assess the fair value, taking into account the terms and conditions attached to the warrants. The finance costs recorded are measured by reference to the fair value of warrants.

Share warrants are recognised as an increase in equity immediately on issue as warrants vest immediately. The expense associated with the share warrants is recognised in accordance with the substance of the transaction, either as an immediate expense in the income statement or as a transaction cost associated with the issue or extension of loan notes.

Exploration Costs

The Group follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement. Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, un-depleted, within exploration costs until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within intangible assets as exploration costs.

Exploration costs are initially capitalised on a well-by-well basis until the success or otherwise has been established.

The success or failure of each exploration/evaluation effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is reasonable prospect that these reserves are commercially viable.

All such costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop or otherwise extract value from the discovery. Where this is no longer the case, the costs are immediately expensed.

Following evaluation of successful exploration wells, if commercial reserves are established and the technical feasibility of extraction demonstrated, and once a project is sanctioned for commercial development, then the related capitalised exploration/evaluation costs are transferred into a single well cost centre within development/producing assets after testing for impairment within property, plant and equipment. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement.

Revenue earned on test production prior to establishing the technical feasibility and commercial viability of the project is credited to the Income Statement. Test production revenue is recognised at a zero margin and a corresponding deduction made against intangible exploration costs.

An asset retirement obligation provision for cleanup costs has been included within the exploration costs intangible assets and production assets and within liabilities based on management's assessment of asset retirement costs that will be incurred at the end of each project's life. The estimated current date cash flows are adjusted for inflation and are discounted at a risk free rate. The cash flows used in the provision are risk adjusted.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Income Statement in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated on a straight-line basis or unit of production basis as follows:

Plant and equipment	5%
Leasehold land	10%
Office equipment	25%

Production assets are depreciated on a unit of production basis. The depletion charge for each asset is calculated as the ratio of production from the asset as a percentage of the economically recoverable reserves attributable to the asset, applied to the net book value of the relevant asset. The calculations include future capital expenditure to extract such reserves when the impact is material.

Depreciation is provided on cost less residual value other than for production assets, for which depreciation is provided on net book value less residual value. The residual value, depreciation methods and useful lives are annually reassessed.

Each asset's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the well at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all site buildings, machinery and equipment, with annual reassessments for major items. Changes in estimates which affect unit production calculation are accounted for prospectively.

Where property, plant and equipment has been acquired for the purposes of exploration, and technical feasibility of the project has yet to be established, the depreciation on the property, plant and equipment is added back to the cost of the intangible assets within exploration costs.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the Income Statement.

Impairment of Assets

Exploration costs
The Group's intangible exploration cost assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the exploration cost assets may exceed the assets recoverable amount. In accordance with IFRS 6 the Group firstly considers the following facts and circumstances in their assessment of whether the Group's exploration and appraisal assets may be impaired:

- Whether the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- Whether substantive expenditure on further exploration for and appraisal of mineral resources in a specific area is neither budgeted nor planned
- Whether exploration for and evaluation of oil in a specific area have not led to the discovery of commercially viable quantities of oil and the Group has decided to discontinue such activities in the specific area
- Whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted the Group, as a next step, performs an impairment test in accordance with the provisions of IAS 36 as set out below.

Property, plant and equipment
At each balance sheet date the Directors review the carrying amounts of the Group's tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. In assessing indicators of impairment on intangible assets, IFRS 6 indicators detailed above are assessed. If any such indication exists for tangible or intangible assets, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cashgenerating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cashgenerating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent deferred consideration

The Group is party to a deferred contingent consideration agreement in respect of its acquisition of an addition 25% working interest in the Jolly Ranch and Smoky Hill Project in 2012, under which the Group acquired operatorship of the joint operation and increased its interest from 50% to 75%. The Group initially recorded the fair value of the deferred contingent consideration as part of the acquisition and the obligation is classified as a provision and subsequently carried at the best estimate of the payment that will be required to settle the obligation.

Current Taxation

Current tax for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Taxes that arise on production are recorded as cost of sales and accrue as production arises. To the extent that production taxes paid give rise to tax deductions in future periods that are sufficiently certain of being utilised, a deferred tax asset is recorded.

Deferred Taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity accordingly.

Employment Benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the balance sheet date, are recognised in accruals.

The Group's contributions to defined contribution pension plans are charged to the Income Statement in the period to which the contributions relate.

Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Share-based payment reserve" represents the accumulated amounts credited to equity in respect of options to acquire ordinary shares in the Company.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Foreign exchange translation reserve" represents the exchange differences arising from the translation of the financial statements of the Parent Company into the Group's presentational currency and the translation at the closing rate of the net investment in the subsidiaries.
- "Merger reserve" represents amounts arising from the merger of subsidiary investments.
- "Equity option on convertible loans" represents the equity component of convertible loan notes issued.
- "Special (restricted) reserve" represents the restricted-use reserves created as a result of the capital reduction exercise in November 2013. The special (restricted) reserve is not distributable and shall remain undistributable for so long as all debts or claims against the Company that were in existence at 20 November 2013 remain outstanding.
- "Cash flow hedging reserve" represents the unrealised gains and losses arising on effective cash flow hedges.

Gain on stepped acquisition

Increases in a working interest, previously accounted for as a joint arrangement, that result in the Group obtaining control of a business are accounted for under the acquisition method as a stepped acquisition. At the date control is obtained, the Group determines the fair value of the consideration for the additional working interest and determines the fair value

of the assets, liabilities and contingent liabilities acquired. Any premium of the investment cost over the fair value of the assets, liabilities and contingent liabilities acquired is recorded as goodwill or other identifiable intangible assets. The previously held interest in the assets and liabilities of the joint arrangement is remeasured to fair value with reference to the fair value of consideration for the additional working interest and a gain or loss is recognised in the income statement.

New and amended International Financial Reporting Standards adopted by the Group

The Group has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year. The impact is shown below:

New/revised International Financial Reporting Standards		Effective Date	EU adopted	Impact on Group
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014	Yes	Disclosure only
IAS 36	Impairment of Assets – Recoverable amount disclosures for non-financial assets	1 January 2014	Yes	Disclosure only
IFRS 10	Consolidated Financial Statements	1 January 2014	Yes	Disclosure only
IFRS 11	Joint Arrangements	1 January 2014	Yes	Disclosure only
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	Yes	Disclosure only
	Annual Improvements to IFRSs (2010-2012 Cycle) & Annual Improvements to IFRSs (2011-2013 Cycle)	1 January 2014	Yes	None

International Financial Reporting Standards in Issue But Not Yet Effective

At the date of authorisation of these consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group. Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following may have an impact going forward (standards not expected to have any impact on the Group are not included):

New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	EU adopted
IAS 1	Disclosure Initiative – Amendments	1 January 2016	No
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	No
IFRS 15	Revenue from Contracts with Customers	1 January 2017	No
	Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016	No

The Group is continuing to assess the impact of the above standards, interpretations and amendments, particularly those of IFRS 9 and IFRS 15 for any impact on the Group.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgments that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Reserve Estimates
Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Given the economic assumptions used to estimate reserves change from year to year, and because additional geological data is generated during the course of operations, estimates of reserves may change from year to year.

Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values detailed in notes 10 and 11 may be affected by possible impairment due to adverse changes in estimated future cash flows and the commercial viability of reserves.
- Depreciation, depletion and amortisation detailed in note 3 that is charged in the Income Statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Provisions for plug and abandonment of wells detailed in note 27 may change as a result of changes in the timing of such plugging and abandonment.

Exploration and Evaluation Costs
The Group's accounting policy leads to the capitalisation of tangible (note 10) and intangible (note 11) fixed assets, where it is considered likely that the amount will be recoverable by future exploitation or sale or alternatively where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This requires management to make estimates and assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the Income Statement.

Judgment is further required in determining the date at which exploration assets achieve commercial production and commence depreciation. In forming that assessment, the Group consider factors such as the availability of economically recoverable reserves and the production rates delivered by wells.

Impairment
Management reviews intangible exploration cost assets (note 11) for indicators of impairment under IFRS 6 at the end of each reporting period. This review of assets for potential indicators of impairment requires judgment including the future renewal of licences, interpretation of the results of exploration activity and the extent to which the Group plans to continue substantive expenditure on the assets. In determining whether substantive expenditure remains in the Group's plan, management consider factors including future oil prices.

In addition, management reviews property, plant and equipment (note 10) at each balance sheet date to determine whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount is performed, and an impairment loss is recognised to the extent that carrying amount exceeds recoverable amount. Management determined recoverable amount based on value in use calculations. The following represented key estimates used in those calculations which are inherently judgmental and require estimation:

- Oil prices – determined based on the market WTI forward curve as at year end, together with a discount to reflect the terms of sales contracts.
- Oil reserves – determined based on estimated economically recoverable reserves, including recompletion wells, based on external and internal Competent Person assessments.
- Discount rate – pre-tax discount rate specific to the risks associated with the assets determined at 12%.

In addition, wells which have been plugged and abandoned during the year, or wells for which a decision has been taken during the year to plug and abandon the well, have been impaired.

The Group has recorded an impairment of $20.3m in 2014 (2013: $1.8m) in respect of exploration costs and property, plant and equipment as detailed in note 7. A 10% decrease in realised oil prices would increase the impairment by $4.2m. An increase in the discount rate to 15% would increase impairment by $1.8m. Whilst sensitive to these inputs, the Directors consider the inputs used to be appropriate best estimates.

Share-based payments
In determining the fair value of equity settled share based payments and the related charge to the Income Statement, the Company makes assumptions about future events and market conditions; in particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Company's future dividend policy, the timing with which options will be exercised and the future volatility in the price of the Company's shares. Where material, the valuation model incorporates the effect of market based vesting conditions.

Such assumptions are based on publicly available information. Different assumptions about these factors to those made by the Company could materially affect the reported value of share-based payments. Refer to note 18B for details.

Judgments associated with debt finance
During the year, the Group obtained new loans and extended the redemption and conversion date of convertible loan notes and shareholder loan as detailed in note 21. The accounting required judgments and estimates are set out in that note but included:

- The valuation of royalty liabilities including estimates of future production, oil prices, operational expenditures and discount rates.
- Assessments as to whether loan modifications represented a substantial modification of terms which in turn determined the associated accounting treatment of the convertible loan notes and shareholder loan.
- Determination of the incremental fair value of warrants extended as part of the convertible loan note and shareholder loan rescheduling, which required the use of Black-Scholes valuation models and required judgment regarding inputs including volatility rates. In turn, judgment was required in assessing the extent to which these arrangements represented transaction costs for the loans.
- Valuation of the liability and equity components of the substantially modified convertible loan notes, which included judgment regarding the market interest rates applicable for comparable debt without conversion options.

Estimation of deferred contingent consideration
The estimation of a value attributable to the deferred contingent consideration – that forms part of the acquisition completed in January 2012 – is a key source of estimation uncertainty.

Management have considered various scenarios in relation to this and have used their best judgment of risk-weighted possible outcomes to estimate the value included in these financial statements. These factors included consideration of the probability of the deferred consideration becoming due and the expected value of any such payment under the terms of the agreements. In forming its assessment, factors considered included the time to expiry of the deferred contingent consideration, the Group's strategic objectives, market capitalisation and recent market prices for comparable ground holdings.

The possible range of values as per the acquisition agreement for this deferred contingent consideration is US$ nil to US$ 5 million. Refer to note 27 for details.

Asset retirement obligation provision
The estimation of a value attributable to asset retirement obligations for the clean-up costs that will be incurred at the end of each project's life is a key source of estimation uncertainty due to the potential variability of those costs and of the expected timing. The Group's estimates are based on costs incurred during recent plugging and abandonment of wells discounted at 0.938%. Refer to note 27 for details.

Derivative valuations
The Group's oil swaps and nil cost collars are carried at fair value. The fair value is determined based on mark-to-market valuations provided by third parties, which in turn is dependent on estimates regarding risk free discount rates and oil prices. Additionally, when material, the mark-to-market valuations are adjusted for credit risk associated with the Group and counterparty which are determined based on credit spreads applicable to the Group and the counterparty. Refer to note 15 for details.

Consolidated Income Statement
for the year ended 31 December 2014

	Notes	2014 US$	Restated 2013* US$
Continuing operations:			
Revenue	2	47,541,974	26,154,210
Cost of sales		(19,927,152)	(8,676,437)
Gross profit		27,614,822	17,477,773
Administrative expenses		(7,274,890)	(5,468,951)
Exceptional administrative expenses	7	(20,306,352)	(1,794,086)
Total administrative expenses		(27,581,242)	(7,263,037)
Gain on stepped acquisition	7	-	3,160,171
Operating profit	3	33,580	13,374,907
Finance income	5	367	1,112,712
Finance costs	6	(5,783,018)	(2,095,430)
(Loss)/profit before taxation		(5,749,071)	12,392,189
Taxation	8	1,855,837	(180,424)
(Loss)/profit for the financial year		(3,893,234)	12,211,765
Attributable to:			
Equity shareholders of the Company		(3,893,234)	12,211,765
Earnings per share from continuing operations	9		
Basic (loss)/earnings per share (cents)		(0.40)	1.29
Diluted (loss)/earnings per share (cents)		(0.40)	0.99

*see notes 5 and 8 for details of reclassifications in 2013 to provide consistent presentation with 2014. Refer to note 8 for details of the prior year restatement in respect of deferred tax.

Consolidated Statement of Comprehensive Income and Expenditure
for the year ended 31 December 2014

	2014 US$	Restated 2013* US$
(Loss)/profit for the financial year	(3,893,234)	12,211,765
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange gains/(losses) on consolidation	1,206,835	(1,798,107)
Gain on hedging instruments designated in cash flow hedges	6,136,124	-
Gain reclassified to profit or loss	(276,012)	-
Deferred tax on hedging instruments designated in cash flow hedges	(2,086,282)	-
Other comprehensive income/(expense) for the financial year, net of tax	4,980,665	(1,798,107)
Total comprehensive income for the financial year	1,087,431	10,413,658

*Refer to note 8 for details of the prior year restatement in respect of deferred tax.

Consolidated Balance Sheet
as at 31 December 2014

	Notes	2014 US$	Restated 2013* US$
Assets			
Non-current assets			
Property, plant and equipment	10	47,129,452	35,162,676
Intangible assets	11	51,392,916	47,632,151
Derivative financial assets	15	620,000	-
		99,142,367	82,794,827
Current assets			
Inventory	14	1,051,192	1,098,342
Derivative financial assets	15	5,516,124	31,403
Trade and other receivables	16	3,525,601	3,836,167
Cash and cash equivalents	17	5,019,527	1,681,163
		15,112,444	6,647,075
Total Assets		114,254,811	89,441,902
Equity and liabilities			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	18	4,001,288	3,940,516
Share premium account	18	1,279,014	-
Foreign exchange translation reserve		6,465,810	5,258,975
Special (restricted) reserve		29,760,145	29,760,145
Retained earnings		4,376,618	5,454,326
Share-based payment reserve		5,420,455	3,101,951
Equity option on convertible loans		3,592,505	2,480,398
Cash flow hedging reserve	19	3,773,830	-
Total equity		58,669,665	49,996,311
Current liabilities			
Trade and other payables	20	10,430,245	7,616,300
Current tax payable		-	175,000
Borrowings	21	-	14,194,117
		10,430,245	21,985,417
Non-current liabilities			
Borrowings	21	40,082,974	13,517,606
Provisions	27	5,071,927	3,942,568
		45,154,901	17,460,174
Total liabilities		55,585,146	39,445,591
Total equity and liabilities		114,254,811	89,441,902

*See note 20 for details of reclassifications in 2013 to provide consistent presentation with 2014. Refer to note 8 for details of the prior year restatement in respect of deferred tax.

The financial statements were approved by the Board of Directors on 1 June 2015 and were signed on its behalf by:

Rick McCullough,
Executive Chairman

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Share capital US$	Share premium account US$	Foreign exchange translation reserve US$	Special (restricted) reserve US$	Retained earnings US$	Share based payment reserve US$	Equity option on convertible loans US$	Cash flow hedging reserve US$	Total US$
Balance at 1 January 2014 (Restated)	3,940,516	-	5,258,975	29,760,145	5,454,326	3,101,951	2,480,398	-	49,996,311
For the year ended 31 December 2014									
Loss for the year	-	-	-	-	(3,893,234)	-	-	-	(3,893,234)
Other comprehensive income:									
Foreign exchange gain on consolidation	-	-	1,206,835	-	-	-	-	-	1,206,835
Gain on hedging instruments designated in cash flow hedges	-	-	-	-	-	-	-	6,136,124	6,136,124
Gain reclassified to profit or loss	-	-	-	-	-	-	-	(276,012)	(276,012)
Deferred tax on hedging instruments designated as cash flow hedges	-	-	-	-	-	-	-	(2,086,282)	(2,086,282)
Total comprehensive income	-	-	1,206,835	-	(3,893,234)	-	-	3,773,830	1,087,431
Share-based payments	-	-	-	-	-	702,695	-	-	702,695
Issue of share capital for cash	19,404	410,258	-	-	-	-	-	-	429,662
Exercised and expired options and warrants	-	-	-	-	145,660	(145,660)	-	-	-
Extension of convertible loan notes and borrowings	-	-	-	-	2,646,477	1,761,469	1,152,342	-	5,560,288
Conversion of convertible loan notes	41,368	868,756	-	-	23,389	-	(40,235)	-	893,280
Balance at 31 December 2014	**4,001,288**	**1,279,014**	**6,465,810**	**29,760,145**	**4,376,618**	**5,420,455**	**3,592,505**	**3,773,830**	**58,669,665**

	Share capital US$	Share premium account US$	Foreign exchange translation reserve US$	Special (restricted) reserve US$	Retained earnings US$	Share based payment reserve US$	Equity option on convertible loans US$	Merger reserve US$	Total US$
Balance at 1 January 2013	3,918,859	149,617,140	(4,110,561)	-	(116,351,818)	2,331,794	2,233,017	180,533	37,818,964
For the period ended 31 December 2013									
Profit for the year	-	-	-	-	12,211,765	-	-	-	12,211,765
Other comprehensive income:									
Foreign exchange loss on consolidation	-	-	(1,798,107)	-	-	-	-	-	(1,798,107)
Total comprehensive income	-	-	(1,798,107)	-	12,211,765	-	-	-	10,413,658
Share-based payments	-	-	-	-	-	858,474	-	-	858,474
Issue of loan with detachable warrants	-	-	-	-	-	110,275	-	-	110,275
Issue of convertible loan notes	-	-	-	-	-	-	255,517	-	255,517
Exercised and expired options and warrants	-	-	-	-	198,592	(198,592)	-	-	-
Conversion of convertible loans	8,622	181,053	-	-	745	-	(8,136)	-	182,284
Issue of share capital for cash	13,035	344,104	-	-	-	-	-	-	357,139
Capital reduction	-	(150,142,297)	11,167,643	29,760,145	109,395,042	-	-	(180,533)	-
Balance at 31 December 2013 (Restated)	**3,940,516**	**-**	**5,258,975**	**29,760,145**	**5,454,326**	**3,101,951**	**2,480,398**	**-**	**49,996,311**

Consolidated Cash Flow Statement
for the year ended 31 December 2014

	Notes	2014 US$	2013 US$
Cash flow from operating activities	33	28,224,478	14,446,061
Cash flow from investing activities			
Purchase of intangible assets		(27,253,794)	(10,112,405)
Purchase of property, plant and equipment		(15,002,661)	(12,279,284)
Acquisition of business		-	(12,000,000)
Proceeds on disposal of intangible assets		-	236,295
Proceeds on disposal of property, plant and equipment		1,501,828	45,221
Interest received		367	18,541
Net cash used in investing activities		(40,754,260)	(34,091,632)
Cash flow from financing activities			
Proceeds on issue of new shares		429,662	357,139
Proceeds from issue of derivative financial instruments		843,639	-
Payments on derivative financial instruments		(509,275)	-
Repayment of loans		(10,000,000)	(3,000,000)
Proceeds on issue of loans net of issue costs		27,886,400	5,000,000
Proceeds on issue of loans with detachable warrants		-	12,000,000
Proceeds on issue of convertible loan notes		-	5,779,787
Interest paid		(2,787,068)	(925,629)
Net cash generated from financing activities		15,863,358	19,211,297
Net increase/(decrease) in cash and cash equivalents		3,333,576	(434,274)
Cash and cash equivalents at beginning of financial year		1,681,163	2,271,788
Effects of exchange rate changes		4,788	(156,351)
Cash and cash equivalents at end of financial year	17	5,019,527	1,681,163

1. Segmental Reporting

Operating segments
The Group has only one operating segment: the production of, exploration for and investment in hydrocarbons in one geographical area, the United States of America.

The Group has one main customer, representing 100% of the oil sales revenue.

2. Revenue

An analysis of the Group's revenue for the year (excluding finance income – see note 5) from continuing operations is as follows:

	2014 US$	2013 US$
Continuing operations		
Sales revenue	47,265,682	26,147,162
Gains on oil price swaps on designated hedging instruments in cash flow hedges of sales revenue reclassified from equity to profit or loss	276,012	-
Royalty income	280	7,048
	47,541,974	26,154,210

3. Operating Profit

	2014 US$	2013 US$
Operating profit is stated after charging/(crediting):		
Fees payable to the Company's auditors for the audit of the annual financial statements	139,825	117,094
Fees payable to the Company's auditors for other services supplied pursuant to such legislation	21,385	18,735
Fees payable to the Company's auditors and its associates for other services to the Group		
– Tax compliance	17,272	18,345
– Tax advice and other advisory	24,181	38,251
Depreciation	5,355,128	2,928,336
Amortisation and contribution to match test revenue	1,747,882	845,476
Equity settled share-based payments	702,695	858,474
Production profit share expense	1,296,901	1,255,735

Refer to note 7 for details of impairments and, for 2013, gains on stepped acquisition.

4. Directors and Employees

The aggregate payroll costs of the employees, including both management and executive directors, were as follows:

	2014 US$	2013 US$
Staff costs		
Wages and salaries	3,390,139	2,483,810
Social security costs	209,578	159,848
Pension costs	110,216	138,200
	3,709,933	2,781,858
Equity settled share-based payments	702,695	858,474
	4,412,628	3,640,332

Average monthly number of persons employed by the Group during the year was as follows:

	2014 No.	2013 No.
United Kingdom	3	3
United States	15	14
	18	17

	2014 US$	2013 US$
Remuneration of directors		
Emoluments for qualifying services	996,830	576,400
Company pension contributions and benefits	93,656	48,356
Social security costs	90,909	74,462
	1,181,395	699,218

The number of directors accruing benefits under money purchase pension scheme arrangements was two (2013: two).

During the year Chuck Wilson, a director, exercised share options to acquire 1,100,000 ordinary shares (2013: none).

4. Directors and Employees (continued)

Details of each director's remuneration and share options granted are included in the Remuneration Report.

	2014 US$	2013 US$
Highest paid director		
Remuneration	344,800	268,832
Company pension contributions and benefits	36,691	19,965
	381,491	288,797

The gain during the financial year on exercised options for the highest paid director was $32,233 (before deduction of premium paid by the director on grant of the options).

5. Finance Income

	2014 US$	2013* US$
Bank interest	367	18,541
Exchange gains on financial liabilities	-	1,094,171
	367	1,112,712

* Exchange gains on financial liabilities has been reclassified in 2013 from administrative expenses to finance income as a more consistent presentation with 2014, where exchange losses on financial liabilities are included within finance costs (see note 6).

6. Finance Costs

	2014 US$	2013 US$
Interest on shareholder loans	1,160,571	494,244
Imputed interest on convertible loan notes	1,468,492	1,134,390
Interest on shareholder loan issued with warrants	1,551,710	457,532
Interest on bank loan	302,348	-
Loss on rescheduling of loans	332,787	-
Factoring interest costs incurred during the year	131,041	-
Bank charges	6,660	9,264
Losses on derivative financial instruments not designated as hedging instruments	192,489	-
Exchange losses on financial liabilities	636,920	-
	5,783,018	2,095,430

Finance costs include certain non-cash transactions in respect of effective interest rate charges and losses on loan rescheduling.

7. Exceptional items

	2014 US$	2013 US$
Exceptional Administrative Expenses:		
Impairment of exploration and production assets	20,306,352	1,794,086
	20,306,352	1,794,086
Gain on stepped acquisition	-	3,160,171

During the year decisions were taken to plug and abandon a total of 7 wells. As a result of these decisions, the associated assets have been fully impaired as at 31 December 2014 resulting in an exceptional charge to the income statement of US$6.7 million. An additional impairment charge of US$13.6 million has also been taken to the income statement at 31 December 2014, of which US$12.7 million represents a partial impairment of certain wells which arises primarily due to the reduction in the spot and forward oil price assumptions used in estimating the future discounted cash flows for each well. The balance of US$0.9 million relates to the full impairment of legacy field infrastructure deemed to have no value. Refer to notes 10 and 11.

As disclosed in note 12, during the prior year Nighthawk acquired a further 25.0% working interest in the Jolly Ranch Project taking its working interest in all leases and wells to 100.0%. The consideration paid for the acquired 25% was US$12 million which indicated the fair value of the existing 75% working interest to be US$36 million resulting in a gain of US$3.16 million recognised on stepped acquisition in 2013.

8. Taxation

The Parent Company is subject to taxation in the United Kingdom at 21.5% (2013: 23.25%), and the Group's subsidiaries are subject to taxation in the United States at 39.63% (2013: 39.63%).

There was a current tax charge of US$230,445 arising in the US in the financial year (period ended 31 December 2013: US$180,424). No tax charge arose in the in the UK (period ended 31 December 2013: US$nil).

8. Taxation (continued)

The reasons for the differences between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to (losses)/profits for the year are as follows:

Reconciliation of the effective tax charge

	2014 US$	Restated 2013* US$
(Loss)/profit before taxation	(5,749,071)	12,392,189
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(1,236,050)	2,881,184
Tax effects of:		
Other expenses not deductible for tax purposes	3,112,941	487,915
Different tax rates applied in overseas jurisdictions	330,729	2,424,512
Tax losses utilised within the year	(2,086,282)	(5,613,187)
Unrecognised tax losses	(1,977,175)	-
Tax in income statement and effective tax rate	(1,855,837)	180,424
Income statement tax expense relates to:		
Current tax expense	230,445	180,424
Deferred tax credit	2,086,282	-
Amounts recorded in other comprehensive income:		
Deferred tax charge on hedging instruments	2,086,282	-

* Oil sales severance tax has been reclassified in 2013 from current tax expense to cost of sales for consistent presentation with 2014 given that severance taxes are determined based on production. In addition, see below for details of the prior year restatement in respect of deferred tax.

The main UK Corporation tax rate from 1 April 2013 of 23% was reduced to 21% from 1 April 2014, resulting in an effective corporation tax rate of 21.5% (2013: 23.25%) for the year. A number of changes to the UK Corporation tax system were announced in March 2012 Budget Statement. The Finance Act 2013 which was substantially enacted on 2 July 2013 includes legislation reducing the main rate of corporation tax from 24% to 23% from 1 April 2013 and further reducing the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015.

Deferred tax

	2014 US$	Restated 2013* US$
Deferred tax liabilities:		
Accelerated tax deductions	(9,298,946)	(8,312,255)
Fair value of derivatives	(2,086,282)	-
Deferred tax assets		
Losses recognised	11,385,228	8,312,255
Net deferred tax	-	-

8. Taxation (continued)

No deferred tax asset has been recognised for tax losses of US$94.6 million (2013: US$95.6 million) available in the USA due to uncertainty over the timing of future profits and on account of the fact that the Group's ability to utilise some of these tax losses is restricted under S382 of the IRS Code to an amount of US$0.4 million per annum. The unrecognized taxable losses in the USA can be carried forward for U.S. Federal and Colorado State income tax purposes for 20 years. These losses if not utilized will begin to expire in the year 2026 through 2032.

A deferred tax asset in respect of US$15,502,898 (2013: US$11,258,815) taxable losses available in the UK has not been recognised due to the uncertainty over timing of future profits. The taxable losses available in the UK can be carried forward indefinitely.

Prior year restatement
During the year, the Group undertook a detailed review of the Group's capital deductions under US taxation. As a result, a prior year restatement has been recorded to reflect the impact of such capital deductions on deferred tax. In 2013, the Group recorded a deferred tax asset of US$6,978,000 which has been restated to net position of US$nil.

The impact is as follows at 31 December 2013:

	As previous reported US$	As restated US$
Deferred tax asset	6,978,000	-
Non-current assets	89,772,827	82,794,827
Total assets	96,419,902	89,441,902
Retained earnings	12,432,326	5,454,326
Total equity	56,974,311	49,996,311
Taxation	5,858,616	(180,424)
Profit for the year	19,189,765	12,211,765

The movement in taxation charge includes the reclassification detailed above. The restatement does not affect periods prior to 2013.

9. Earnings Per Share

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

	2014 US cents	Restated 2013 US cents
Basic earnings per share		
(Loss)/earnings per share from continuing operations	(0.40)	1.29
Diluted earnings per share		
(Loss)/earnings per share from continuing operations	(0.40)	0.99

9. Earnings Per Share (continued)

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

Subsequent to the balance sheet date, 700,000 shares were issued as a result of share options being exercised on 12 January 2015. These transactions would not have a material impact on the number of ordinary shares outstanding and no impact on the number of potential ordinary shares outstanding at the end of the year.

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

	2014 US$	Restated 2013 US$
(Loss)/earnings used in the calculation of total basic and diluted earnings per share from continuing operations	(3,893,234)	12,211,765

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	964,301,962	943,710,215

Taking the Company's share options and warrants into consideration in respect of the Company's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

Number of shares		
Dilutive effect of share options, conversion shares and warrants	-	284,300,076
Weighted average number of ordinary shares for the purposes of diluted earnings per share	964,301,962	1,228,010,291

The Group had 360,093,407 potentially dilutive shares in issue, in respect of share options, warrants and conversion rights which are anti-dilutive in 2014.

10. Property, Plant and Equipment

	Leasehold land US$	Plant and equipment US$	Office equipment US$	Production assets US$	Total US$
Cost					
At 31 December 2012	32,834,397	8,984,578	176,283	11,411,353	53,406,611
Additions	9,840,517	6,285,564	18,911	1,180,997	17,325,989
Transfers (note 11)	-	-	-	4,851,487	4,851,487
Disposals	(1,301,232)	(1,541,404)	(72,382)	(4,294,501)	(7,209,519)
Foreign exchange variance	-	-	149	-	149
At 31 December 2013	41,373,682	13,728,738	122,961	13,149,336	68,374,717
Additions	4,622,904	10,914,161	77,203	664,603	16,278,871
Transfers (note 11)	-	-	-	14,574,709	14,574,709
Disposals	(1,422,101)	-	(1,089)	-	(1,423,190)
Foreign exchange variance	-	-	(401)	-	(401)
At 31 December 2014	44,574,485	24,642,899	198,674	28,388,648	97,804,706
Accumulated Depreciation					
At 31 December 2012	22,700,029	4,556,168	78,933	4,737,700	32,072,830
Charge	3,582,486	322,657	27,186	2,932,904	6,865,233
Disposals	(1,301,232)	(1,541,404)	(67,211)	(4,294,501)	(7,204,348)
Impairment	-	-	-	1,478,251	1,478,251
Foreign exchange variance	-	-	75	-	75
At 31 December 2013	24,981,283	3,337,421	38,983	4,854,354	33,212,041
Charge	4,246,917	862,103	35,952	4,908,603	10,053,576
Disposals	-	-	(250)	-	(250)
Impairment	251,545	776,035	-	6,382,603	7,410,183
Foreign exchange variance	-	-	(295)	-	(295)
At 31 December 2014	29,479,745	4,975,559	74,390	16,145,561	50,675,255
Net book value					
At 31 December 2014	15,094,740	19,667,340	124,284	12,243,087	47,129,451
At 31 December 2013	16,392,399	10,391,317	83,978	8,294,982	35,162,676
At 31 December 2012	10,134,368	4,428,410	97,350	6,673,653	21,333,781

Impairments indicated during the current financial period in relation to Property, Plant and Equipment, relate to the decision taken to plug and abandon certain wells, a reduction in oil prices used to estimate the value of wells and an item of legacy field infrastructure being deemed to have no value. Consequentially, certain full and partial impairments, as appropriate, of the remaining values have been recognised, as disclosed in note 7. The Group determines the recoverable amount for individual assets on a well by well basis.

At the balance sheet date there were no further indications of impairment in respect of any of the projects.

US$4,698,448 of the depreciation charge for the year has been capitalised within intangible assets (period ended 31 December 2013: US$3,936,897).

11. Intangible Assets

	Exploration costs US$	Royalty interests US$	Total US$
Cost			
At 31 December 2012	62,865,774	859,391	63,725,165
Additions	26,441,499	-	26,441,499
Revaluation on stepped acquisition	3,160,171	-	3,160,171
Transfers (note 10)	(4,851,487)	-	(4,851,487)
Disposals	-	(500,000)	(500,000)
At 31 December 2013	87,615,957	359,391	87,975,348
Additions	33,284,025	-	33,284,025
Transfers (note 10)	(14,574,709)	-	(14,574,709)
At 31 December 2014	106,325,273	359,391	106,684,664
Amortisation and impairment			
At 31 December 2012	39,153,458	292,134	39,445,592
Charge	-	4,035	4,035
Contribution to match revenue	841,441	-	841,441
Impairment	315,835	-	315,835
Disposals	-	(263,706)	(263,706)
At 31 December 2013	40,310,734	32,463	40,343,197
Charge	-	4,036	4,036
Contribution to match revenue	1,743,846	-	1,743,846
Impairment	13,200,669	-	13,200,669
At 31 December 2014	55,255,249	36,499	55,291,748
Net book value			
At 31 December 2014	51,070,024	322,892	51,392,916
At 31 December 2013	47,305,223	326,928	47,632,151
At 31 December 2012	23,712,316	567,257	24,279,573

Management review each exploration project for indication of impairment at each balance sheet date based on IFRS 6 criteria. Indicators of impairment were considered to exist at 31 December 2014, including leases being allowed to expire, decisions to abandon certain wells and the impact of oil prices on the potential commercial viability of the assets.

The impairments which have been recorded during the current financial period in relation to Exploration Costs, relate to the decisions taken to plug and abandon certain wells, lease expiries, and to a reduction in oil prices used to estimate the value in use of wells. Consequentially, certain full and partial impairments, as appropriate, of the remaining values have been recognised, as disclosed in note 7.

At the balance sheet date there were no further indications of impairment in respect of any of the projects.

12. Acquisition of Business Interests

On 31 July 2013, the Group acquired from Running Foxes Petroleum a further 25.0% working interest in the Jolly Ranch Project taking its working interest in all leases and wells from 75.0% to 100.0%.

The consideration paid was $12.0 million in cash, the fair value of which informed a revaluation on stepped acquisition of the existing 75% working interest – resulting in a gain on stepped acquisition being recognised at 31 December 2013 as disclosed in note 7.

	2013 US$
Fair value of net assets acquired:	
Non-current assets:	
– Intangible assets	8,065,247
– Property, plant and equipment	3,934,753
Net assets acquired	12,000,000
Consideration:	
Cash	12,000,000
Gain on stepped acquisition:	
Recorded value of existing 75% working interest	32,839,829
Valuation of 75% working interest informed by 25% acquisition	36,000,000
Gain on stepped acquisition recognised	3,160,171

13. Investment in Jointly Controlled Operations

The Group had a 75% working interest in the Jolly Ranch and Smoky Hill Project, an unincorporated jointly controlled operation, in the prior period. On 31 July 2013, the Group obtained full control when it acquired from Running Foxes Petroleum, Inc. a further 25.0% working interest in the Jolly Ranch and Smoky Hill Project taking its working interest in all leases and wells from 75.0% to 100.0%. The consideration paid was US$12.0 million in cash (see note 12).

On 29 October 2013, the Group entered into a farmout agreement with an undisclosed party, covering 4,572 net mineral acres within the Jolly Ranch Project. The farminee agreed to drill on a 100% cost basis 3 Pennsylvanian wells to earn a 50% working interest (40% net revenue interest). The farminee drilled one unsuccessful well and the agreement expired on 30 September 2014.

14. Inventory

	2014 US$	2013 US$
Oil in tanks	199,378	438,704
Spares, consumables & equipment	851,814	659,638
	1,051,192	1,098,342

Inventory includes oil held in tanks at year end and casing, tubing and equipment to be used in existing and future wells. The inventories are held at the lower of cost and net realisable value.

IAS 2 Inventories describes the amount of inventories recognised as an expense during the period as "cost of sales". The amount recognised as an expense in cost of sales during the year in relation to oil production is US$18,358,853 (2013: US$7,737,477).

15. Derivative Financial Assets

	2014 US$	2013 US$
Derivatives designated and effective as hedging instruments carried at fair value:		
– Oil price swaps	6,136,124	-
Financial assets carried at fair value through profit or loss (FVTPL):		
– Derivatives that are not designated in hedge accounting relationships	-	31,403
Current	620,000	31,403
Non-current	5,516,124	-

16. Trade and Other Receivables

	2014 US$	2013 US$
Trade receivables	2,818,988	3,425,473
Other receivables	153,646	137,004
Prepayments and accrued income	552,967	273,690
	3,525,601	3,836,167

The directors consider the carrying value of trade and other receivables are approximate to their fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. None of the trade receivables were found to be impaired as at 31 December 2014 (31 December 2013: US$nil).

No unimpaired trade receivables are past due as at the reporting date (December 2013: US$nil).

17. Cash and Cash Equivalents

	2014 US$	2013 US$
Cash at bank (GBP)	97,655	59,306
Cash at bank (USD)	4,921,872	1,621,857
	5,019,527	1,681,163

18. A) Share Capital and Premium

Allotted, issued and fully paid

Year ended December 2014	**Number**	**US$**
At beginning of the year – Ordinary shares of 0.25 pence each	947,685,420	3,940,514
Issue of shares 3 January 2014 – conversion of loan notes	1,818,182	164,183
Issue of shares 18 February 2014 – exercise of share options	1,800,000	150,270
Issue of shares 28 April 2014 – conversion of loan notes	4,436,364	410,232
Issue of shares 11 August 2014 – conversion of loan notes	3,636,364	335,711
Issue of shares 8 October 2014 – exercise of share options	1,200,000	137,983
Issue of shares 11 November 2014 – exercise of share options	400,000	31,763
Issue of shares 2 December 2014 – exercise of share options	400,000	31,289
Issue of shares 5 December 2014 – exercise of share options	125,000	9,749
Issue of shares 8 December 2014 – exercise of share options	375,000	29,294
Issue of shares 12 December 2014 – exercise of share options	500,000	39,314
At end of the year – Ordinary shares of 0.25 pence each	962,376,330	5,280,302

Year ended December 2013	**Number**	**US$**
At beginning of the year – Ordinary shares of 0.25 pence each	942,235,420	3,918,859
Issue of shares 20 August 2013 – conversion of loan notes	2,200,000	8,622
Issue of shares 1 October 2013 – exercise of share options	1,000,000	4,051
Issue of shares 9 October 2013 – exercise of share options	1,000,000	3,986
Issue of shares 8 November 2013 – exercise of warrants	1,250,000	4,998
At end of the year – Ordinary shares of 0.25 pence each	947,685,420	3,940,516

During the year ended 31 December 2014 the Company issued a total of 14,690,910 ordinary shares: 9,890,910 at a price of 5.5p per share, 3,600,000 at 5p per share and 1,200,000 at 7.16p per share, resulting in a premium of US$1,279,014.

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

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

18. B) Share-Based Payments – Options and Warrants

The Company operates a share option scheme to which Directors, senior management and employees of the Company and its subsidiaries may be invited to participate by the Remuneration Committee. Options are exercisable at a price equal to the average market price of the Company's shares on the date of grant or higher at the discretion of the Remuneration Committee. The vesting period is three years or shorter at the discretion of the Remuneration Committee and may be subject to performance conditions. The options are settled in equity once exercised. In addition, during the year, the Remuneration Committee approved the issue of Share Awards over up to 2,700,000 new ordinary shares to two directors. The Share Awards entitle the holder to acquire shares at their nominal value, subject to certain specific performance conditions having been satisfied.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company before the options vest, unless otherwise agreed by the Board of Directors.

The Company has also issued share warrants in prior financial years which were exercisable immediately upon issue.

Details of the number of share options and warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

2014

	Number of options	WAEP £	Number of warrants	WAEP £
Outstanding at the beginning of the year	54,050,000	0.0580	130,000,000	0.054938
Issued	3,300,000	0.0224	-	-
Exercised	(4,800,000)	0.0554	-	-
Cancelled	(200,000)	0.0619	-	-
Outstanding at the year end	52,350,000	0.0594	130,000,000	0.054938
Number vested and exercisable at 31 December 2014	45,750,000	0.0577	130,000,000	0.054938

600,000 of the share options issued during the year were issued subject to a performance condition such that they will vest on the share price achieving an average of 15p per Ordinary Share (subject to adjustment in accordance with the rules of the Share Option Scheme) over a period of 30 consecutive business days within a 2 year period from the date of grant. 300,000 of the options were issued with an exercise price of 12.75p and the remaining 300,000 options were issued with an exercise price of 9.65p.

2,700,000 share awards were made during the year, which comprise share options with an exercise price set at 0.25 pence, being the nominal value of the Company's ordinary shares. The share awards are based on certain vesting conditions which are share price performance over a 27 month period and value realised in any future change of control event. The minimum price at which any award can be made is 11.66 pence per ordinary share, 25 per cent. above the closing mid-market price of the Company's ordinary shares on the grant date of 1 October 2014. The share awards are also conditional upon the recipient maintaining a certain minimum level of share holding or holding of unexercised share options throughout the performance period.

During the year 30,000,000 warrants with a 2 year life issued in the prior year attached to a loan agreement were extended to March 2019 (see note 21). The incremental fair value attributable to the warrants was US$489,220.

During the year 100,000,000 warrants issued in 2012 in connection with the issuance of £10.0 million zero coupon convertible unsecured loan notes were extended to March 2019 (see note 21). The incremental fair value attributable to the warrants was US$1,272,250.

18. B) Share-Based Payments – Options and Warrants (continued)

The inputs to the Black Scholes valuation model used to determine the incremental fair value attributable to these extended warrants are detailed later in this note.

The weighted average share price at the exercise date for share options exercised in the year was £0.081.

2013

	Number of options	WAEP £	Number of warrants	WAEP £
Outstanding at the beginning of the year	45,950,000	0.056	104,250,000	0.054
Issued	14,300,000	0.0659	30,000,000	0.0725
Exercised	(2,000,000)	0.0800	(1,250,000)	0.05
Expired/Cancelled	(4,200,000)	0.0500	(3,000,000)	0.2
Outstanding at the year end	54,050,000	0.0580	130,000,000	0.054938
Number vested and exercisable at 31 December 2013	19,250,000	0.0610	130,000,000	0.054938

6,000,000 of the share options issued during 2013 were issued subject to a performance condition such that they will vest on the share price achieving an average of 12p per Ordinary Share (subject to adjustment in accordance with the rules of the Share Option Scheme) over a period of 30 consecutive business days within a 2 year period from the date of grant. The options were issued with an exercise price of 6.24p.

A further 3,300,000 of the share options issued during 2013 were issued subject to a performance condition such that they will vest on the share price achieving an average of 15p per Ordinary Share (subject to adjustment in accordance with the rules of the Share Option Scheme) over a period of 30 consecutive business days within a 2 year period from the date of grant. The options were issued with an exercise price of 12.00p.

5,000,000 options were issued during 2013 with immediate vesting terms to employees in return for a payment of US$0.01 per option.

30,000,000 warrants with a 2 year life were issued in 2013 attached to a loan agreement (see note 21).

The weighted average share price at the exercise date for share options exercised in 2013 was £0.095.

18. B) Share-Based Payments – Options and Warrants (continued)

The fair values of share options and warrants issued or extended in the current period and prior financial years were calculated using the Black Scholes model as the effect of market based conditions was immaterial, except for 2,700,000 share awards issued in 2014. The 2,700,000 share awards issued in 2014 have been valued using a Log-normal Monte-Carlo stochastic model. The inputs into the models are as follows:

	Share options	Share options	Share options
Date of grant	20 May 2011	23 January 2012	10 May 2012
Number granted	4,500,000	31,000,000	4,000,000
Share price at date of grant	5.9p	2.7p	4.0p
Exercise price	8.0p	5p	5p
Expected volatility	85%	100%	100%
Expected life	6.5 years	6.5 years	6.5 years
Risk free rate	2.40%	1.12%	1.05%
Expected dividend yield	0%	0%	0%
Fair value at date of grant	4.13p	1.98p	3.13p
Earliest vesting date	20 May 2014	See note below	See note below
Expiry date	20 May 2021	23 January 2022	23 January 2022

	Warrants	Share options	Share options
Date of grant	23 January 2012	4 December 2012	19 July 2013
Number granted	100,000,000	4,200,000	6,000,000
Share price at date of grant	2.7p	6.13p	6.25p
Exercise price	5p	6.13p	6.24p
Expected volatility	100%	78%	72%
Expected life	1.5 years	6.5 years	1.5 years
Risk free rate	1.12%	0.85%	1.22%
Expected dividend yield	0%	0%	0%
Fair value at date of grant	0.81p	0.42p	2.16p
Earliest vesting date	23 January 2012	See note below	19 July 2014
Expiry date	23 January 2015	4 December 2022	19 July 2015

	Share options	Share options	Share options
Date of grant	19 July 2013	1 November 2013	1 May 2014
Number granted	5,000,000	3,300,000	300,000
Share price at date of grant	6.25p	11.88p	12.25p
Exercise price	7.25p	12p	12.75p
Expected volatility	72%	73%	68%
Expected life	1 years	1 years	1.5 years
Risk free rate	1.22%	1.53%	1.84%
Expected dividend yield	0%	0%	0%
Fair value at date of grant	1.46p	4.16p	3.88p
Earliest vesting date	19 July 2013	1 November 2014	1 May 2015
Expiry date	19 July 2015	1 November 2015	1 May 2016

18. B) Share-Based Payments – Options and Warrants (continued)

	Share options	Warrants extension	Warrants extension
Date of grant/extension	8 September 2014	26 September 2014	26 September 2014
Number granted/extended	300,000	100,000,000	30,000,000
Share price at date of grant/extension	9.71p	9.35p	9.35p
Exercise price	9.65p	5p	7.25p
Expected volatility	68%	55%	55%
Expected life from date of grant/extension	1.5 years	2.25	2.25
Risk free rate	1.72%	1.81%	1.81%
Expected dividend yield	0%	0%	0%
Fair value/incremental fair value at date of grant	3.25p	0.78p	1.00p
Earliest vesting date	8 September 2015	26 September 2014	26 September 2014
Expiry date	8 September 2016	25 March 2019	25 March 2019

Share awards issued on 1 October 2014 were valued based on a Log-normal Monte-Carlo stochastic model, with the following inputs:

Number granted	2,700,000
Share price at date of grant	9.3p
Exercise price	0.25p
Expected volatility	74%
Risk free rate	1.229%
Expected dividend yield	0%
Fair value at date of grant	4.46p

The 2,700,000 share awards valuation further includes estimates of the probability of a change in control event.

Expected volatility was determined based on the historic volatility of the Company's shares for a period averaging 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of US$702,695 (2013: US$858,474) related to share options and share awards accounted for as equity-settled share-based payment transactions during the period, and US$nil (2013: US$110,275) related to detachable warrants (issued with loans) accounted for as a compound financial instrument during the year.

As at 31 December 2014, an adjustment of US$145,660 (2013: US$198,592) has been made to the Share-Based Payment reserve, transferring to the Retained Earnings reserve amounts relating to options and warrants that have been exercised or expired.

19. Cash flow hedging reserve

	2014 US$	2013 US$
Balance at beginning of year	-	-
Gain arising on changes in fair value of hedging instruments entered into for cash flow hedges:		
– Oil price swaps	6,136,124	-
Cumulative (gain) arising on changes in fair value of hedging instruments reclassified to profit or loss		
– Oil price swaps	(276,012)	-
Deferred tax on hedging instruments designated in cash flow hedges	(2,086,282)	-
Balance at end of year	3,773,830	-

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated in the cash flow hedging reserve are reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Cumulative (gains)/losses arising on changes in fair value of hedging instruments reclassified from equity into profit or loss during the year are included in the following line item:

	2014 US$	2013 US$
Revenue	276,012	-

20. Trade and Other Payables

	2014 US$	2013 US$
Trade payables	5,930,641	4,635,494
Royalty payables	131,648	-
Accruals	4,367,956	2,980,806
	10,430,245	7,616,300

US$938,960 of liabilities in 2013 in respect of sales based severance taxes, calculated on production, have been reclassified from current tax payable to accruals for consistency with 2014 presentation.

21. Borrowings

The following table summarises the initial fair values of all loan instruments held within Borrowings, including the equity instrument values for those instruments accounted for as compound financial instruments, and initial embedded royalty instrument values for loans with such royalties classified as financial instruments. All loans are unsecured and subsequently held at amortised cost.

	Loan a US$	Loan b US$	Loan c US$	Loan d US$	Loan e US$	Loan f US$	Total US$
Original date of issue	May 2013	January 2012	June 2013	July 2013			
Proceeds of issue	5,000,000	15,604,889	5,779,787	12,000,000	-	-	38,384,676
Recognised at inception as:							
Financial liability	5,000,000	11,107,248	5,524,270	11,889,725	-	-	33,521,243
Equity instrument (conversion option/ detachable warrants)	-	4,497,641	255,517	110,275	-	-	4,863,433
	5,000,000	15,604,889	5,779,787	12,000,000	-	-	38,384,676

	Loan a US$	Loan b US$	Loan c US$	Loan d US$	Loan e US$	Loan f US$	Total US$
Date of rescheduling /issue	September 2014	September 2014	September 2014	September 2014	January 2014	September 2014	
Loan rescheduled	-	8,400,443	5,096,350	10,000,000	-	-	
Proceeds of new loans issued	-	-	-	-	1,500,000	20,000,000	
Recognised on rescheduling/issue as: Financial liability	-	5,044,534	4,653,440	10,000,000	1,032,491	20,000,000	40,730,465
Royalty liability embedded in loan	-	-	-	-	467,509	-	467,509
Equity instrument (conversion option/ detachable warrants)	-	3,355,909	442,910	-	-	-	3,798,819
	-	8,400,443	5,096,350	10,000,000	1,500,000	20,000,000	44,996,793
Less: warrants extension charge /transaction charges	-	(1,272,250)	-	(489,220)	-	(1,113,599)	(2,875,069)
Net financial liability	-	3,772,285	4,653,440	9,510,780	1,032,491	18,886,401	37,855,397

21. Borrowings (continued)

The following table sets out the carrying values of the loans and borrowings:

	Loan a US$	Loan b US$	Loan c US$	Loan d US$	Loan e US$	Loan f US$	Total US$
Date of issue	May 2013	January 2012	June 2013	July 2013	January 2014	September 2014	
Effective interest rate	15%	12%	12%	12%			
Liability at date of issue	5,000,000	11,107,248	5,524,270	11,889,725	1,032,491	18,886,401	
Borrowings at 31 December 2012	-	6,762,551	-	-	-	-	6,762,551
Foreign exchange variance	-	65,149	518,221	13,216	-	-	596,586
Issue of loans	5,000,000	-	5,524,270	11,889,725	-	-	22,413,995
Interest charge to 31 December 2013	494,244	764,906	369,483	457,532	-	-	2,086,165
Interest paid	(399,723)	-	(294,482)	(260,877)	-	-	(955,082)
Repayment of loan capital	-	-	-	(3,000,000)	-	-	(3,000,000)
Loan notes converted	-	-	(192,493)	-	-	-	(192,493)
Borrowings at 31 December 2013	5,094,521	7,592,606	5,924,999	9,099,596	-	-	27,711,722
Foreign exchange variance	-	(253,472)	(288,004)	(16,438)	-	-	(557,914)
Issue of loans	-	-	-	-	1,032,491	18,886,401	19,918,892
Additional loan drawdown	-	-	-	4,500,000	-	3,000,000	7,500,000
Interest charge to September 2014	552,299	675,145	470,268	1,143,646	608,272	-	3,449,630
Interest paid to September 2014	(646,820)	-	(404,642)	(1,243,242)	(140,763)	-	(2,435,467)
Loan notes converted	-	-	(878,523)	-	-	-	(878,523)
Repayment of loan capital	(5,000,000)	-	-	(3,500,000)	(1,500,000)	-	(10,000,000)
Loan de-recognised on rescheduling at September 2014	-	(8,160,214)	(5,008,290)	(9,967,124)	-	-	(23,135,628)
New financial liability recognised on rescheduling at September 2014	-	3,772,285	4,653,440	9,510,780	-	-	17,936,505
Interest charge to 31 December 2014	-	176,156	136,775	408,065	-	302,348	1,023,344
Interest paid to 31 December 2014	-	-	(117,022)	(143,836)	-	(188,729)	(449,587)
Borrowings at 31 December 2014	-	3,802,506	4,489,001	9,791,447	-	22,000,020	40,082,974

21. Borrowings (continued)

	Loan a US$	Loan b US$	Loan c US$	Loan d US$	Loan e US$	Loan f US$	Total US$
Borrowings at 31 December 2014 recognised within:							
- Non-current Liabilities	-	3,802,506	4,489,001	9,791,447	-	22,000,020	40,082,974
Borrowings at 31 December 2013 recognised within:							
- Current Liabilities	5,094,521	-	-	9,099,596	-	-	14,194,117
- Non-current Liabilities	-	7,592,606	5,924,999	-	-	-	13,517,605
							27,711,722

The loans and borrowings include US$2,875,068 (2013: US$nil) of unamortised transaction costs held as a reduction in the carrying value of the loans and borrowings. This includes transaction costs on rescheduled loans that did not qualify as significant modifications, as well as transaction costs on significant modifications when such costs were considered wholly attributable to the new loans.

Summary of borrowing arrangements

a) Shareholder loan issued May 2013 at 15% p.a. interest and a 10% production profit share on two new wells (production profit being the Group's net revenue interest less associated operating expenses for the wells) which survives until the Company is sold or the Group sells the wells which are the subject of the production profit share (held by related parties (note 29)). The loan was repaid in full in September 2014, although the production profit share remains.

b) The Company issued £10,000,000 (US$15,604,889) nominal of unsecured convertible loan notes carrying zero coupon over a 3 year term on 23 January 2012 (held by both related parties (note 29) and unrelated parties). The loan notes are convertible by holders at any time into such number of ordinary shares as is calculated by dividing the nominal value of notes to be converted by 2.5 pence at any time up to and including the redemption date. Additionally, 100,000,000 share warrants were issued to holders of these convertible loan notes. This debt was originally repayable on demand after 3 years (if not previously converted), hence its fair value on initial recognition was the US$ equivalent of £10m discounted originally from 3 years. In September 2014, the Company and the holders of the remaining £5,167,500 (US$8,400,443) nominal unconverted of unsecured convertible loan notes carrying zero coupon agreed to extend the redemption and final conversion date out to March 2019, being six months following the maturity of loan (f).

   The extension was considered to represent a substantial modification of the convertible loan note. The existing liability portion of the loan note was derecognised and the equity option on the loan note was transferred to retained earnings. The revised convertible loan note was recognised with the liability component determined based on the future cash flows discounted at 12%, which was determined to be a market rate for equivalent debt without conversion options. The difference between the loan note principal and the fair value of the liability component was recorded in the equity option on the convertible loan note reserve. The incremental fair value associated with extending the warrants, is considered to represent a transaction cost for new convertible loan note and the portion attributable to the liability is deducted from the liability and amortised over the remaining term through the effective interest rate. The incremental fair value of the warrant was determined using a Black-Scholes model and required estimation in terms of the model inputs, including volatility rates.

c) The Company issued £3.8 million (US$5.8 million) nominal of unsecured convertible loan notes at 9% p.a. interest originally over a 2 year term on 3 June 2013 (held by both related parties (note 29) and unrelated parties).

21. Borrowings (continued)

The loan notes are convertible into ordinary shares at 5.5p per share originally at any time up to and including the second anniversary of issue. In September 2014, the Company and the holders of the remaining unconverted £3.1 million (US$5.1 million) nominal of unsecured convertible loan notes at 9% p.a. interest agreed to extend the redemption and final conversion date out to March 2019, being six months following the maturity of loan (f).

The extension was considered to represent a substantial modification of the convertible loan note and was accounted for in line with the £10,000,000 convertible loan note above, excluding the warrant extension which was not applicable to this loan note.

d) US$12,000,000 shareholder loan was issued in July 2013 at 9% p.a. interest, with 30,000,000 embedded detachable warrants (included within the loan agreement in lieu of arrangement fees) (held by related parties (note 29)).

The terms of the loan were subsequently varied as follows:

i) In November 2013, the terms of the loan were varied such that the remaining balance of US$9 million would be repaid in 3 repayments of US$3 million on or before 30 April 2014, 31 July 2014 and 31 October 2014.

Additionally, in consideration for the revised repayment profile, the lender was granted a royalty payment equalling to 1% of the Group's net revenue interest in 6 new well bores being or to be drilled commencing with the Big Sky 12-11 well which survives until the Company is sold or the Group sells the wells the subject of the royalty payment.

ii) In April and May 2014, the terms of the loan were further varied such that an additional amount totalling US$4.5 million was made available and drawn with the entire loan to be repaid in 3 instalments by 31 January 2015. The coupon was increased from 9% to 15% p.a.

iii) In September 2014, US$3.5 million of the loan principal was repaid. The balance of US$10.0 million principal was extended at 15% p.a. interest with a bullet repayment in March 2019, which can be repaid earlier at the Company's sole election without penalty. The warrants attached to the loan were also extended to March 2019. The royalty payments set out in i) above survive in accordance with their terms.

The extension and modification of the coupon in April and May 2014 was considered to represent a substantial modification and the loan was derecognised and unamortised transaction costs expensed. The subsequent extension was not considered to represent a significant modification. The incremental fair value associated with extending the warrants, is considered to represent a transaction cost and is amortised over the remaining term through the effective interest rate. The incremental fair value of the warrant was determined using a Black-Scholes model and required estimation in terms of the model inputs, including volatility rates.

e) A loan issued January 2014 at 9% p.a. interest with a royalty payment equalling to 3% of the Group's net revenue interest in 2 new well bores for the life of the wells. The loan was repaid in full in September 2014. The royalty payment is recorded at fair value through profit and loss and its fair value is a principally a function of future production estimates, oil price estimates, operating cost estimates, discount rates and decline rates. The fair value as at 31 December 2014 is US$131,648 (2013: US$nil).

f) On 26 September 2014 the Group entered into a US$100 million senior secured credit facility ("Facility') with Commonwealth Bank of Australia ("Bank"). The new Facility contains both a four year Revolving Credit Facility and a Letter of Credit Facility. Interest is charged on monies drawn down at a margin of up to 4.0% over US Libor and a margin of 0.5% is charged on undrawn amounts within the borrowing base. The borrowing base at 31 December 2014 was US$35.0 million. Transaction costs of US$1.1 million were deducted from the carrying value of the loan and are amortised through the effective interest rate.

The rescheduling of the convertible loan notes and borrowings gave rise to an increase in the share based payment reserve of US$1.76 million for the extension of warrants, and a US$1.15 million increase in equity option on convertible loans being the net effect of the fair value of the revised equity option and reductions for transfers of the previous US$2.6 million reserve to retained earnings.

22. Financial Instruments

Categories of financial instruments

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

	2014 US$	2013 US$
Financial assets		
Cash and cash equivalents	5,019,527	1,681,163
Fair value through profit or loss (FVTPL) – Held for trading	-	31,403
Derivatives designated and effective as hedging instruments carried at fair value	6,136,124	-
Loans and receivables	2,972,634	3,562,477
	14,128,285	5,275,043
Financial liabilities		
Fair value through profit or loss (FVTPL)	131,648	-
Amortised cost	50,381,571	35,328,023
Amortised cost	50,513,219	35,328,023

Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:
Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 2013 US$	Fair value as at 2012 US$	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Oil price swaps (designated for hedging)	6,136,124	-	Level 2	Discounted cash flow	N/A	N/A
Oil swaps	-	31,403	Level 2	Discounted cash flow	N/A	N/A
Royalty liability	131,648	-	Level 3	Discounted cash flow	N/A	N/A

No significant unobservable inputs, such as oil prices, have a material effect on the Level 3 royalty liability. Credit risk was not significant to derivative fair values.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis
The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values (due to their nature and short times to maturity).

23. Financial Instrument Risk Exposure and Management

The principal financial risks to which the Group is exposed are: foreign currency exchange rate risk; interest rate risk; liquidity risk and credit risk. This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 15 – 17, and 19 – 21 and 24.

In the current financial year, the Group has significantly changed its borrowing base (see note 21), however there have been no substantive changes to the Group's objectives, policies and process for managing the associated risks or the methods used to measure them. Also in the current financial year, the Group has commenced more extensive hedging of its oil price risk by entering into oil price swap contracts as means of managing that risk.

In the prior year, there were no substantive changes to the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure.

Liquidity risk
Liquidity risk is dealt with in note 24 of these financial statements.

Credit risk
The Group's credit risk is primarily attributable to its cash balances and trade receivables, together with oil swap derivative counterparties. Although the Group markets its crude oil to one counterparty, the Group has not historically experienced any bad debts or delays in payment with respect to its trade receivables.

The credit risk on liquid funds and oil swap derivatives is limited because the third parties are large international banks. The trade receivables amount presented in the balance sheet is after allowance for impairment, if any. Impairment is made where there is an identified event, which based on previous experience, is evidence of a likely reduction in cash flows. No events have arisen historically that have required the Group to impair its trade receivables and the Group is not currently aware of any such events.

The Group's total credit risk amounts to the total of the sum of the receivables, derivative assets, and cash and cash equivalents. At the year end this amounts to US$14,128,285 (2013: US$5,275,043).

Oil price risk
The Group enters into certain crude oil price swap contracts, zero cost collars and derivative financial instruments referenced to WTI-NYMEX over a proportion of its oil sales volume in order to manage its exposure to oil price risk associated with sales of oil.

As at 31 December 2014, the Group held the following swap contracts:

Period of maturity	1 December 2014 – 30 November 2017	1 January 2015 – 31 December 2015
Total volume (bbls)	202,940	162,000
Price (WTI NYMEX; average)	$75.30	$73.95

As at 31 December 2013, the Group held the following swap contracts:

Period of maturity	1 October 2013 – 31 March 2014	1 December 2013 – 31 March 2014
Total volume (bbls)	30,200	27,000
Price (WTI NYMEX; average)	96.8	96.8

The swap contracts outstanding at 31 December 2014 were designated as cash flow hedges of highly probable forecast transactions at inception and were assessed to be highly effective. Based upon hedge effectiveness testing, the cash flow hedges were deemed highly effective at year end, with a fair value movement of US$6,136,124 million charged directly in the cash flow hedging reserves. None of the hedges were ineffective.

23. Financial Instrument Risk Exposure and Management (continued)

During the year, swap contracts for 17,240 barrels matured generating income of US$0.3 million (2013: US$nil million). This income is an addition to sales revenue.

Refer to the Consolidated Statement of Other Comprehensive Income, notes 2, 15, 19 and 22 for further relevant information.

Interest rate risk and sensitivity analysis

The Group has borrowings at fixed and at variable rates. At the balance sheet date, the Group's exposure to variable interest rates was not considered a material risk and no interest rate hedge contracts had been entered into.

The Group occasionally uses shortterm Sterling/US$ Dual Currency Deposit investments (DCDs) in order to maximise interest received on the cash held on deposit. These instruments are not used for foreign exchange management purposes.

As at the balance sheet date, the Group had US$nil invested in DCDs (2013: US$nil).

Interest rate risk on both interest received and paid is immaterial.

Foreign exchange risk

The Group's principal exposure to foreign exchange risk is in relation to the United States Dollar and Sterling exchange rates, due to the concentration of cash and cash equivalents and convertible loan notes that are held in Sterling.

2014	Carry values US$	Sterling US$	US Dollars US$
Financial assets			
Cash and cash equivalents	5,019,527	97,655	4,921,872
Derivatives designated and effective as hedging instruments carried at fair value	6,136,124	-	6,136,124
Loans and receivables	2,972,634	58,011	2,914,623
	14,128,285	155,666	13,972,619
Financial liabilities			
Fair value through profit or loss (FVTPL)	131,648	-	131,648
Amortised cost	50,381,571	8,857,510	41,524,061
	50,513,219	8,857,510	41,655,709

2013	Carry values US$	Sterling US$	US Dollars US$
Financial assets			
Cash and cash equivalents	1,681,163	59,306	1,621,857
Loans and receivables	3,562,477	79,250	3,483,227
	5,243,640	138,556	5,105,084
Financial liabilities			
Amortised cost	35,328,023	14,435,071	20,892,952

23. Financial Instrument Risk Exposure and Management (continued)

The foreign exchange rate risk on the value of the cash and cash equivalents at the balance sheet date is immaterial.

The following table indicates the impact of a change in foreign exchange rate on the value of the Sterling denominated loan notes at the balance sheet date, and with all other variables being held constant, on the Group's equity.

	Change in US $/GBP exchange rate	December 2014 US$	Change in US$/GBP exchange rate	December 2013 US$
Sterling	+5.0%	(414,139)	+5.0%	(678,236)
	-5.0%	414,139	-5.0%	678,236

24. Liquidity Risk

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due. The Group ensures it has appropriate levels of working capital through operational cash flows, debt facilities and, as applicable, accessing equity markets, to meet its obligations as they fall due. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 December 2014 and 31 December 2013 on the basis of their earliest possible contractual maturity.

	Total US$	Within 2 months US$	Within 2 – 6 months US$	6 – 12 months US$	1 – 2 years	2 – 5 years
At 31 December 2014						
Trade payables	5,930,641	5,930,641	-	-	-	-
Royalty payables	131,648	7,818	15,635	23,453	30,418	54,324
Accruals	4,367,956	-	4,367,956	-	-	-
Shareholder loan issued with warrants	16,600,000	378,082	365,753	756,164	3,004,110	12,095,891
Convertible loan notes – Jan 12	8,400,443	-	-	-	-	8,400,443
Convertible loan notes – Jun 13	6,751,453	-	219,283	221,693	6,310,477	-
Bank loan	26,946,526	18,493	461,559	611,741	1,073,152	24,781,581
	69,128,667	6,335,034	5,430,186	1,613,051	10,418,158	45,332,239
At 31 December 2013						
Trade payables	4,635,494	4,635,494	-	-	-	-
Accruals	2,980,806	-	2,980,806	-	-	-
Shareholder loan	5,372,774	-	5,372,774	-	-	-
Shareholder loan with detachable warrants	9,605,836	204,164	3,197,508	6,204,164	-	-
Convertible loan notes – Jan 12	8,564,682	-	-	-	8,564,682	-
Convertible loan notes – Jun 13	6,877,951	-	272,138	276,648	6,329,165	-
	38,037,543	4,839,658	11,823,226	6,480,812	14,893,847	-

25. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to manage the cost of capital effectively. The Group defines capital as being share capital plus reserves as disclosed in the Consolidated Statement of Changes in Equity, and monitors it capital profile using net debt to equity. The Board of Directors monitor the level of capital as compared to the Group's commitments and, where necessary, adjusts the level of capital as is determined to be necessary by issuing new shares. The Group is not subject to any externally imposed capital requirements.

As at 31 December 2014, there was net debt of US$40.9 million (comprising US$33.0 million straight debt, US$12.9 million convertible loan notes and cash of US$5.0 million) (31 December 2013: net debt of US$26.0 million (comprising US$14.2 million straight debt, US$13.5 million convertible loan notes and cash of US$1.7 million)) and capital of US$58.7 million (31 December 2013: US$49.9 million), giving a net debt to equity ratio of 69.7% (31 December 2013: 52.1%).

The debt amounts represent the principal amounts outstanding.

26. Financial Commitments

The Group had no financial commitments except as disclosed in note 28 at 31 December 2014 (31 December 2013: US$nil).

27. Provisions

	2014 US$	2013 US$
Contingent consideration	3,000,000	3,000,000

Asset retirement obligations	2014 US$	2013 US$
At 1 January	942,568	-
Recognition of obligations	1,302,818	942,568
Accretion expense	131,041	-
Provision released to match costs incurred	(304,500)	-
	2,071,927	942,568

Contingent consideration relates to the acquisition on 23 January 2012 of an additional 25% interest in the Jolly Ranch and Smoky Hill Project, which took the working interest from 50% to 75%, prior to the subsequent purchase of the remaining 25% in 2013.

In the event of a sale or disposal by the Group of all or a portion of its working interest in the Jolly Ranch and Smoky Hill Project to a third party before 23 January 2017, the Group shall pay Running Foxes Petroleum a portion of the cash proceeds (or fair market value of any noncash proceeds) which it receives in connection with such sale or disposal up to a maximum aggregate amount of $5 million.

The contingent consideration recognised is derived from a probability calculation to estimate the likely consideration payable under this arrangement.

An asset retirement obligation provision for cleanup costs has been recognised and included within the exploration costs intangible assets and production assets based on management's assessment of asset retirement costs that will be incurred at the end of each project's life. The project lives are estimated to range from 1 to 7 years.

28. Operating Lease Arrangements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	Plant & equipment	
	2014	2013
	US$	US$
Less than one year	461,328	4,009,160

US$5,493,581 was incurred during the year to 31 December 2014 (2013: US$nil) in relation to operating leases. A new operating lease arrangement was entered into during December 2013 to which the above obligation relates.

29. Related Party Transactions

The only related party transactions during the year were with the Directors and certain senior management. Key management during the years presented refers to the Board, Mr T. Heeley and Mr M. Thomsen.

	Short-term benefits	
	2014	2013
	US$	US$
Remuneration:		
Mr R. McCullough	79,375	-
Mr J. Claesson	32,910	-
Mr S. Gutteridge	212,500	268,832
Mr T. Heeley	-	177,750
Mr R. Swindells	279,368	256,834
Mr M. Thomsen	379,081	341,550
Mr S. Eaton	57,329	49,960
Mr C. Wilson	371,091	320,000
	1,411,654	1,414,926
Social security costs	103,977	109,078
Share-based payments	260,411	405,376
Pension contributions	68,313	140,936
	1,844,355	2,070,316

29. Related Party Transactions (continued)

Included in note 21 (loans a, b, c and d) are loans and convertible loans in which Johan Claesson, his close family or companies controlled by him have a material interest. In the financial years ended 31 December 2014 and 2013, such material interests were, in aggregate, as follows:

	2014 US$	2013 US$
Brought forward balance	24,275,651	6,654,094
New principal lent in year	4,500,000	21,367,283
Foreign exchange movement	(554,197)	128,869
Principal repaid	(8,500,000)	(3,000,000)
Principal transferred to other parties	-	(1,599,404)
Production profit share and royalty stream charged in year	1,526,933	1,257,912
Production profit share and royalty stream paid in year	(1,812,094)	(762,994)
Interest charged in year	2,314,242	1,078,455
Interest paid in year	(2,295,319)	(848,565)
Balance owing at end of year (principal & interest)	19,455,216	24,275,650

Johan Claesson is also interested in 55,000,000 warrants to subscribe for new ordinary shares at 5.0 pence per share that were issued with the zero coupon convertible loan note in January 2012.

In the financial year ended 31 December 2013, in connection with the US$12.0 million debt facility summarised in note 21, a company controlled by Johan Claesson was granted 30,000,000 warrants to subscribe for new ordinary shares at 7.25 pence per share.

30. Investment in Subsidiaries

The Group's Parent Company holds the issued share capital of the following subsidiary undertakings, which are incorporated in the USA and have been included in these consolidated financial statements.

Company	Principal activities	Class	Percentage held
Nighthawk Royalties LLC	Oil and gas development	Ordinary	100%
Nighthawk Production LLC	Oil and gas development	Ordinary	(indirectly) 100%
OilQuest USA LLC	Oil and gas development	Ordinary	(indirectly) 100%

31. Contingent Liabilities

The directors are not aware of any contingent liabilities within the Group or the Company at 31 December 2014.

32. Ultimate Controlling Party

As at 31 December 2014, Nighthawk Energy plc had no ultimate controlling party.

33. Cash Flow from Operating Activities

	2014 US$	2013 US$
Profit/(loss) before tax	(5,749,071)	12,392,189
Finance income	(367)	(1,112,712)
Finance costs	5,783,018	2,095,430
Share-based payment	702,695	858,474
Gain on disposal of property, plant and equipment	(78,887)	(40,050)
Fair value gain on royalty liability	(294,910)	-
Unrealised revenue on hedge accounted derivatives	(276,012)	-
Gain on derivative financial instruments not accounted for as hedges	(192,489)	(31,403)
Gain on stepped acquisition	-	(3,160,171)
Impairment of intangible assets net of provision released for asset retirement costs	12,896,169	315,835
Impairment of property, plant and equipment	7,410,183	1,478,251
Depreciation	5,355,128	2,928,336
Amortisation and contribution from test revenue	1,747,882	845,476
	27,303,339	16,569,655
Changes in working capital		
(Increase)/decrease in inventory	47,150	(611,039)
(Increase)/decrease in trade and other receivables	310,566	(2,960,398)
Increase in trade and other payables	793,868	1,453,267
	28,454,923	14,451,485
Tax paid	(230,445)	(5,424)
Net cash flow from operating activities	28,224,478	14,446,061

34. Events After the Balance Sheet Date

- On 12 January 2015, a former director exercised share options over 700,000 shares at 5 pence per share, resulting in a share premium of US$50,430 (£33,250) being recognised.

- On 28 January 2015, the Group drew a further US$1.0 million on its reserves based loan facility with Commonwealth Bank of Australia.

- On 30 January 2015, the Group announced that it had entered into two joint venture agreements ("JV's") (the Monarch Joint Venture and the El Dorado Joint Venture) in northern Lincoln County, Colorado with Cascade Petroleum LLC ("Cascade"). The transactions involved unincorporated Joint Ventures and are Joint Operations under IFRS.

  Under the Monarch Joint Venture, Nighthawk entered into a joint development agreement ("JDA") with Cascade pursuant to which each party cross-assigned half of its interest in the acreage within the boundaries of the joint venture to the other party. This resulted in Nighthawk cross-assigning a 50% Working Interest in 6,197 net mineral acres to Cascade and Nighthawk receiving from Cascade a 50% Working Interest in 17,422 net mineral acres. All acreage cross-assigned by both parties under the joint venture is non-producing at this time.

34. Events After the Balance Sheet Date (continued)

In order to earn in to this joint venture, under the terms of the agreement with Cascade, Nighthawk is required to bear 100% of the cost of the first six wells to be drilled within the boundaries of the joint venture, the first four of which must be drilled on or before December 31st 2015, and the remaining two on or before June 30th 2016. Nighthawk expects that the drill and completion of cost of each well will be in the range $1.5 million to $2.0 million. Nighthawk will earn a 50% share of the JV's Net Revenue Interest in the wells estimated to be approximately 40% of the gross revenues of each of these first six wells. After the initial earn in by Nighthawk, the parties will share on a 50:50 basis all future cost incurred for drilling of additional wells.

Additionally, as announced on 30 January 2015, Cascade initiated a 3D seismic acquisition program over the entire area covered by both Joint Ventures and, under the terms of the JDA, Nighthawk will bear 100% of the permitting, acquisition and processing cost of the 3D seismic program over the Monarch Joint Venture area, which was expected to amount to approximately $2.3 million. Nighthawk has a proportional percentage ownership in the entire 3D covering both joint venture areas.

Under the El Dorado Joint Venture, Nighthawk entered into a JDA with Cascade pursuant to which each party cross-assigned to the other its acreage within the joint venture area based upon each party's proportionate share of the acreage. This resulted in Nighthawk cross-assigning a 85% Working Interest in its 5,281 net mineral acres to Cascade and Nighthawk receiving from Cascade 15% Working Interest in 35,091 net mineral acres. All acreage cross-assigned by both parties under joint venture is non-producing at this time.

- On 6 March 2015, the Group drew a further US$2.0 million on its reserves based loan facility with Commonwealth Bank of Australia.

- On 21 April 2015, the Group drew a further US$2.0 million on its reserves based loan facility with Commonwealth Bank of Australia, taking the total amount drawn under the facility to US$28.0 million.

- On 1 May 2015, the Group announced that the borrowing base under the reserves based loan facility with Commonwealth Bank of Australia had been reduced to US$33.0 million. On 29 May 2015, the Group received a credit commitment from Commonwealth Bank of Australia to increase the borrowing base under the same facility to US$37.0 million.

35. Litigation update

The Company previously made announcement on 21 May 2014 regarding a lawsuit brought by Running Foxes Petroleum, Inc. against a subsidiary of the Company, in a Colorado court in the United States. Nighthawk believes that the case is completely without merit and the Court recently dismissed of one of the plaintiff's claims. Nighthawk recently filed a motion for summary judgment to dispose of the remaining claims. The facts and governing law do not give rise to any valid legal claim by Running Foxes Petroleum Inc. against Nighthawk, or otherwise raise a valid business issue that needs to be resolved between the companies. Nighthawk believes that the allegations contained in the complaint are baseless, and that the complaint is a groundless action. Nighthawk will vigorously defend against the complaint and seek all available legal remedies.

Parent Company Balance Sheet
as at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible fixed assets	2	468	1,573
Investments	3	38,268,508	40,633,717
		38,268,976	40,635,290
Current assets			
Debtors	4	136,794	475,050
Cash at bank		104,598	105,849
		241,392	580,899
Creditors: amounts falling due within one year	5	(447,603)	(9,117,573)
Net current assets		(206,211)	(8,536,674)
Creditors: amounts falling due after one year	6	(11,596,132)	(8,184,270)
Net assets		26,466,633	23,914,346
Capital and reserves			
Called up share capital	8	2,405,941	2,369,214
Share premium account	9	773,153	-
Special (restricted) reserve	9	18,420,536	18,420,536
Share options reserve	9	3,377,868	1,936,921
Equity option on convertible loans	9	2,336,829	1,652,020
Profit and loss account	9	(847,694)	(464,345)
Shareholders' equity		26,466,633	23,914,346

The financial statements were approved by the Board of Directors on 1 June 2015 and were signed on its behalf by:

Rick McCullough
Executive Chairman

Notes to the Parent Company Financial Statements
for the year ended 31 December 2014

1. Accounting Policies

Basis of Preparation
The annual financial statements of Nighthawk Energy plc (the Parent Company financial statements) have been prepared in accordance with United Kingdom accounting standards and applicable law (United Kingdom Generally Accepted Accounting Practice). The principal accounting policies set out below have been consistently applied to all periods presented.

The financial statements have been prepared under the historical cost convention.

As permitted by section 408 of Companies Act 2006, a separate profit and loss account for the Company has not been included in these financial statements. The Company's loss for the year ended 31 December 2014 was £2,118,723 (2013: £585,273).

As permitted by FRS 8 Related party disclosures, no related party disclosures between the Company and its 100% owned subsidiaries have been included.

Financial Instruments
Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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

Interest is credited to the profit and loss account in the period to which it relates.

Special (restricted) Reserve
A merger reserve previously arose from the Company's merger with a subsidiary, and reflected the difference between the nominal value of the shares issued plus the fair value of other consideration paid by the Company and the nominal value of the shares received in exchange from its subsidiary. On 20 November 2013, the Company carried out a capital reduction exercise. This resulted in the Company's share premium and the merger reserve being cancelled in full (no impact on share capital), with an amount recognised in the profit and loss account and the creation of a special (restricted) reserve.

Foreign Currency
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

Tangible Fixed Assets
Tangible fixed assets are stated at historical costs less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives.

The rates applicable are:

Office equipment	25%

1. Accounting Policies (continued)

Share-Based Payments
Where share options have been granted to directors and employees, FRS 20 has been applied whereby the fair value of the options is measured at the grant date and spread over the period during which the employees become entitled to the options. An options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value at grant date is determined including the effect of market based vesting conditions, to the extent such vesting conditions have a material impact. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the option holder will ultimately receive. The fair value of goods and services received are measured by reference to the fair value of options.

The cost of equitysettled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equitysettled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The Profit and Loss account charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equitysettled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the sharebased payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Profit and Loss account.

Warrants
Share warrants have been issued in lieu of interest on the convertible loans in the prior years; as such the associated cost of these is accounted for as a finance cost.

The fair value of the warrants is measured at the grant date. A Black Scholes valuation model is used to assess the fair value, taking into account the terms and conditions attached to the warrants. The finance costs recorded are measured by reference to the fair value of warrants.

Share warrants are recognised as an increase in equity immediately on issue as warrants vest immediately. The expense associated with the share warrants is recognised in accordance with the substance of the transaction, either as an immediate expense in the Profit and Loss account or as a transaction cost associated with the issue or extension of loan notes.

1. Accounting Policies (continued)

Investments
Investments are included at cost less amounts written off for impairment.

Compound instruments
The component parts of compound instruments (convertible notes and loans with detachable warrants) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. 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 conversion option or detachable warrant classified as equity 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. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the fair value of the debt and equity components. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the compound instruments using the effective interest method.

If the terms of a compound financial instrument are modified the Company determines whether the modification represents a substantial modification. A modification is considered substantial if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Compound financial instruments that are considered to be substantially modified are derecognised and transaction costs incurred in respect of such loan modifications are written off to the income statement and equity in proportion to the relative fair values of the debt and equity component at extinguishment unless the transaction costs can be specifically attributed to the new instrument, in which case the portion attributable to the debt component is amortised prospectively through the effective interest rate.

Incremental fair value changes arising from the modification of warrants originally issued as part the compound financial instrument are considered to represent transaction costs and are determined using a Black-Scholes model.

Deferred Taxation
Deferred taxation is provided for on a full provision basis on all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

2. Tangible Fixed Assets

	Office equipment £
Cost	
At 1 January 2014	4,714
Disposals	(657)
At 31 December 2014	4,057
Depreciation	
At 1 January 2014	3,141
Disposals	(151)
Charge	599
At 31 December 2014	3,589
Net book value	
At 31 December 2014	468
At 31 December 2013	1,573

3. Investments

	Shares in Group Undertakings £	Investments in Subsidiaries £	Long term loans to Subsidiaries £	Total £
Cost				
As at 1 January 2014	103,561	19,236,936	21,293,220	40,633,717
Additions	-	1,122,766	1,110,704	2,233,470
Interest on inter-company loans	-	-	3,123,111	3,123,111
Payment of loan principal	-	-	(3,364,310)	(3,364,310)
Payment of interest	-	-	(4,357,480)	(4,357,480)
As at 31 December 2014	103,561	20,359,702	17,805,245	38,268,508

The Company holds the issued share capital of the following subsidiary undertakings, which are incorporated in the USA.

Company	Principal activities	Class	Percentage held
Nighthawk Royalties LLC	Oil and gas development	Ordinary	100%
Nighthawk Production LLC	Oil and gas development	Ordinary	(indirectly) 100%
OilQuest USA LLC	Oil and gas development	Ordinary	(indirectly) 100%

4. Debtors

	2014 £	2013 £
Other debtors	37,218	66,762
Amounts due from group undertakings	60,055	373,396
Prepayments	39,521	34,892
	136,794	475,050

5. Creditors: Amounts Falling Due Within One Year

	2014 £	2013 £
Trade creditors	31,557	59,278
Accruals	331,583	494,276
Royalty creditor	84,463	-
Borrowings (see note 7)	-	8,564,019
	447,603	9,117,573

6. Creditors: Amounts Falling Due After One Year

	2014 £	2013 £
Borrowings (see note 7)	11,596,132	8,184,270

7. Borrowings

The following table summarises the initial fair values of all loan instruments held within Borrowings, including the equity instrument values for those instruments accounted for as compound financial instruments, and initial embedded royalty instrument values for loans with such royalties classified as financial instruments. All loans are unsecured and subsequently held at amortised cost.

	Loan a £	Loan b £	Loan c £	Loan d £	Loan e £	Total £
Original date of issue	May 2013	January 2012	June 2013	July 2013		
Proceeds of issue	3,015,092	10,000,000	3,800,000	7,800,564	-	24,615,656
Recognised at inception as:						
Financial liability	3,015,092	7,117,802	3,632,007	7,728,799	-	21,493,700
Equity instrument (conversion option/ detachable warrants)	-	2,882,198	167,993	71,765	-	3,121,956
	3,015,092	10,000,000	3,800,000	7,800,564	-	24,615,656

	Loan a £	Loan b £	Loan c £	Loan d £	Loan e £	Total £
Date of rescheduling/issue	September 2014	September 2014	September 2014	September 2014	January 2014	
Loan rescheduled		5,167,500	3,135,000	6,151,461		
Proceeds of new loans issued	-	-	-	-	913,627	
Recognised on rescheduling/issue as:						
Financial liability	-	3,103,126	2,862,546	6,151,461	628,874	12,746,007
Royalty liability embedded in loan	-	-	-	-	284,753	284,753
Equity instrument (conversion option/ detachable warrants)	-	2,064,374	272,454	-	-	2,336,828
	-	5,167,500	3,135,000	6,151,461	913,627	15,367,588
Less: warrants extension charge/ transaction charges	-	(782,619)	-	(300,942)	-	(1,083,561)
Net financial liability	-	2,320,507	2,862,546	5,850,519	628,874	11,662,446

7. Borrowings (continued)

The following table sets out the carrying values of the loans and borrowings:

	Loan a £	Loan b £	Loan c £	Loan d £	Loan e £	Total £
Date of issue	May 2013	January 2012	June 2013	July 2013	January 2014	
Effective interest rate	15%	12%	12%	12%		
Original liability at date of issue	3,015,092	7,117,802	3,632,007	7,728,799	-	21,493,700
Borrowings at 31 December 2012	**-**	**4,119,492**	**-**	**-**	**-**	**4,119,492**
Loan notes issued	3,015,092	-	3,632,007	7,728,799	-	14,375,898
Interest paid	-	-	-	(476,758)	-	(476,758)
Interest charged	316,568	489,930	236,658	293,053	-	1,336,209
Repayment of loan capital	(257,881)	-	(177,676)	(165,075)	-	(600,632)
Loan notes converted	-	-	-	(1,889,779)	-	(1,889,779)
Borrowings at 31 December 2013	**3,073,779**	**4,609,422**	**3,574,848**	**5,490,240**	**-**	**16,748,289**
Foreign exchange variance	-	-	-	265,470	9,728	275,198
Issue of loans	-	-	-	-	628,874	628,874
Additional loan drawdown	-	-	-	2,734,761	-	2,734,761
Interest charge to September 2014	335,646	410,302	285,793	677,568	369,662	2,078,971
Interest paid to September 2014	(394,333)	-	(245,911)	(755,548)	(85,545)	(1,481,337)
Loan notes converted	-	-	(533,900)	-	-	(533,900)
Repayment of loan capital	(3,015,092)	-	-	(2,127,036)	(922,719)	(6,064,847)
Loan de-recognised on rescheduling at September 2014	-	(5,019,724)	(3,080,830)	(6,019,985)	-	(14,120,539)
New financial liability recognised on rescheduling at September 2014	-	2,320,507	2,862,546	5,850,519	-	11,033,572
Interest charge to 31 December 2014	-	107,054	83,122	265,444	-	455,620
Interest paid to 31 December 2014	-	-	(71,117)	(87,413)	-	(158,530)
Borrowings at 31 December 2014	**-**	**2,427,561**	**2,874,551**	**6,294,020**	**-**	**11,596,132**
Borrowings at 31 December 2014 recognised within:						
– Creditors due after one year	-	2,427,561	2,874,551	6,294,020	-	11,596,132
Borrowings at 31 December 2013 recognised within:						
– Creditors due within one year	3,073,779	-	-	5,490,240	-	8,564,019
– Creditors due after one year	-	4,609,422	3,574,848	-	-	8,184,270
						16,748,289

7. Borrowings (continued)

Summary of borrowing arrangements

a) Shareholder loan issued May 2013 at 15% p.a. interest and a 10% production profit share on two new wells (production profit being the Group's net revenue interest less associated operating expenses for the well) which survives until the Company is sold or the Group sells the wells the subject of the production profit share (held by related parties (note 11)). The loan was repaid in full in September 2014.

b) The Company issued £10,000,000 nominal of unsecured convertible loan notes carrying zero coupon over a 3 year term on 23 January 2012 (held by both related parties (note 11) and unrelated parties). The loan notes are convertible by holders at any time into such number of ordinary shares as is calculated by dividing the nominal value of notes to be converted by 2.5 pence at any time up to and including the redemption date. Additionally, 100,000,000 share warrants were issued to holders of these convertible loan notes. This debt was originally repayable on demand after 3 years (if not previously converted), hence its fair value on initial recognition was £10 million discounted originally from 3 years. In September 2014, the Company and the holders of the unconverted £10,000,000 nominal of unsecured convertible loan notes carrying zero coupon agreed to extend the redemption and final conversion date out to March 2019, being six months following the maturity of loan (f) and its fair value was recalculated such that £10 million was discounted from March 2019.

c) The Company issued £3.8 million nominal of unsecured convertible loan notes at 9% p.a. interest originally over a 2 year term on 3 June 2013 (held by both related parties (note 11) and unrelated parties). The loan notes are convertible into ordinary shares at 5.5p per share originally at any time up to and including the second anniversary of issue. In September 2014, the Company and the holders of the unconverted £3.8 million nominal of unsecured convertible loan notes at 9% p.a. interest agreed to extend the redemption and final conversion date out to March 2019, being six months following the maturity of loan (f).

d) US$12,000,000 shareholder loan issued in July 2013 at 9% p.a. interest, with 30,000,000 embedded detachable warrants (included within the loan agreement in lieu of arrangement fees) (held by related parties (note 11)).

   The terms of the loan were subsequently varied as follows:

   (i) In November 2013, the terms of the loan were varied such that the remaining balance of US$9 million would be repaid in 3 repayments of US$3 million on or before 30 April 2014, 31 July 2014 and 31 October 2014.

   Additionally, in consideration for the revised repayment profile, the lender was granted a royalty payment equalling to 1% of the Group's net revenue interest in 6 new well bores being or to be drilled commencing with the Big Sky 12-11 well which survives until the Company is sold or the Group sells the wells the subject of the royalty payment.

   (ii) In April and May 2014, the terms of the loan were further varied such that an additional amount totalling US$4.5 million was made available and drawn with the entire loan to be repaid in 3 instalments by 31 January 2015.

   (iii) In September 2014, US$3.5 million of the loan principal was repaid. The balance of US$10.0 million principal was extended at 15% p.a. interest with a bullet repayment in March 2019, which can be repaid earlier at the Company's sole election without penalty. The royalty payments set out in i) above survive in accordance with their terms.

e) A loan issued January 2014 at 9% p.a. interest a royalty payment equalling to 3% of the Group's net revenue interest in 2 new well bores for the life of the wells. The loan was repaid in full in September 2014.

The rescheduling of the convertible loan notes and borrowings gave rise to an increase in the share based payment reserve of £1.08 million for the extension of warrants, and a £0.7 million increase in equity option on convertible loans being the net effect of the fair value of the revised equity option and reductions for transfers of the previous £1.6 million reserve to retained earnings.

8. A) Share Capital

	2014 £	2013 £
Allotted, issued and fully paid		
962,376,330 shares (31 December 2013: 947,685,420 shares) of 0.25 pence	2,405,941	2,369,214

Allotments during the year

Date	Price per share (Sterling)	Number of shares issued	Total consideration received £
Issue of shares 3 January 2014 – conversion of loan notes	5.5p	1,818,182	100,000
Issue of shares 18 February 2014 – exercise of share options	5p	1,800,000	90,000
Issue of shares 28 April 2014 – conversion of loan notes	5.5p	4,436,364	244,000
Issue of shares 11 August 2014 – conversion of loan notes	5.5p	3,636,364	200,000
Issue of shares 8 October 2014 – exercise of share options	7.16p	1,200,000	85,880
Issue of shares 11 November 2014 – exercise of share options	5p	400,000	20,000
Issue of shares 2 December 2014 – exercise of share options	5p	400,000	20,000
Issue of shares 5 December 2014 – exercise of share options	5p	125,000	6,250
Issue of shares 8 December 2014 – exercise of share options	5p	375,000	18,750
Issue of shares 12 December 2014 – exercise of share options	5p	500,000	25,000

Allotments during the prior year

Date	Price per share (Sterling)	Number of shares issued	Total consideration received £
Issue of shares 20 August 2013 – conversion of loan notes	5.5p	2,200,000	121,000
Issue of shares 1 October 2013 – exercise of share options	8p	1,000,000	80,000
Issue of shares 9 October 2013 – exercise of share options	8p	1,000,000	80,000
Issue of shares 8 November 2013 – exercise of warrants	5p	1,250,000	62,500

During the year ended 31 December 2014 the Company issued a total of 14,690,910 ordinary shares: 9,890,910 at a price of 5.5p per share, 3,600,000 at 5p per share and 1,200,000 at 7.16p per share, resulting in a premium of £773,153.

During the year ended 31 December 2013 the Company issued a total of 5,450,000 ordinary shares: 2,000,000 at a price of 8p per share, 1,250,000 at 5p per share and 2,200,000 at 5.5p per share, resulting in a premium of £329,875.

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

8. B) Share-Based Payments – Options and Warrants

Details of share options, share awards and warrants issued by the Company are set out in note 18. B) to the Consolidated Financial Statements.

The Company recognised total expenses of £450,838 (2013: £517,959) related to share options and share awards accounted for as equitysettled sharebased payment transactions during the year, and £1,083,561 (2013: £71,765) related to warrants (issued with loans).

As at 31 December 2014, an adjustment of £nil (2013: £120,438) has been made to the ShareOptions reserve, transferring to the Profit and Loss Account reserve amounts relating to options and warrants that have been exercised or expired.

9. Reserves

	Share premium account £	Profit and loss account £	Shares options reserve £	Special (restricted) reserve £	Equity option on convertible loans £	Total £
As at 31 December 2013	-	(464,345)	1,936,921	18,420,536	1,652,020	21,545,132
Conversion of convertible loans	519,273	13,952	-	-	(24,050)	509,175
Issue of share capital for cash	253,880	-	-	-	-	253,880
Extension of convertible loan notes	-	1,627,970	1,083,561	-	708,859	3,420,390
Issue of share based payments	-	-	450,838	-	-	450,838
Expired options and warrants	-	93,452	(93,452)	-	-	-
Loss for the year	-	(2,118,723)	-	-	-	(2,118,723)
As at 31 December 2014	773,153	(847,694)	3,377,868	18,420,536	2,336,829	24,060,692

10. Reconciliation of Movement in Shareholders' Funds

	2014 £	2013 £
Loss for the financial year	(2,118,723)	(585,273)
Issue of shares net of expenses	255,782	338,641
Conversion of convertible loan notes	544,000	-
Equity option on issue of convertible loan notes	-	167,993
Extension of convertible loan notes	3,420,390	-
Detachable warrants issued with loan	-	71,765
Share-based payments	450,838	517,959
Net increase in shareholders' funds	2,552,287	511,085
Shareholders' funds at beginning of year	23,914,346	23,403,261
Shareholders' funds at end of year	26,466,633	23,914,346

11. Related Party Transactions

The only related party transactions during the year were with the Directors and certain senior management. Key management refers to the Board and Mr M. Thomsen.

	Short-term benefits 2014 £	 2013 £
Remuneration:		
Mr R. McCullough	-	-
Mr S. Gutteridge	129,142	172,189
Mr R. Swindells	169,779	164,504
Mr M. Thomsen	-	-
Mr C. Wilson	-	-
Mr S. Eaton	34,840	32,000
Mr J. Claesson	20,000	-
	353,761	368,693
Social security costs	47,062	47,694
Share-based payments	167,075	244,584
Pension contributions	28,875	36,483
	596,773	697,454

11. Related Party Transactions (continued)

Included in note 7 (loans a, b, c and d) are loans and convertible loans in which Johan Claesson, his close family or companies controlled by him have a material interest. In the financial year ended 31 December 2014 and 2013, such material interests were, in aggregate, as follows:

	2014 £	2013 £
Brought forward balance	14,654,408	4,092,500
New principal lent in year	2,734,761	12,891,949
Foreign exchange movement	420,448	(19,238)
Principal repaid	(5,165,659)	(1,810,050)
Principal transferred to other parties	-	(965,000)
Production profit share and royalty stream charged in year	927,955	805,705
Production profit share and royalty stream paid in year	(1,101,254)	(488,705)
Interest charged in year	1,406,422	690,761
Interest paid in year	(1,394,922)	(543,514)
Balance owing at end of year/period (principal & interest)	12,482,159	14,654,408

Johan Claesson is also interested in 55,000,000 warrants to subscribe for new ordinary shares at 5.0 pence per share that were issued with the zero coupon convertible loan note in January 2012.

In the financial year ended 31 December 2013, in connection with US$12.0 million debt facility summarised in note 7, a company controlled by Johan Claesson was granted 30,000,000 warrants to subscribe for new ordinary shares at 7.25 pence per share

12. Events After the Balance Sheet Date

- On 12 January 2015, a former employee exercised share options over 700,000 shares at 5 pence per share, resulting in a share premium of US$50,430 (£33,250) being recognised.
- On 28 January 2015, the Group drew a further US$1.0 million on its reserves based loan facility with Commonwealth Bank of Australia.
- On 6 March 2015, the Group drew a further US$2.0 million on its reserves based loan facility with Commonwealth Bank of Australia.
- On 21 April 2015, the Group drew a further US$2.0 million on its reserves based loan facility with Commonwealth Bank of Australia, taking the total amount drawn under the facility to US$28.0 million.
- On 1 May 2015, the Group announced that the borrowing base under the reserves based loan facility with Commonwealth Bank of Australia had been reduced to US$33.0 million. On 29 May 2015, the Group received a credit commitment from Commonwealth Bank of Australia to increase the borrowing base under the same facility to US$37.0 million.

Company information

Directors
Rick McCullough (Executive Chairman)
Charles (Chuck) Wilson (Chief Operating Officer)
Richard Swindells (Chief Financial Officer)
Johan Claesson (Non-executive Director)
Stuart Eaton (Non-executive Director)

Company Secretary & Registered Office
Richard Swindells
Nighthawk Energy plc
6th Floor
One London Wall
London EC2Y 5EB

Incorporation number
04000483

UK Corporate Office
Nighthawk Energy plc
3000 Cathedral Hill
Guildford
Surrey GU2 7YB

Telephone: +44 (0) 20 3582 1350

Website: www.nighthawkenergy.com

US Corporate Office
Nighthawk Production LLC
1805 Shea Center Drive, Suite 290
Highlands Ranch
Colorado 80129
USA
Telephone: +1 303 407 9600

Nominated Adviser & Joint Broker
Westhouse Securities Limited
Heron Tower
110 Bishopsgate
London EC2N 4AY

Joint Broker
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Principal American Liaison
Bank of New York Mellon
101 Barclay Street
21 West New York
New York 10286
USA

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Solicitors in UK
Simmons & Simmons LLP
One Linear Park, Avon Street
Temple Quay
Bristol BS2 0PS

Solicitors in USA
Beatty & Wozniak, P.C.
216 Sixteenth Street, Suite 1100
Denver
Colorado 80202
USA

Greenberg Traurig
1200 17th Street
Suite 2400
Denver
Colorado 80202
USA

Public Relations Consultants
FTI Consulting
200 Aldersgate
Aldersgate Street
London EC1A 4HD

EnerCom, Inc.
800 18th Street, Suite 200
Denver
Colorado 80202
USA

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham BR3 4TU

Nighthawk Energy plc
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "AGM") of Nighthawk Energy plc (the "Company") will be held at the offices of Simmons & Simmons LLP, CityPoint, One Ropemaker Street, London EC2Y 9SS on 25 June 2015 at 9.30 a.m. for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive and adopt the report of the directors and the audited accounts for the year ended 31 December 2014.
2. To re-elect Stuart Eaton, who retires in accordance with the Articles of Association of the Company, as a director of the Company.
3. To elect Rick McCullough as a director of the Company who, having been appointed as a director since the last Annual General Meeting of the Company, offers himself for election in accordance with the Articles of Association of the Company.
4. To appoint BDO LLP as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.

Special Business

5. To consider, and if thought fit, pass the following resolution as an Ordinary Resolution:

   That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are generally and unconditionally authorised pursuant to Section 551, Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares of the Company (such shares and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £802,564 provided that, unless previously revoked, varied or extended, this authority shall expire on the conclusion of the next Annual General Meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

6. To consider, and if thought fit, pass the following resolution as a Special Resolution:

   That the directors be and they are empowered pursuant to Section 570(1) of the Act to allot equity securities (as defined in Section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the directors under Section 551 of the Act conferred by resolution 5 above as if Section 561(1) of the Act did not apply to such allotment provided that:

   a. the power conferred by this resolution shall be limited to the allotment of equity securities up to an aggregate nominal amount of £481,538; and

   b. unless previously revoked, varied or extended, this power shall expire on the conclusion of the next Annual General Meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

Registered Office:

6th Floor
One London Wall
London EC2Y 5EB

By order of the Board:

R. J. Swindells
Company Secretary
2 June 2015

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at 6.00 p.m. on 23 June 2015 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

2. If you wish to attend the AGM in person, you should make sure that you arrive at the venue for the AGM in good time before the commencement of the meeting. You may be asked to provide proof of your identity in order to gain admission.

3. A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent his appointer. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM or another person as a proxy. You can only appoint a proxy using the procedures set out in these Notes and in the notes to the proxy form.

4. To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar, Capita Asset Services at PXS, 34 Beckenham Road, Beckenham BR3 4TU, by no later than 9.30 a.m. on 23 June 2015.

5. The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service.

6. You may not use any electronic address provided either in this Notice of AGM or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

7. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

8. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in Notes 3 to 5 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.

9. There are set out on the following page explanatory notes to the resolutions to be proposed at the AGM. If you require further guidance you should contact your solicitor or financial adviser.

10. As an alternative to completing your hard copy Form of Proxy, you can appoint a proxy electronically at www.capitashareportal.com. For an appointment to be valid, your appointment must be received no later than 9.30 a.m. on 23 June 2015.

Explanatory notes to the resolutions to be proposed at the Annual General Meeting

Resolution 1 – Report and Accounts

The directors will present the audited financial statements of the Company for the period ended 31 December 2014 together with the report of the directors on those financial statements.

Resolution 2 – Re-election of Stuart Eaton

Under the Articles of Association of the Company the directors are required to put themselves up for re-election at least every three years or, if no such directors are required to retire and offer themselves for re-election, at least one-third of the directors by number must retire and offer themselves for re-election. Accordingly, this year Stuart Eaton will resign at the AGM and offer himself for re-election.

Resolution 3 – Election of Rick McCullough

Rick McCullough, having been appointed as a director by the Board since the last AGM, offers himself for election at the AGM as required by the Company's Articles of Association.

Resolution 4 – Re-appointment of Auditors and Fixing of Auditors' Remuneration

The Company is required to appoint auditors at each AGM at which accounts are laid before shareholders, to hold office until the next such meeting. The Resolution proposes that BDO LLP be re-appointed as auditors for the current year and that the directors be authorised to set their fees.

Resolution 5 – Directors' Authority to Allot Shares

This resolution grants the directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £802,564 (representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 1 June 2015, being the latest practicable date prior to the publication of this notice). Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company. It is intended that this authority will be renewed as appropriate at future Annual General Meetings.

Resolution 6 – Directors' Power to Issue Shares for Cash

This resolution authorises the directors in certain circumstances to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). It is proposed that the directors be authorised to allot equity securities up to an aggregate nominal value of £481,538 (representing approximately 20% of the nominal value of the issued ordinary share capital of the Company as at 1 June 2015, being the latest practicable date prior to the publication of this notice). Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company. It is intended that this authority will be renewed as appropriate at future Annual General Meetings.

Nighthawk Energy plc
6th Floor
One London Wall
London EC2Y 5EB
United Kingdom

Telephone: +44 (0) 20 3582 1350

www.nighthawkenergy.com