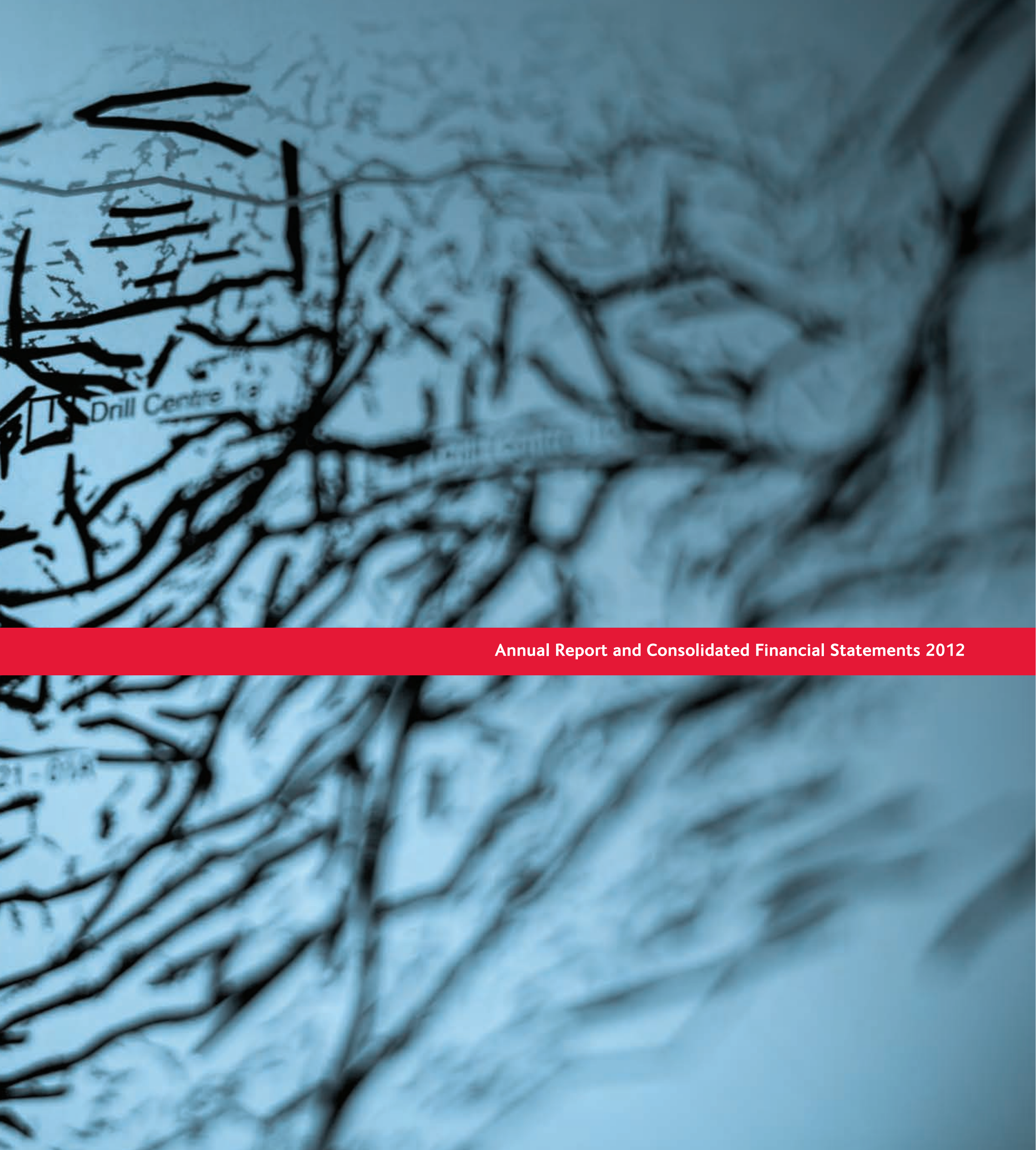


Hurricane

Annual Report and Consolidated Financial Statements 2012


JUDD HIGH
176
204
205
206
202
166
SCHIEHALLION
WHIRLWIND
LANCASTER
SOLAN
NORTH RONA BASIN
RONA RIDGE
WEST SHETLAND PLATFORM

Contents

Hurricane exists to discover, appraise and develop hydrocarbon resources associated with fractured basement reservoirs, thereby creating value for shareholders.

Hurricane's acreage is on the United Kingdom Continental Shelf (UKCS), West of Shetland on which the Company has made two basement reservoir discoveries, each approximately 200 MMboe 2C Contingent Resources. The Company also has approximately 440 MMboe of P50 Prospective Resources in its portfolio of exploration opportunities. We have 100% control of the licenses over all our discoveries and prospects.

Hurricane's most advanced asset is Lancaster. Our plans are to drill a horizontal well on Lancaster in 2013, to be followed by an exploration well on the Lincoln prospect in 2014. Lincoln is close to Lancaster and together they make a potential combined development of around 350 MMboe on acreage that we call the Greater Lancaster Area.

From a recent valuation of Lancaster alone, along with our work started in 2012 on development strategy, we believe that there is a clear path to realising value.

Key Strengths

- Track record of discovering hydrocarbons in fractured basement reservoirs
- Leading expertise in fractured basement reservoir exploration
- Broad portfolio of licenses in the proven petroleum system West of Shetland
- Planned appraisal and exploration drilling campaign in 2013 and 2014
- Strategy of maintaining 100% ownership of basement properties in the discovery and early appraisal phases, with aim to farm down from a position of strength following their appraisal
- Experienced Board and management team with substantial international experience in the oil and gas industry and, in particular, fractured basement reservoirs

Did you know?

- Hurricane is the first UK oil company to focus on fractured basement reservoirs. But basement has been exploited around the world for decades, from California to Vietnam
- Fractured reservoirs contain around 20% of the world's remaining oil and gas resources
- With fractured basement reservoirs, large volumes of oil can be found. Hurricane's Competent Person's Report (CPR) shows the level of resources we have discovered
- Hurricane has around 450 million barrels of 2C Contingent Resources that it controls 100%

Our History

Hurricane was founded in 2005 by Dr Robert Trice with the help and encouragement of a private investor in the belief that fractured basement reservoirs represent a significant untapped resource. The Group began as a joint venture with Sunshine Oil plc (Sunshine). We applied for our first nine licence blocks in the 23rd round and were awarded operatorship in 2006.

In 2007 Hurricane was awarded a further five blocks. In 2008 we privately raised £43 million enabling us to buy out the interests of Sunshine and to move towards drilling our first Lancaster well in 2009 with 100% control. That was a significant operation because we brought light oil to surface.

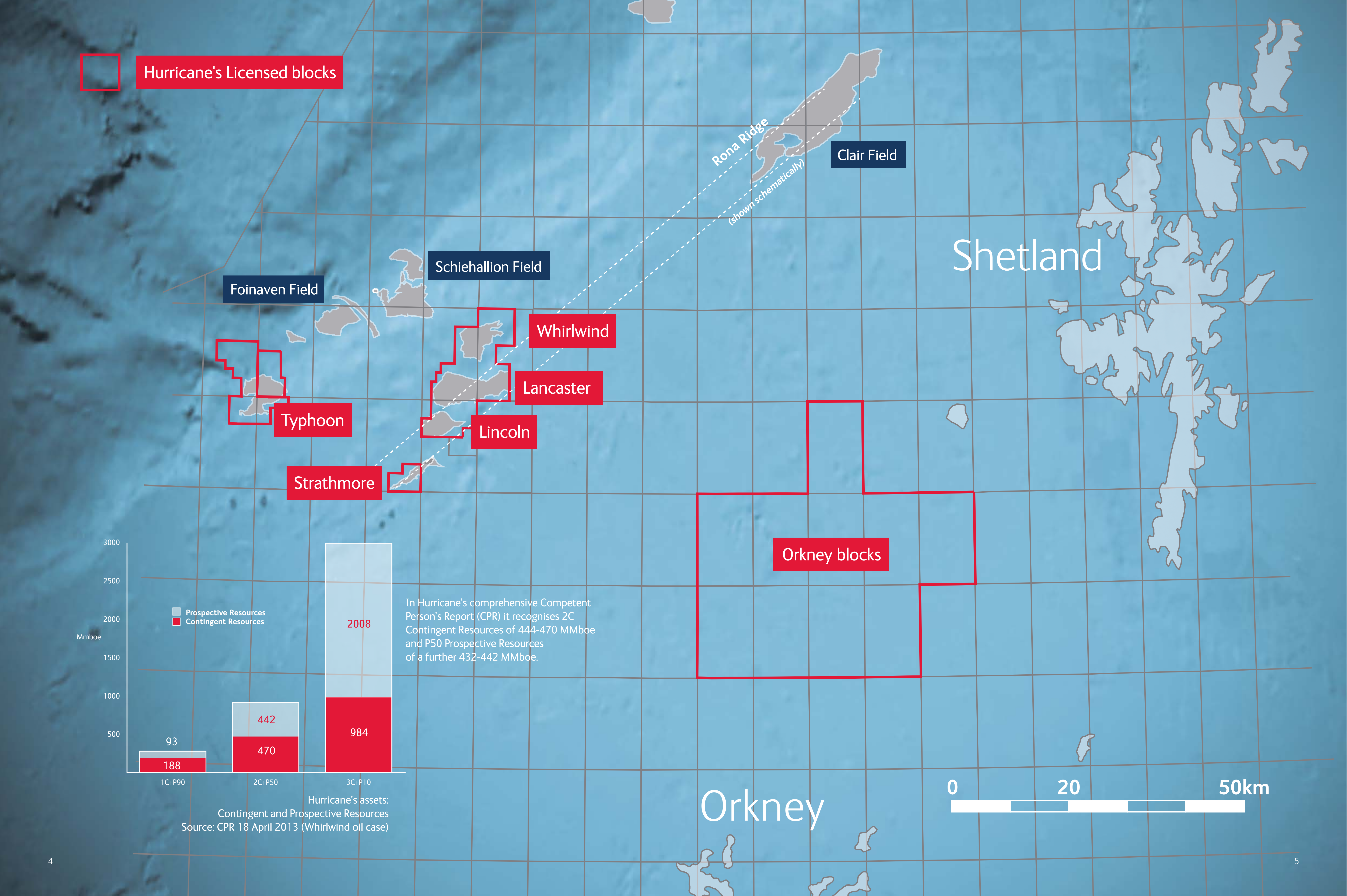
In 2010 we raised a further £60 million in a private fundraising, attracting significant institutional interest that enabled us to drill and test a sidetrack on Lancaster and also to drill on our Whirlwind prospect for the first time.

In 2011 we raised £20 million enabling us to return to Whirlwind where we again brought hydrocarbons to surface. The same year we commissioned a Competent Person's Report that established 2C Contingent Resources of around 450 MMboe and approximately a further 440 MMboe of P50 Prospective Resources.

In March 2012 we raised £28.1 million which was applied as working capital and to invest in long lead items for future operations.

Early in 2013 the Company completed a fundraising amounting to £31.4 million enabling the signing of a rig contract for summer 2013.

Beginning with just a few highly expert staff, Hurricane has established a team of specialists with the skills, experience and determination to locate and develop a potentially strategic resource.



In Hurricane's comprehensive Competent Person's Report (CPR) it recognises 2C Contingent Resources of 444-470 MMboe and P50 Prospective Resources of a further 432-442 MMboe.

Hurricane's assets:
Contingent and Prospective Resources
Source: CPR 18 April 2013 (Whirlwind oil case)

Chairman's Introduction

I was appointed Non-Executive Chairman in March 2013 and so I am delighted to have this early opportunity to introduce the Group's Annual Report for the 16 month period to the end of 2012. The Annual Report and Consolidated Financial Statements take into account Hurricane's adjusted year end that is now based on the calendar year in line with common industry practice.

Not being able to drill in 2012 was clearly frustrating for management and shareholders alike. The unprecedented difficulties in the financial markets coupled with high demand in the rig market conspired to make progress difficult. However, I am pleased to report that we now see signs of significant progress and all stakeholders can look forward to an exciting and successful period ahead.

Hurricane specialises in the exploration, discovery and development of hydrocarbon resources from fractured basement reservoirs. Our licenses are located West of Shetland on the UKCS, south east and south west of the producing Schiehallion and Foinaven oil fields. Our discoveries at Lancaster and Whirlwind are located on or close to the Rona Ridge, the same geological structure on which the Clair Field sits, which itself holds in excess of eight billion barrels of oil equivalent in place.

The Board believes that our assets have the potential to become a material resource from which we can unlock significant value. Hurricane is in the enviable position of having recoverable 2C Contingent Resources of some 450 MMboe. These resources are in licences which the Group owns 100%, which is an unusual situation and which gives Hurricane great scope and flexibility in how it manages this asset base in the future.

Although drilling did not occur in 2012, substantial technical work was undertaken during the year which has progressed the Group's understanding of its assets. This includes a detailed plan for the early appraisal and development of the Lancaster discovery. Management were also actively pursuing opportunities to secure rigs for future drilling. This latter effort resulted in a rig contract being secured early in 2013 for drilling later in the year, together with an option for a further well to be drilled in 2014. To ensure financing was available to cover the cost of drilling, £31.4 million was raised early in 2013. At the time of writing, the Group is pursuing a listing and offering on AIM with the intention of raising additional funds, both to allow the option for drilling in 2014 to be exercised and for the cost of further work to be undertaken. The funds being raised are to support a work programme which has a single and clear objective - to prove the commercial potential for a development of the Lancaster asset, and possibly the Greater Lancaster Area that includes the Group's adjacent Lincoln prospect.

Company policy for the past few years has been to follow the QCA Corporate Governance Guidelines for Smaller Quoted Companies as far as practicable having regard to the size and stage of development of the Group, and I am pleased to say that Hurricane is therefore well prepared for life on the stock market. Committees for Remuneration, Audit and Nominations are well established. Board meetings are held at least five times per year and the committees meet as required.

It is an exciting time for the Group and I look forward to a successful period ahead.

John Hogan
Chairman

The Board

1 Dr Robert Trice Chief Executive Officer

As Hurricane's founder, Robert has over 25 years' oil industry experience. He has combined specialist technical expertise in fractured reservoirs' characterisation and evaluation. He has a PhD in Geology from Birkbeck College, University of London and gained the bulk of his geoscience experience with Enterprise Oil and Shell. He has worked in field development, exploration, well-site operations and geological consultancy. Robert has held the position of Visiting Professor at Trondheim University (Norway) and has published and presented on subjects related to fractured reservoirs and exploration for stratigraphic traps.

It is Robert's vision that lies behind Hurricane, providing clear strategic direction as the company develops and he takes the lead in all aspects of the scientific and technical heart of the Company.

2 Nicholas Mardon Taylor Chief Financial Officer

Nicholas has worked in the oil industry for over 30 years, his first involvement in the North Sea being in the early licensing rounds. Nicholas is a highly experienced company director having held senior financial roles in Total and Finance Director roles with a number of companies, including Saxon Oil, Carless and Alkane.

Nicholas ensures that we have robust accounting and finance policies and procedures and works closely with the Executive team on business direction and strategy.

Nicholas has been with Hurricane since its creation in 2005 when he was the Group's first CFO. Since then he has had special responsibility for our thorough Environmental Management System, returning in 2012 to the finance role.

3 Keith Kirby Chief Administrative Officer

An experienced business manager, prior to joining Hurricane in 2011 Keith spent ten years with the Hutchison Whampoa Group as CEO of a Group business unit and profit centre, advising companies on strategic communications around the world. Keith has an MBA with distinction from London Business School where he was winner of the Alumni prize for Academic Achievement.

As Hurricane's Chief Administrative Officer, Keith runs the Group day to day and is responsible for general management, leading certain key corporate activity, all internal and external communications, investor relations, Group systems, facilities, HR, Company culture, various key negotiations and other administrative aspects of running the business. He works closely with the CEO and the Executive team on strategy and business planning.

4 Neil Platt Chief Operations Officer

Neil has more than 20 years' experience in the oil industry and has worked for Amoco, BG and Petrofac. He has completed assignments both in the UK and internationally, working in a variety of engineering, commercial and management roles including Production Asset Manager (NSW) for BG and Vice President for Project Delivery in Petrofac Production Solutions. Neil joined Hurricane in 2011.

As Chief Operations Officer Neil is responsible for daily operations and asset delivery (drilling and projects).

5 John Hogan Non Executive Chairman

John has over 35 years' experience in the oil and gas industry. He spent almost 20 years with LASMO plc where he was Managing Director of LASMO North Sea between 1989 and 1993 followed by seven years on the main board as Chief Operating Officer. Since 2000 he has held a number of Chairman and Non-Executive roles in the energy sector.

He is currently Managing Director of Argos Resources Limited and a Non-Executive Director of Celtique Energie Limited.

John joined the Board as Chairman in 2013 and he is also Chairman of the Nominations Committee.

6 Dr David Jenkins Non Executive Director

David is currently an Industry Advisor to Riverstone Holdings and a Corporate Advisor to Temasek Holdings and Cuadrilla Resources. Presently, he is also on the Boards of President Energy and Black Platinum Energy.

David spent 37 years at BP, where he was Chief Geologist in 1979, General Manager Exploration in 1984 and then Chief Executive Technology for BP Exploration for 10 years from 1987. He retired at the end of 1998 with the position of Director Technology and Chief Technology Advisor for the BP Group.

Following retirement from BP David held a variety of advisory and Board positions including nine years on the Board of BHP Billiton.

David joined the Board in 2013 and is Chairman of the Remuneration Committee.

7 John van der Welle Non Executive Director

John has over 25 years' oil industry experience, having qualified as a Chartered Accountant with Arthur Andersen in 1981. He is a member of the Association of Corporate Treasurers and the Institute of Taxation.

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

John joined the Board in 2013 and is Chairman of the Audit Committee.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CEO's Review

Over the past twelve to eighteen months, we have seen increased industry interest in basement reservoirs and new exploration activity West of Shetland. There have been new basement discoveries in other locations including a significant discovery in the Norwegian sector of the North Sea.

Hurricane was unable to drill in 2012, due to a combination of insufficient funds and an unusually tight rig market. Early in the year it was clear that without a rig, funds would be hard to raise, and without funds a rig would not materialise – a classic chicken and egg conundrum.

CPR

In preparation for fundraising activity in 2013 we commissioned an update to the Competent Person's Report (CPR) from renowned experts, RPS Energy Consultants Limited. A key highlight of this updated report includes a valuation of our Lancaster discovery. The CPR considers the valuation at a variety of discount rates and also takes into account different assumptions about the scale of potential field development solutions. I am pleased to report that, at the Lancaster 2C 'base case', developing 207 MMboe creates a net present value of over USD$1.2 billion using a discount rate of ten percent. Realising this value potential will require further work to de-risk the project with the planned 2013 Lancaster well being the next step in the process.

Lancaster

Lancaster is controlled 100% by Hurricane under Licence P1368. Our priority in the near term is to drill and test a horizontal well with the aim of demonstrating its commercial potential.

A team from EPC Offshore Limited worked with us during most of 2012, led by our COO Neil Platt, reviewing over forty field development options which have been narrowed down to just a handful that have been fully costed and appraised technically. The work concluded that a standalone Floating Production Storage and Offloading (FPSO) vessel solution provides a material economic return in both the 2C base case, and the smaller 1C, 62 MMboe case, reflected in the valuation in the CPR. The work has helped de-risk the commercial potential of Lancaster and has enabled plans for a development solution to be initiated for the Greater Lancaster Area (GLA).

In preparation for Lancaster drilling we commissioned a new site survey which was completed in the summer of 2012 and confirmed the suitability of a drill site for our planned horizontal well we will drill in summer 2013.

Whirlwind

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

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

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

Our priority in the near term is to drill a horizontal well on our Lancaster discovery, demonstrating the asset's commercial potential.

CEO's Review

Lincoln

Also controlled by Hurricane under Licence P1368, Lincoln lies to the south west of Lancaster. Through Hurricane's technical analysis, we believe that Lincoln shares many geological characteristics with Lancaster, including proven oil on structure and a well defined basement fault system. As with our basement discoveries, the Lincoln prospect benefits from data obtained from previous drilling and seismic data obtained from previous operators. As part of the rig contract agreed for drilling on Lancaster in 2013, we have secured an option over the same rig for summer 2014 and, if successfully exercised, intend to use it for the Lincoln well.

Strathmore

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

Typhoon and Tempest

Typhoon and Tempest are controlled by Hurricane under Licences P1485 (24th Round) and P1835 (26th Round). A site survey was commissioned over Typhoon during summer 2011. Typhoon is primarily a basement prospect but also offers potential in overlying Jurassic sandstones (Tempest).

The CPR has assigned unrisked P50 Prospective Resources of 149 MMboe to Typhoon and 1,266 MMboe for the P10 volume acknowledging the material flank potential of this asset.

Typhoon/Tempest is located in deeper water than Hurricane's other assets at approximately 450m water depth and therefore requires a rig or drill-ship capable of operating in these conditions. Such vessels are limited in supply and to date Hurricane has been unable to secure a rig contract. Licence P1485 was due to expire in March 2013. However DECC has granted an extension for six months to enable Hurricane to demonstrate that a rig contract and a clear plan for drilling can be put in place.

26th Licensing Round

As part of the 26th Licensing Round, Hurricane was awarded ten offshore blocks, located on the West Shetland Platform immediately to the southwest of the Shetland Isles and northwest of the Orkneys. Hurricane has a 100% interest in the Licence. In the summer of 2012 we obtained a seismic survey of the acreage and the data is now being analysed. We are interested in looking at this area because Orkney itself has two 'exhumed' oil accumulations in Devonian sandstone overlying fractured basement, onshore at Yesnaby Point and Houton Head. Yesnaby is also associated with traces of oil in the underlying basement. We believe that there is potential for analogous accumulations in the Licence area.

The Executive team

A notable change in the Executive was the reappointment of Nicholas Mardon Taylor to the Board as Chief Financial Officer. Nicholas has been with the Group since we started in 2005 and stepped down from the Board in 2011. I was delighted that he was able to come back into the role of CFO in 2012 where he has applied his many years of financial and corporate experience whilst continuing his role as director responsible for environmental matters.

Keith Kirby has become Chief Administrative Officer and I am pleased to report that the challenge of running the day to day business is being taken by Keith, enabling me to focus on technical work and presenting Hurricane to investors, the industry and shareholders. Keith is also responsible for our communications including a completely new website launched early in 2013 that enables Hurricane to get its message out to all our stakeholders, including potential partners, future employees, shareholders of course and future investors. During 2012 Keith led major corporate discussions with a private equity investor and is leading the IPO process for the Group.

In early 2013 we welcomed Neil Platt to the Board as Chief Operations Officer. Neil has been with the Group since 2011 and has proved himself to be a valuable asset to Hurricane, transforming Lancaster from the geologist's description of oil in the ground to an engineer's perspective of a commercial project. It is largely through Neil's efforts and tenacity that we have been able to secure a rig for 2013 in a market where none were apparently available.

The Non-Executive team

As we enter a new chapter in the Hurricane story, we are fortunate to have an experienced team of non-executives, led by our new Chairman, John Hogan. I am pleased that we have the benefit of John's strong oil background in which he has worked in a number of successful British independent oil companies experiencing not only the progress of moving resources to reserves, but also the all important cultural and business challenges of moving a company from private status to one that is publicly listed.

Two new non-executives have also joined the Board. David Jenkins' reputation in the industry means that he barely needs an introduction from me. David was Director Technology and Chief Technology Advisor for the BP Group and I am extremely pleased that he has joined Hurricane where he has immediately got involved with the technical team, sharing a common belief in the potential of basement upside.

Likewise, John van der Welle has also joined the team as a non-executive director, with tremendous experience on the financial side of the oil industry. With this refreshed and strengthened non-executive team supporting the Executives, we have never been in better shape to move forward.

Approaching IPO

In 2012 we carried out a private fundraising that concluded in March of 2012 with £28.1 million of new funds coming in to the Group. This was insufficient for us to make any real progress in securing a rig. Following the fundraising we set about looking at alternatives that included further private investment, discussing ways forward with a number of potential industry partners that might lead to farm-out deals for Hurricane, and also protracted discussions with a particular private equity investor, specialising in energy. The latter discussions continued between March and September, taking a large amount of management time but were terminated due to unsatisfactory progress.

The rig market through 2012 was extremely tight and many in the industry expressed views that the lack of rigs on the UK open market was an unprecedented situation which meant that even if we had sufficient funds, we would not have been able to secure a rig for 2012 operations. However, I am delighted to report that through tenacity and our industry contacts we have been able to agree a contract for Transocean's GSF Arctic III unit. This is an achievement of which the Group is justly proud. We had to establish funding for this rig and with the help of external advisers entered a round of private fundraising completed in March 2013, closing at £31.4 million gross funds. We were delighted that it included a material investment by BP. The success of the fundraising meant that we were able to sign the contract for the rig for a summer slot in 2013.

I am pleased to report that as part of the negotiations over the rig contract, we were also able to agree an option for using the same rig to drill in 2014. It was clear that in order to secure the 2014 slot, further fundraising would be necessary. It was decided by the Board that the best way to achieve such fundraising was by listing Hurricane shares on the AIM market of the London Stock Exchange. At the time of writing we are close to concluding the IPO, the outcome of which is unknown.

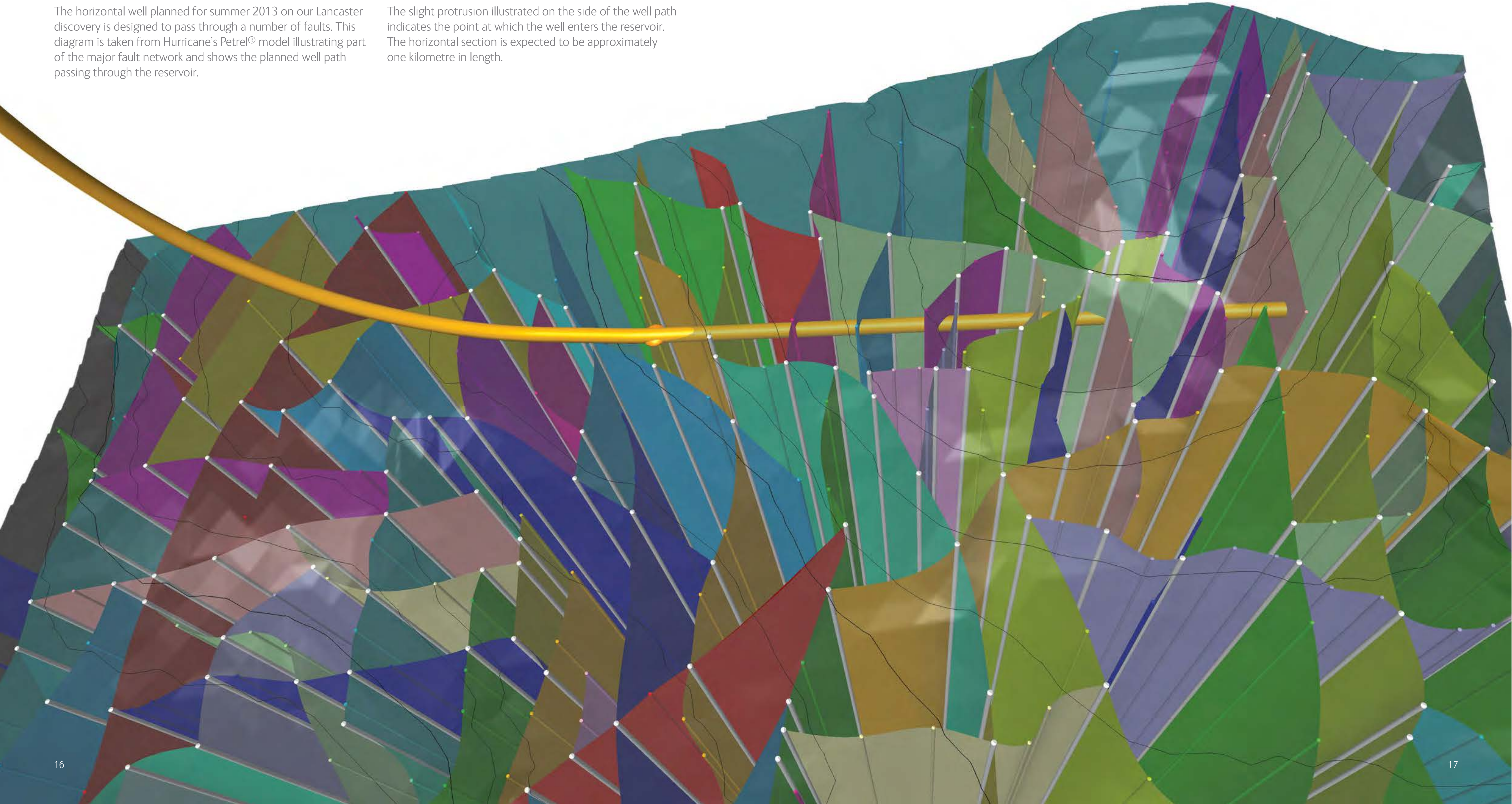
Looking forward to 2013 and 2014, Hurricane is well placed to begin appraisal work on Lancaster that will, we believe, bring it towards commercial development in coming years. It will be necessary for us to consider creating a relationship with a development partner and if we can deliver successful wells this year and next, management believes we will be in a good position to achieve this.

Dr. Robert Trice
Chief Executive Officer

CEO's Review

The horizontal well planned for summer 2013 on our Lancaster discovery is designed to pass through a number of faults. This diagram is taken from Hurricane's Petrel® model illustrating part of the major fault network and shows the planned well path passing through the reservoir.

The slight protrusion illustrated on the side of the well path indicates the point at which the well enters the reservoir. The horizontal section is expected to be approximately one kilometre in length.



COO's Review

2011 Operations

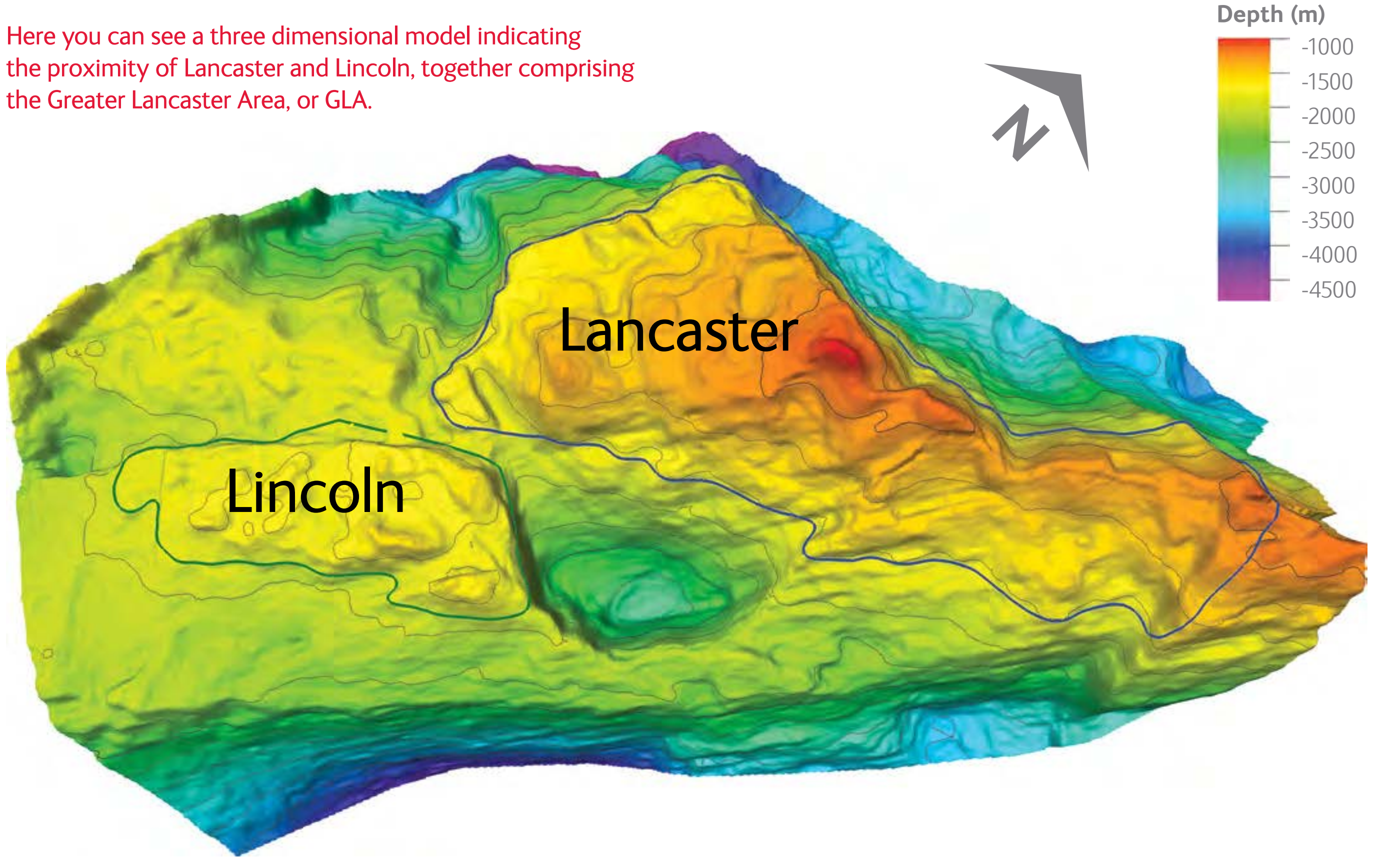
After significant shipyard delays the WilPhoenix drilling rig became available to Hurricane for our operation on Whirlwind, that began in September 2011. This was later in the year than we would have wished and so a revised operation was devised to accommodate the onset of winter weather. The well test proved Whirlwind's discovery status, with hydrocarbons being brought to surface. As noted in the CEO's Review, the hydrocarbon type was ambiguous at reservoir conditions. However the Competent Person's Report allocates significant volumes of 2C Contingent Resources of 205 MMboe for an oil case and 179 MMboe for a condensate case. Whirlwind's proximity to Lancaster and the potential for shared development facilities further underpins the possible value of Whirlwind. Further testing through future operations is needed before the true value of this resource and the development concept can be fully established.

Greater Lancaster Area

During 2012 we engaged with third party companies to help Hurricane progress our development concepts for Lancaster. The results have been successful in substantiating the concepts and have also helped us prove a phased approach to deliver what has become known as the Greater Lancaster Area (GLA) development. The concept of the GLA is to bring Lancaster and Lincoln together as part of a single development. The approach has helped us put in place the resources and plans to deliver our near term milestones in 2013 and 2014, leading to first oil in Q4 2018.

Considerable progress was also made during the year to enhance the strength of Hurricane's operational and technical teams through the inclusion of a number of industry recognised and respected individual specialists and companies. With these specialist contractors on board we will be able to progress the development of the GLA, targeting internal sanction in the second half of 2015.

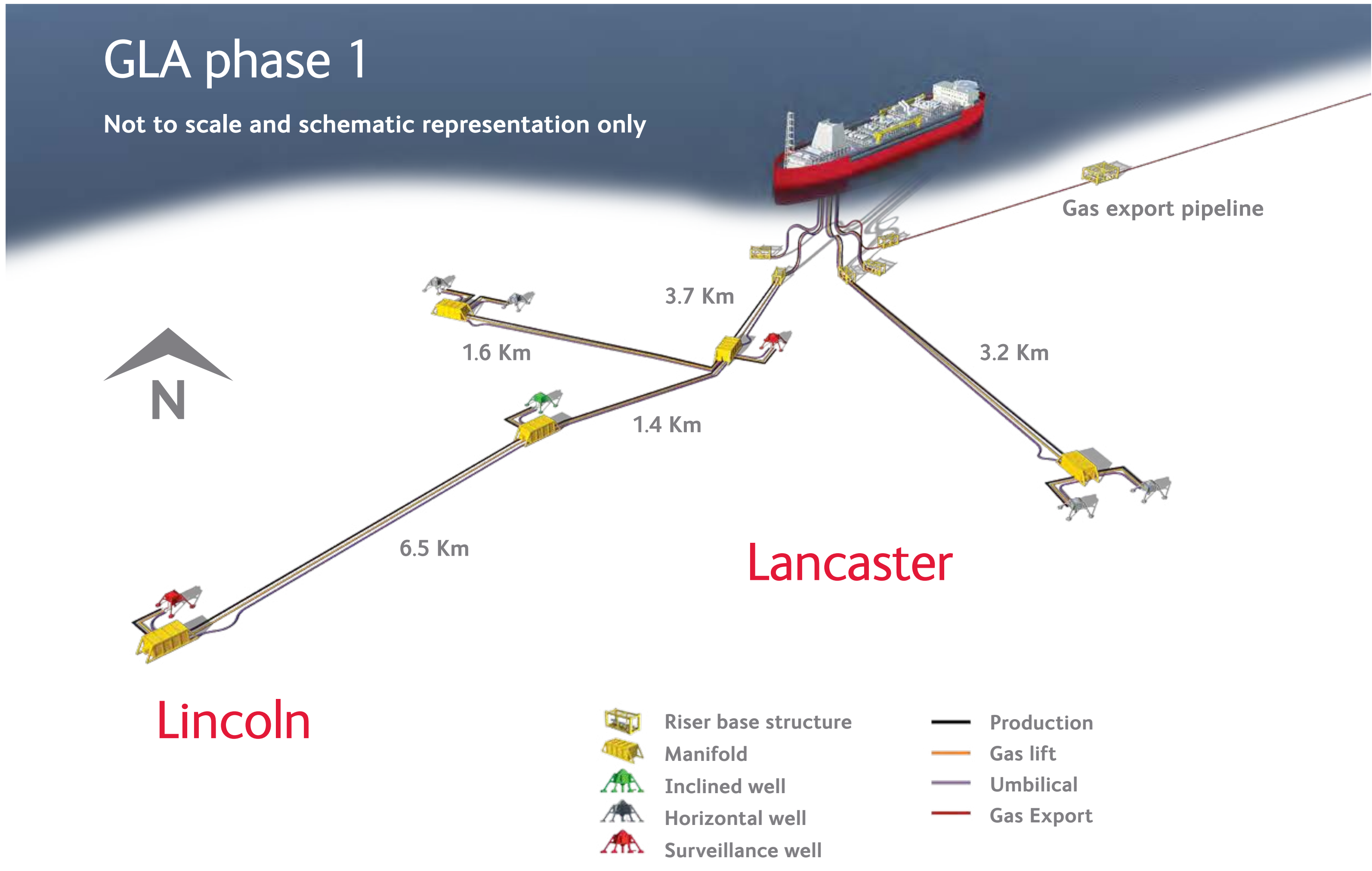
Here you can see a three dimensional model indicating the proximity of Lancaster and Lincoln, together comprising the Greater Lancaster Area, or GLA.



Following the concept selection studies, a preferred approach has been identified. Subject to successful operations in 2013 and 2014 and the likely inclusion of a development partner, the Lancaster field will be developed using a number of subsea production wells drilled from several drill centres. The drill centres will be tied back to an FPSO (Floating Production Storage and Off-loading vessel). Oil produced will be processed on board the FPSO and exported by shuttle tanker. Any associated gas is expected to be exported using a pipeline.

The first phase of the conceived production period would run for approximately two years, working from six Lancaster wells and one on Lincoln. This period would enable Hurricane to analyse reservoir pressures and make regular surveillance of the wells to confirm whether "unconventional" oil is also present. If it is, then the second phase will be presented to the Board for sanction and then initiated to incorporate the full field development of the GLA assets.

The diagram below illustrates schematically our approach to developing Lancaster and Lincoln in the first phase of a single development of the GLA.



COO's Review

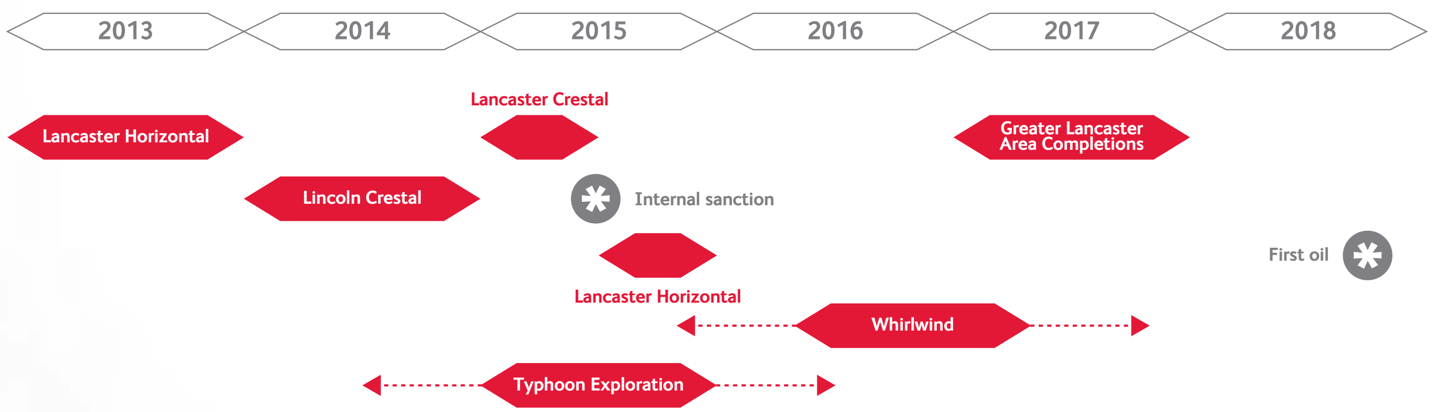
Timetable

Translating targets and key milestone events, the indicative timeline has the following key periods of activity:

- Second half 2015, achieve Board sanction to submit Field Development Plan to DECC
- 2015 to 2018 - Progress the appraisal, sanction and development of the Lancaster asset (Phase 1) as part of the proposed GLA
- 2015 to 2017 - Re-enter, side track and test the Whirlwind appraisal well (205/21a-5) to reduce key reservoir and fluid uncertainties that will help optimise the Whirlwind resource evaluation
- 2018, Q4, target for first oil from Phase one
- 2018 to 2023 - Assuming success from the planned 2014 well on Lincoln, the aim will be to progress further appraisal of Lincoln leading to project sanction and the expanded development of the asset, as Phase 2 of the GLA
- 2020 to 2023 - Subject to the successful delivery of Lancaster Phase 1 and after a period of sustainable production confirming the presence of resources in excess of the 'conventional only' case, the development would be further appraised to allow the flank and eastern areas of the field to be included in the development as part of GLA Phase 2

Using this structured approach, the associated operational and capital expenditure derived from the studies have been reviewed, agreed with RPS and used in their economic model in the CPR (April 2013) along with a range of production forecasts, resulting in the valuation referred to in the CEO's Review.

In support of our step change in delivery capability a separate work-stream was established during the year enhancing our systems and processes within our existing Business Management System (see CAO's Review).

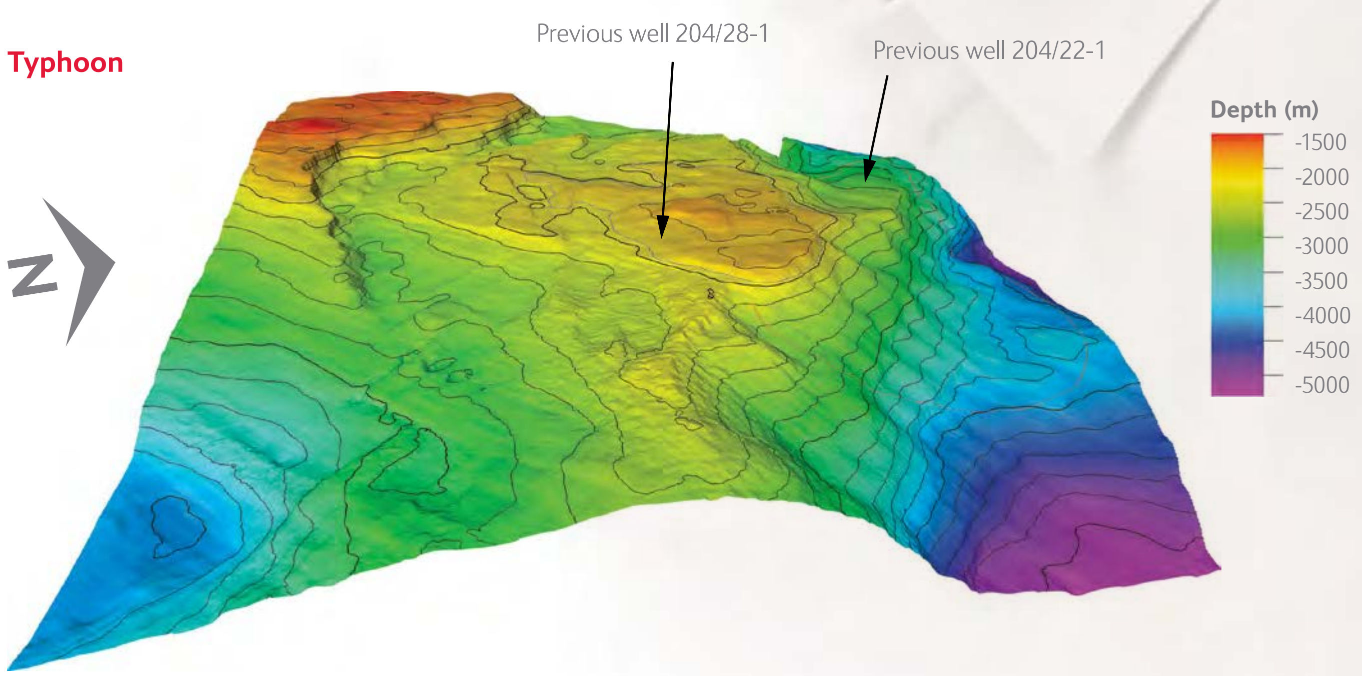


Note: timetable is subject to parameters such as successful exploration and appraisal drilling, confirmation of in place recoverable resources, ability to achieve sustainable commercial production rates, availability of resources/ equipment (i.e. rig availability), financing, government approvals and securing a development partner.

The next stage of engineering work on the Lancaster development project is likely to start in late 2013 with pre-FEED (front end engineering design) depending on the outcome of the horizontal well this summer. For the integrated delivery team our focus in early 2013 is on delivering a successful Lancaster horizontal appraisal well and the preliminary planning on the Lincoln exploration well to the next stage.

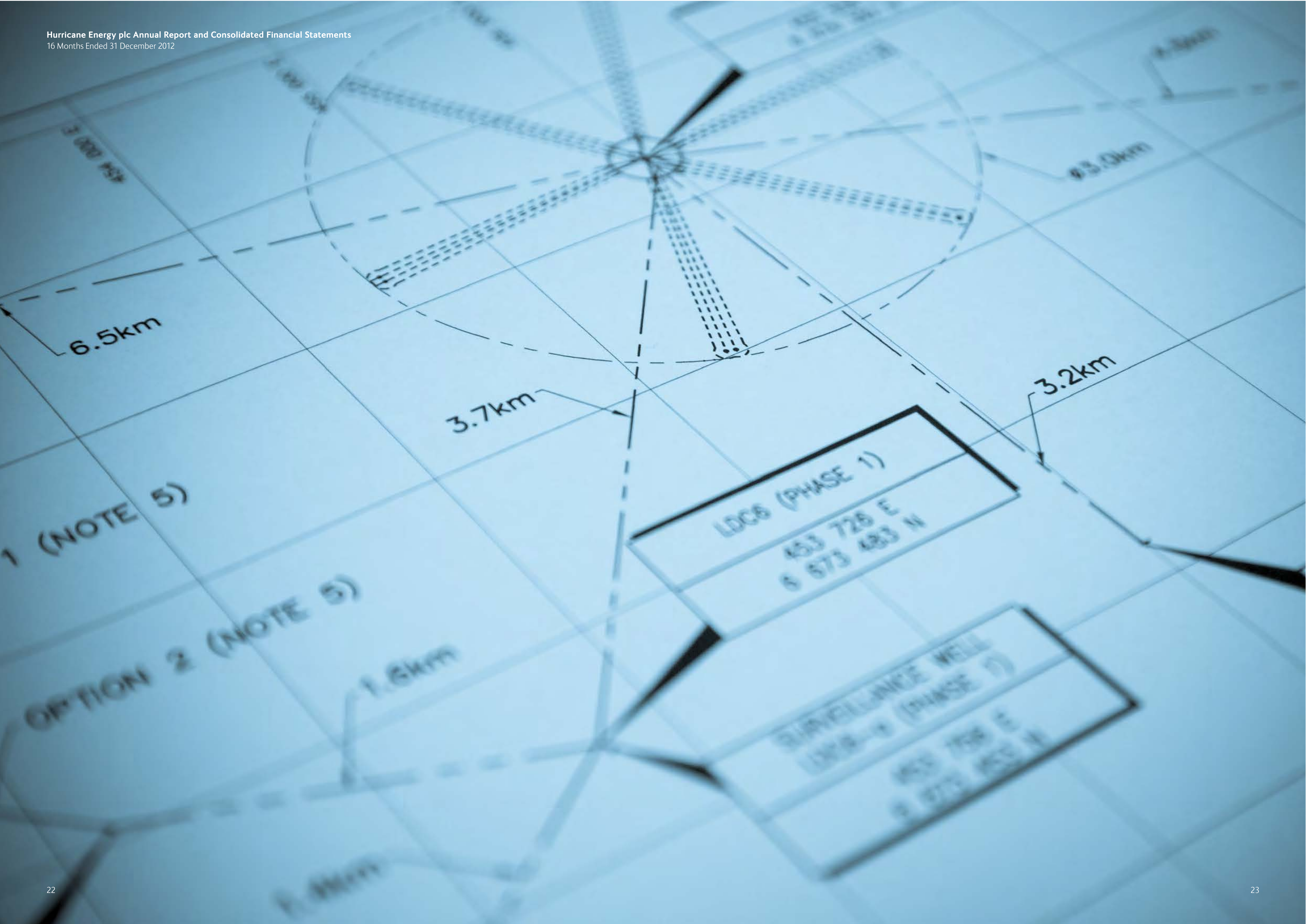
Neil Platt
Chief Operations Officer

Typhoon



Typhoon is primarily a basement prospect but also offers potential in overlying Jurassic sandstones. Previous drilling during the 1980s by other operators leads Hurricane to believe that significant volumes of lighter oil could be present deeper within the prospect, as a flank accumulation.

The CPR has assigned unrisked P50 Prospective Resources of 149 MMboe to Typhoon and 1,266 MMboe for the P10 volume acknowledging the material flank potential of this asset. Going further with Typhoon is dependent on securing a rig capable of operating in 450m of water and associated finance.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About Fractured Basement Reservoirs

The oil industry has recognised that oil can be found in naturally fractured basement reservoirs for decades. Historically such oil accumulations were often encountered by accident by companies pursuing different geological targets. Hurricane has utilised current geological know how and technology to actively pursue basement targets and has so far made two significant discoveries on the UKCS.

Fractured basement reservoirs have been exploited in many countries over the years including Vietnam, Yemen, Egypt, China and the USA, but not on the UKCS. Until now. Hurricane believes this exciting new play on the UKCS can make a material contribution to UK production.

Basement rocks are considered as any metamorphic or igneous rocks (regardless of age) such as granites, basalt or gneiss which are covered by multiple layers of sedimentary rocks such as sandstone, mudstone and shale. Most basement rocks are hard but brittle with very low matrix porosity and permeability. Consequently, reservoir quality comes from secondary porosity – that is joints, faults and fractures. It is key that the network of fractures is both connected and extensive. Granitic lithologies tend to offer better prospectivity due to the tendency for greater connected fracture systems to be developed.

Fractured basement reservoirs have typically been uplifted and juxtaposed against source rock such that hydrocarbons are able to migrate into the basement fractures. Basement structures and their associated fault systems are of sufficient size that they can be mapped using 3D seismic with sufficient accuracy that well locations can be optimised to target sweet spots in the fracture network. The use of 3D seismic coupled with highly deviated or horizontal wells allows for basement reservoirs to be exploited with relatively low numbers of development wells which when combined with the typically high early production rates can make basement plays an attractive target for exploitation. Basement reservoirs can exhibit the following characteristics:

- Large drainage area per well
- Few wells are required for development
- High initial flow rates
- Potential upside with oil found outside structural closure

The downside to this can be:

- Possible early water encroachment
- Drainage areas and hence reserves can be difficult to determine
- Susceptible to formation damage when drilling
- Rapid production decline before stabilisation

The oil industry fractured reservoir classification for Hurricane's Lancaster discovery is Type 1 where fractures provide the essential storage capacity and permeability in the reservoir. The matrix has little porosity or permeability.

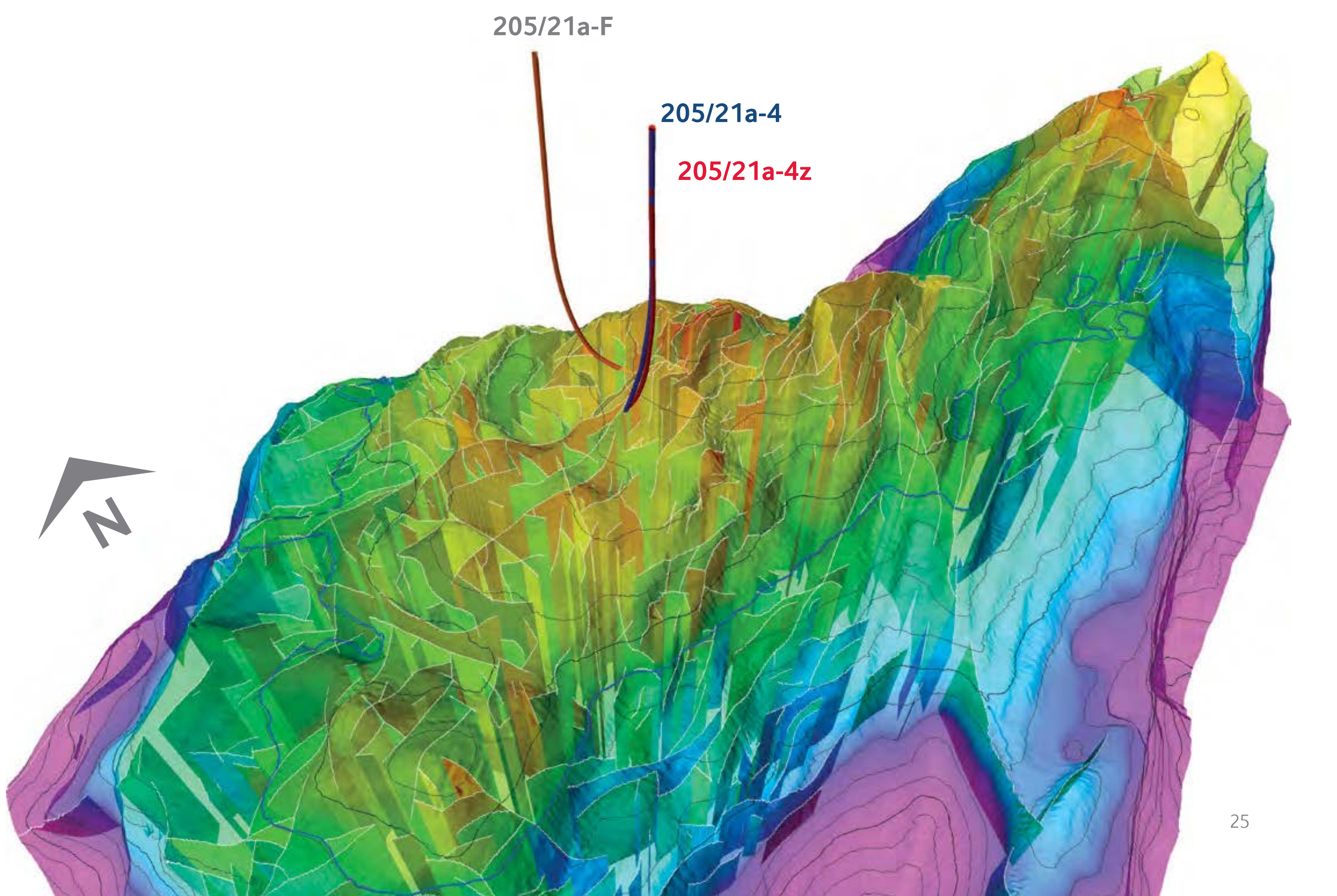
Therefore the single most important factor to consider is fluid pathways through the fracture network. An understanding of fracture distribution and fracture connectivity is essential to appreciate the flow of liquids. Hurricane plans to mitigate the downside issues above through planning for water handling and the tight control of production rates in order to reduce water cut. Furthermore, Hurricane seeks to optimise well locations through the careful analysis of 3D seismic data to identify the zones where there is a high degree of connectivity in the natural fracture network. Such zones are typically associated with enhanced fluid pathways and therefore represent the most favourable targets for achieving a commercial flow of oil.

Global decline in production from conventional sandstone reservoirs has meant that the discovery and development of naturally fractured reservoirs has increased in importance. Despite the significant opportunity offered by fractured reservoirs to future oil production, it is arguable that few of these reservoirs have been optimally exploited due to available technology and a limited understanding of how fracture networks behave during commercial production.

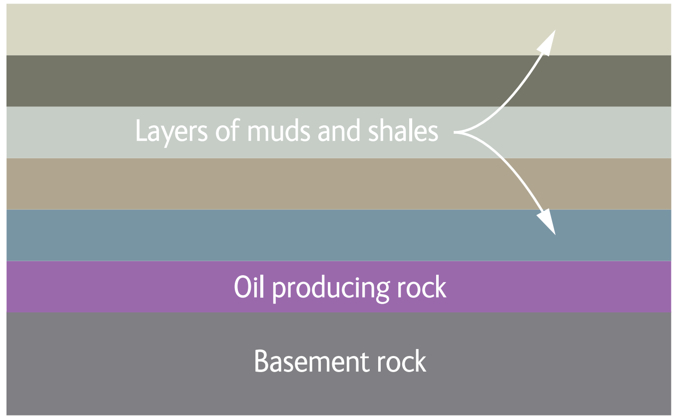
Hurricane has the skill and knowledge required to optimally exploit its fractured basement reservoir discoveries and to realise what could be a national hydrocarbon strategic resource.

Petrel® modelling

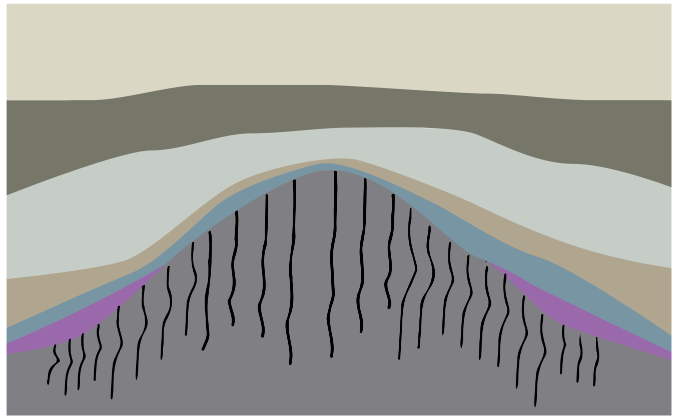
We use a variety of techniques to understand what is going on thousands of feet below the sea bed. One of the most useful tools we have in our technical arsenal is Petrel® modelling. This tool allows us to create three dimensional models of the fracture system as mapped from our 3D seismic data and corroborated by our well data. You can see an example below illustrating a fault network and the existing well paths drilled on the Lancaster discovery. This illustration also portrays the planned well path of our horizontal well (205/21a-F) which is designed to cross many faults and fractures and thereby deliver a commercial flow of oil.



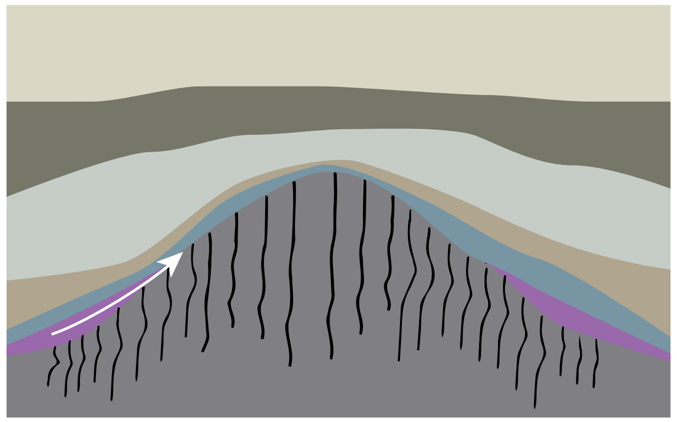
How does oil get into the reservoir?



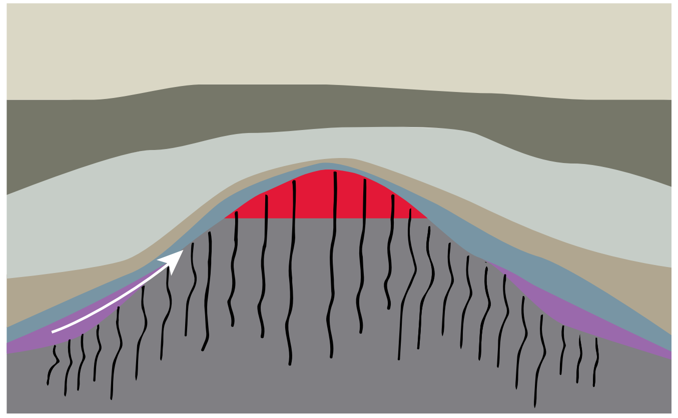
1. Illustrated here schematically, layers of rock build up over many millions of years. Somewhere above the basement, oil producing source rock was formed. West of Shetland it is the Kimmeridge Clay, famous for the quality and volume of oil it has produced.



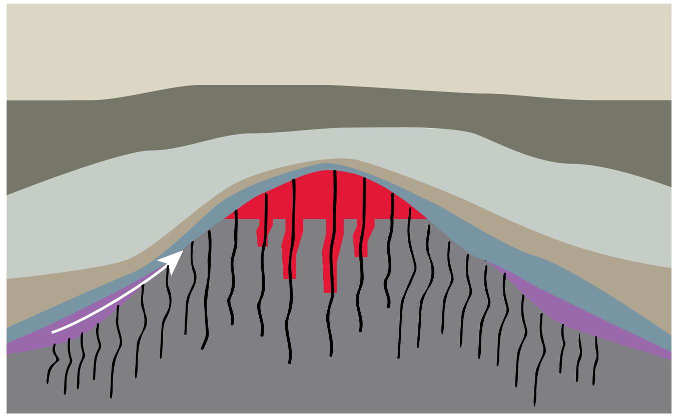
2. Movement caused by tectonic forces can cause disruption in the layers of rock, forcing the basement up resulting in it becoming a buried hill under hundreds of metres of shale and clay. The movement and heavy faulting has created an extensive fracture network. It has also resulted in the oil producing layer being at a lower level than the basement.



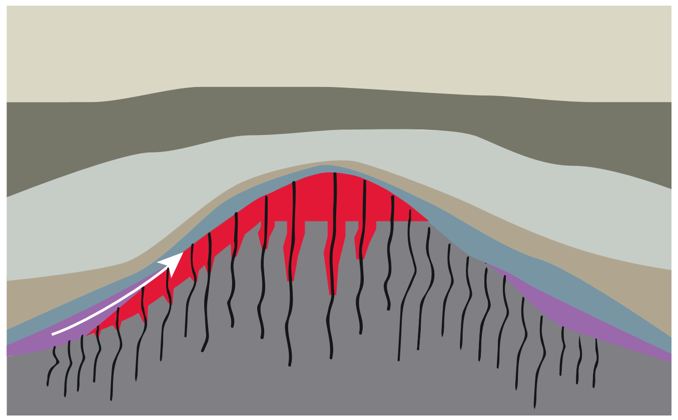
3. As the oil producing rock forces out hydrocarbons, they move up the flank and through the fracture network.



4. As the oil and gas move up, they are trapped by the thick layer of shale and clay that defines the seal which is present above and on the flanks of the buried hill structure. Hydrocarbons begin to accumulate in the fractures toward the top of the basement structure. Once structural closure is at capacity, oil at the edges of the closure 'escapes' making its way to the surface or into shallower traps.



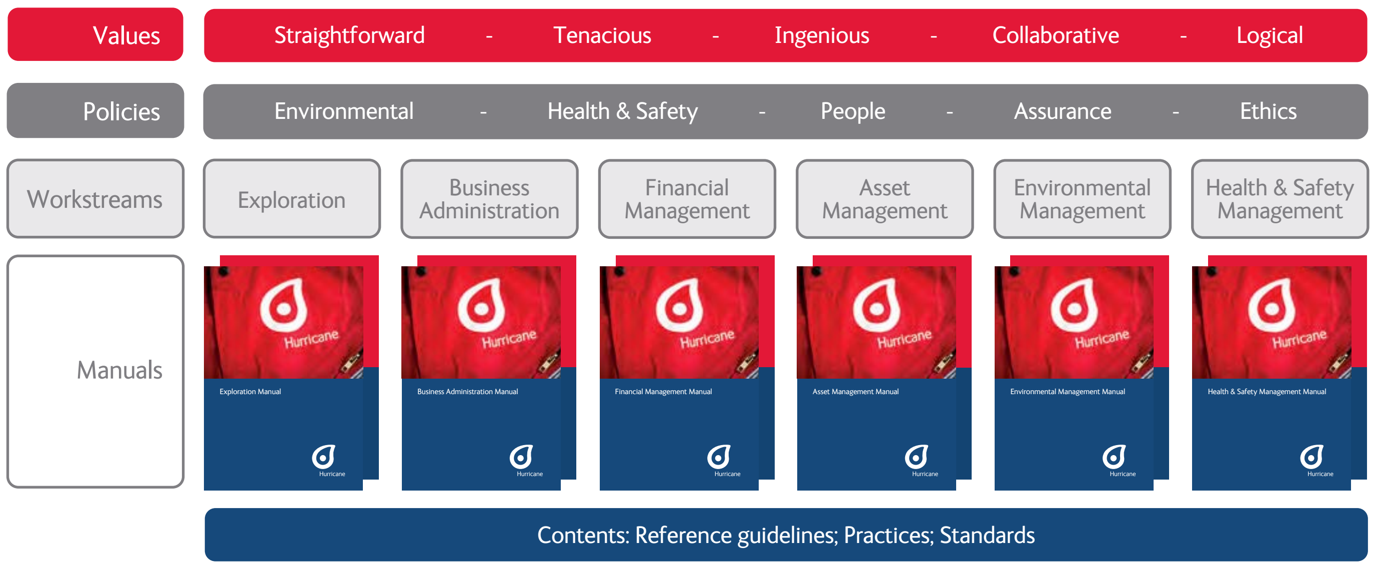
5. However, one of the great attractions of fractured basement reservoirs is that oil can be found outside of structural closure. Oil backfills down through the highly permeable fracture network. In the basement there is no permeability in the rock, so the oil cannot escape but is trapped for explorers to find in extensive vertical fractures. We call this the 'jellyfish' model.



6. Of particular interest are flank accumulations, that is oil that builds up deep down the flank. These accumulations have the potential to be very significant. An example of this phenomenon can be seen on our Typhoon asset with a large potential recoverable oil volume, estimated in the CPR under P10 Prospective Resources, at over a billion stock tank barrels.

CAO's Review

During 2012 we documented our comprehensive Business Management System (BMS). This ensures that every business process and operating standard can be shared consistently both within Hurricane and with a wide variety of contractors and partners we work with regularly. The diagram below summarises the system and illustrates the relationship between Hurricane's core values, our policies and workstreams supported by a set of manuals held primarily electronically, but with physical copies at key locations.



With Hurricane's core values at the top level defining the way in which everybody in the company carries out their role in the business, the BMS is defined by an umbrella of policies. These are the areas felt to be the most critical to share across all activity in the Group, particularly at the operational level. The approved policies can be found in full on the Hurricane website. In summary the five core policies we have established are set out below.

Environmental policy

Hurricane recognises its responsibility to the environment, and takes positive steps to address the environmental impact of its business operations.

People policy

Our people are the heart of Hurricane and without the team we would not be able to achieve anything. So as one of our five overriding policies, this is of great importance to the business and culture of Hurricane.

Health & Safety policy

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

Value Assurance policy

Hurricane projects are managed in accordance with this policy and the supporting Value Assurance Process to deliver results whilst remaining in compliance with law, accepted industry practice and appropriate regulatory standards.

Ethics policy

Hurricane endeavours to act fairly and ethically wherever it carries out business. Hurricane prides itself on its values, the values of its employees and their collective commitment to acting with integrity throughout our organisation.

The BMS defines all of Hurricane's core business workstreams of which there are six: Exploration, Business Administration, Financial Management, Asset Management, Environmental Management and Health & Safety Management. For each workstream a series of manuals has been defined that describe how we do business, covering all aspects of our activity.

The BMS is supported by a comprehensive document management system. To make the system fully accessible and kept up to date there are only a very limited set of printed manuals. We have embraced 'cloud' technology to contain the whole system so that it is live and accessible on any computer, Mac or PC, but also on other portable devices such as iPads and iPhones. We have built a database with which all Hurricane staff and appropriate contractors can access the latest documents from any location, including offshore. The administration of the system ensures that the latest version of every document is the only one live whilst earlier versions are retained in a virtual archive system. From the database a single click takes the user directly to the document they need which they can read online or download for printing if necessary.

With the system architecture in place the development and population of the manual system is well underway.

CAO's Review

Corporate activity

During 2012 we undertook a series of initiatives to progress the Group's assets, including discussions with a private equity investor that specialises in the energy sector, with the objective of bringing in a very large investment. The conversations continued over a period of six months. Whilst at the beginning of these discussions it seemed that we would be able to reach an agreement to present to shareholders, gradually it became less attractive until the point at which we decided to terminate discussions because we did not believe existing shareholders would get a good enough deal.

As described under the CEO's Review our success in finding a rig meant two funding routes emerged. Firstly the pre-IPO funding to fund 2013 operations and of course the IPO itself aimed at funding subsequent operations through 2014. We have worked to a compressed timetable to progress the IPO and at the time of writing we are in the thick of the process. I am pleased to report that the Group and its advisers have worked efficiently and formed a very well functioning team to deliver what is necessary. We will know the result of the effort soon after publication of this Annual Report.

In early 2013 we launched a completely refreshed website to aid communication.

Company profile

Hurricane has deliberately kept its story relatively quiet until quite recently. During 2012 our strategy demanded that we begin to let potential industry partners and new investors into what we have been creating over the past few years. With the scale of Contingent Resources the Group has established as recognised through the independently produced Competent Person's Report it is sometimes surprising to people who come across Hurricane when they see that the Group has managed to keep 100% control and establish such significant assets. Our communications strategy in the second half of 2012 led us to use a number of channels and activities to carefully raise the profile.

Hurricane made a number of industry presentations and was featured in press articles including one about the work we carried out during 2012 with EPC Offshore Limited, which appeared in a special Energy supplement in Aberdeen.

Hurricane is also to be featured in the Parliamentary Yearbook which has been appearing for almost 40 years, as an annual showcase of excellence, for organisations that have demonstrated best practice and have a strong message to convey. In this edition, The Parliamentary Yearbook will be featuring a national report focusing on Excellence in Energy and the report will lead with ministerial contributions, relevant linked associations and government agencies. It is being produced to provide information for key figures within Government, the senior civil service and all regional authorities in the UK.

We have had some technical papers published including one by Clare Slightam, Hurricane's Sub-Surface Team Leader, called Characterising Seismic-scale Faults Pre and Post-drilling; Lewisian Basement, West of Shetlands. The paper was published by The Geological Society of Great Britain and a link can be found on our website.

Perhaps the biggest impact we had was during the Oil Council's Annual Awards Dinner held in London. The dinner is part of the World Oil Congress and Hurricane took the opportunity for our CEO, Robert Trice, to make a speech. The audience was 900 strong from the industry plus analysts, advisers and investors in energy. The World Congress also gave Robert an opportunity to be interviewed on camera by Proactive Investors, a well regarded investor news service. Robert spoke about the strategic scale of Hurricane's discoveries and the resulting video is now viewable on Proactive Investors' YouTube channel.

People and Culture

Part of our philosophy is for Hurricane to be regarded as a good and respected employer. It's important to any business to attract the right people and create an environment that encourages them to stay, make a valuable contribution and have the opportunity to grow with the business. We wouldn't be anywhere without the team and we pay proper attention to ensuring that we have the best staff and that we get the best out of them. We maintain small staff numbers covering key areas, working with a network of external consultants. This enables us to work with the best specialists in particular areas from around the world and our approach allows Hurricane to independently verify internal work whilst exposing in-house resources to alternate concepts and methods. This provides valuable external insight into current specialist technology.

The Executive is supported by a core management team made up of both technical and administrative representatives that make regular contributions to all aspects of Company life.

Keith Kirby
Chief Administrative Officer

Health and Safety Policy

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

Our Objectives

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

- Engages and involves competent people in our business
- Makes accountabilities and responsibilities clear
- Promotes open and honest communication
- Assesses and manages risk
- Creates a culture of continuous improvement
- Plans and prepares for the unexpected: we investigate and learn from events where our safeguards may have failed
- Ensures our third party service providers, as a minimum, conform to our core standards
- Monitors and manages safety performance in accordance with our Accident and Incident Reporting process
- Complies with all our statutory requirements

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

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

Environmental Policy

Hurricane is committed to minimising our impact on the environment in which we work and achieves this through the implementation of its Environmental Policy.

Environmental Policy

Hurricane recognises its responsibility to the environment, and takes positive steps to address the environmental impact of its business operations.

We are committed to achieving continuous improvement on our environmental performance, and regard compliance with the relevant laws and regulations as a minimum standard.

We work with our customers, employees, contractors and suppliers to identify and reduce the environmental impacts of our activities.

Our objectives

- All our office based and offshore operations are managed under our BS EN ISO 14001:2004 Standard Certified Environmental Management System
- We involve our employees in maintaining the Environmental Management System, provide a clear feedback structure and establish appropriate operating practices and training programmes
- All our employees are selected, trained and developed to carry out their duties safely, competently and with due care for the environment
- We implement measures to prevent pollution to the environment, where reasonably practicable
- We continuously review all our business operations, in order to identify and minimise our environmental impacts
- We set appropriate environmental targets, monitor progress in achieving them and report the results to the Board on a regular basis
- We take environmental considerations into account in all our operations, ensure that our suppliers and contractors are aware of our policy and encourage them to commit to good environmental practices

These objectives are reviewed regularly and specifically prior to any major operational activity. Their achievement is measured and reported to the Board. They form the basis from which internal targets for achievement are set and those in turn are regularly monitored, reported and revised.

For further information including our work as part of the SERPENT project and commitment to the emergency capping device through OSPRAG, take a look at the Hurricane website, hurricaneenergy.com.

CFO's Review

Overview

The 16 months ended 31 December 2012 saw the Group re-enter and test the Whirlwind prospect which was initially drilled in 2010. This activity successfully brought oil to surface, converting this prospect into a discovery with operations completing early in November 2011. Although this was a successful operation, it did experience a number of delays caused by weather and operations continued longer than first anticipated.

Since that time additional licence blocks, referred to as the Orkney blocks, were awarded through the 26th Offshore Licensing Round and a seismic survey has been carried out over the area. In addition, work has continued on the engineering studies to further assess the development strategy of the Lancaster discovery.

In the period, the Group changed its accounting reference date to 31 December to bring it in line with its industry peers. Since the balance sheet date, on 15 April 2013 the Company changed its name to Hurricane Energy plc.

Fundraising

During the period an offer for subscription and private placing was completed in March 2012 following the successful completion of the Whirlwind testing. This fundraising was with new and existing shareholders and raised a total of £28.1 million by issuing 20,777,905 new ordinary shares at a price of £1.35 each. The money raised was used to finance the continuing engineering studies on the Lancaster development, to provide the Group's working capital requirements and to contribute to the cost of 2013 drilling operations.

Following the period end, the Group completed a pre-IPO fundraising in April 2013. The Group raised £31.4 million by issuing a combination of convertible loan notes and issuing ordinary shares accompanied by warrants to subscribe for further shares. As a result of raising this finance, the Group was able to enter into a rig contract to drill the Lancaster horizontal well in 2013 to further appraise the discovery. The rig contract for the use of the GSF Arctic III rig was signed in April 2013.

The Group continues to pursue all fundraising avenues available and following the period end a General Meeting was held on 15 April 2013 at which authority was provided by shareholders for the directors to issue a further 200 million shares with nominal value of £0.001. The authority to issue further shares, is part of the Group's current IPO plans to raise further funds to progress its 2013 and 2014 work programme.

Financial Review

The Group commenced the 16 month financial period with cash and cash equivalents of £32.9 million and spent £33.2 million during the period to further explore and appraise its Lancaster and Whirlwind oil discoveries and assess the prospects of Lincoln and the Orkney blocks. Of this amount, £25.4 million related to the cost of the Whirlwind re-entry and testing that completed in November 2011.

The Group's loss for the 16 month period increased to £6.8 million compared with £4.0 million in the previous 12 months. This increase relates to the significant step change in the business during the period, with increases in employment and administrative costs as the Group expands its footprint and capabilities. The Directors believe that this step change in structure and capability has prepared the company well for the significant challenges ahead to meet important regulatory requirements and future financing and operational activities.

In addition to the increase in employment costs, the share based payment charge has increased from £0.2 million in 2011 to £0.9 million in the sixteen month period ending 31 December 2012. This is due to the issuance of further share options in the period to existing and new directors and employees of the Group at all levels.

At the balance sheet date the Group has no debt and is currently financed solely through equity financing. Due to the nature of the Group's business, it has accumulated significant tax losses and capital allowances since incorporation. As at 31 December 2012, the Group has pre-trading revenue expenses of £20.2 million and £113.0 million of capital allowances available for carry forward against future trading profits.

In addition, the total pre-trading expenditure of £133.2 million may attract Ring Fenced Expenditure Supplement on the commencement of trade, which would result in a further uplift of £26.3 million of tax relief being available at that time.

Nicholas Mardon Taylor
Chief Financial Officer

Directors' Report

The directors present their annual report and audited consolidated financial statements of Hurricane Energy plc (formerly Hurricane Exploration plc) (the "Company") and its wholly-owned subsidiaries for the 16 month period ended 31 December 2012 (collectively, the "Group"). Hurricane Energy plc is a company incorporated in the United Kingdom and registered in England and Wales and is the parent company of the Group.

On 15 April 2013 the Company changed its name from Hurricane Exploration plc to Hurricane Energy plc. During the period the Company's accounting reference date was changed to 31 December. The annual report includes the Group's results for the 16 months ended 31 December 2012 and comparatives are for the 12 months ended 31 August 2011 as previously reported. As a result of the change in accounting reference date the comparatives are not for an equivalent period. Balance sheet information is presented as at 31 December 2012 with comparatives as at 31 August 2011.

Principal Activity

The principal activity of the Group is oil and gas exploration. There have not been any significant changes in the Group's principal activity during the period under review.

The Group's head office is in Lower Eashing, Surrey with a regional office in Aberdeen.

Results for the year and dividends

The loss of the Group for the period was £6,799k (2011: loss of £4,021k). The directors do not recommend the payment of a dividend.

Directors

The following directors held office during the 16 month period ended 31 December 2012 and up to the date of this report.

Robert Trice
Nicholas Briggs (Resigned 11 May 2012)
Nicholas Mardon Taylor (Reappointed 11 May 2012)
Keith Kirby
Sir Adrian Montague CBE (Resigned 8 March 2013)
Charles Good (Resigned 12 October 2011)
Bill Guest (Resigned 8 March 2013)
Philip Dayer (Resigned 8 March 2013)
Jon Murphy (Resigned 8 March 2013)
John Hogan (Appointed 8 March 2013)
David Jenkins (Appointed 8 March 2013)
John van der Welle (Appointed 8 March 2013)
Neil Platt (Appointed 8 March 2013)

Health and Safety

The Group has a Health and Safety Management policy to ensure that it conducts its business in a manner that protects the safety of the employees, others involved in its operations, customers and public. The Group will strive to prevent all accidents, injuries and occupational illness through the active participation of every employee.

The Group is committed to continuous efforts to identify and eliminate or manage health and safety risks associated with its activities.

The Group's heath and safety policy is covered in greater detail on page 32.

Supplier payment policy

The Group's policy and practice is to agree the terms of payment with suppliers at the time of contract and to make payment in accordance with those terms subject to satisfactory performance. The Group does not follow any code or standard on payment practice. However, where payment terms have not been specifically agreed, it is the Group's policy to settle invoices close to the end of the month following the month of invoicing.

Financial risk

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

The most significant financial risks to which the Group is exposed are movements in foreign exchange and default from financial institutions.

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

To mitigate the risk of default from financial institutions, deposits are predominately held with institutions that have as a minimum an A rating. For further detail on the financial risks see note 20 of the financial statements.

Key performance indicators

Given the early stage nature of the Group's development activities, the Group's directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the nature of development, performance or position of the business.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. The financial position of the Group, its cash flows, and liquidity position are described in the CFO's review and set out in the financial statements. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group's cash position at the period-end was £22.4 million and the Group had no external borrowings at this time. The Group has no source of operating revenue and currently obtains working capital through equity financing. The Group is therefore dependent on future fundraising, capital receipts or other forms of finance in order to continue in operation and the proposed work programme is dependent on this future fundraising activity. In April 2013, the Group raised a further £31.4 million by issuing a combination of convertible loan notes and issuing ordinary shares accompanied by warrants to subscribe for further shares. This has enabled the Group to enter into a rig contract to drill the Lancaster horizontal well in 2013 and the Group is fully funded for this drilling programme.

Having considered reasonable possible sensitivities the directors believe that the Group will be able to operate within its existing funding and to meet all commitments as they fall due. Further details of the Group's commitments are set out in notes 21 and 22. The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditor

In the case of each person who was a director at the time this report was approved:

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

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

Deloitte LLP was first appointed as auditor to the Group for the year ended 31 August 2010. In accordance with the Companies Act 2006, a resolution to re-appoint Deloitte LLP will be proposed at the next Annual General Meeting.

Approved by the Board of Directors and signed on its behalf:

Nicholas Mardon Taylor
Chief Financial Officer

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Corporate Governance Statement

The UK Corporate Governance Code as issued by the Financial Reporting Council is not mandatory for unlisted or AIM companies. However, the directors support the principles of the UK Corporate Governance Code and aim to follow this and the QCA Corporate Governance Guidelines for Smaller Quoted Companies as far as practicable having regard to the size, nature and stage of development of the Group.

The Board

At the balance sheet date, the Board consisted of three Executive directors, one independent Non-Executive Chairman and three independent Non-Executive directors.

Subsequently, from March 2013, the Board consisted of four Executive directors, one independent Non-Executive Chairman and two Non-Executive directors.

The Board is responsible to the shareholders of the Company for all significant financial and operational issues which include strategy, reviewing and approving budgets, ensuring adequate cash resources, approval of capital expenditure and acquisition and divestment opportunities. A record is kept of proceedings and any decisions taken.

Each director retires and stands for re-election by shareholders at least every three years. All directors are subject to re-election by shareholders at the first opportunity following their appointment.

All directors have full access to management and employees, the Company Secretary and independent professional advice in order to execute their duties.

The board runs a fully-mandated Remuneration Committee, Nomination Committee and Audit Committee. The Remuneration Committee and Audit Committee each consist of three independent Non-Executive directors. The Nominations Committee consists of a majority of independent Non-Executive directors.

It is intended that the three Committees comply with the UK Corporate Governance Code and aim to follow this and the QCA Corporate Governance Guidelines for Smaller Quoted Companies to the extent appropriate for the size, nature and unlisted status of the Group.

Internal control

The directors are responsible for the process and system of internal controls and reviewing their effectiveness. The process and system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year the Board considered the need for an internal audit function. Given the nature and current size of the Group, it is not considered appropriate to have a dedicated internal audit function.

Communication with shareholders

The Company provides information about the Group's activity through its website (www.hurricaneenergy.com) and shareholders and other interested parties may register on the website to receive news releases issued by the Group directly to their e-mail. The Group sends its annual report and accounts to its shareholders. The Group endeavours to maintain a regular dialogue with institutions and analysts, particularly in relation to the full year results.

The Board welcomes as many investors as possible to the Annual General Meeting and invites discussions on issues facing the Group. As an oil and gas exploration company, Hurricane Energy is, by virtue of the nature of its business, subject to a variety of business risks. The Group's system of internal control plays a critical role in managing the risks towards the achievement of Hurricane Energy's corporate vision and objectives and is also central to safeguarding Hurricane Energy's shareholder's interests and the Group's assets. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group.

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

We have audited the financial statements of Hurricane Energy plc (formerly Hurricane Exploration plc) for the 16 month period ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 24 and 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2012 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Bevan Whitehead (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
10 May 2013

Consolidated Income Statement
for the 16 Months Ended 31 December 2012

	Notes	16 Months Ended 31 Dec 2012 £'000	12 Months Ended 31 Aug 2011 £'000
Operating expenses		**(7,216)**	(2,512)
Write-off of Intangible Assets		**(9)**	(782)
Operating loss	6	**(7,225)**	(3,294)
Investment revenue	4	**103**	112
Exchange gains and losses		**348**	(811)
Finance costs		**(7)**	(2)
Loss before tax		**(6,781)**	(3,995)
Tax	9	**(18)**	(26)
Loss for the period		**(6,799)**	(4,021)

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

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

Consolidated Balance Sheet
as at 31 December 2012

	Notes	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Non-current assets			
Intangible assets	10	**131,077**	96,237
Other receivables	11	**130**	130
		131,207	96,367
Current assets			
Trade and other receivables	12	**390**	1,131
Cash and cash equivalents	13	**22,390**	32,888
Total current assets		**22,780**	34,019
Total assets		**153,987**	130,386
Current liabilities			
Trade and other payables	14	**(788)**	(3,238)
Current tax liabilities		**(22)**	(26)
		(810)	(3,264)
Non-current liabilities			
Decommissioning provision	15	**(4,000)**	(800)
Total liabilities		**(4,810)**	(4,064)
Net assets		**149,177**	126,322
Equity			
Share capital	16	**475**	448
Share premium		**163,910**	135,436
Share option reserve		**1,343**	451
Warrant reserve		**-**	795
Own shares held by Employee Benefit Trust	18	**(67)**	(67)
Accumulated deficit		**(16,484)**	(10,741)
Total equity		**149,177**	126,322

The financial statements were approved and authorised for issue by the Board of Directors on 10 May 2013 and were signed on its behalf by:

Robert Trice
Director

Nicholas Mardon Taylor
Director

Registered company number 5245689

Consolidated Statement of Changes in Equity

for the 16 Months Ended 31 December 2012

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Own shares held by EBT £'000	Warrant reserve £'000	Accumulated deficit £'000	Total £'000
Balance at 1 September 2010	429	115,465	237	-	795	(6,720)	110,206
Shares allotted	19	20,231	-	-	-	-	20,250
Transaction costs	-	(260)	-	-	-	-	(260)
Share option charge	-	-	214	-	-	-	214
Own Shares held by EBT	-	-	-	(67)	-	-	(67)
Loss for the year	-	-	-	-	-	(4,021)	(4,021)
Balance at 31 August 2011	448	135,436	451	(67)	795	(10,741)	126,322
Shares allotted	21	28,058	-	-	-	-	28,079
Transaction costs	-	(1,328)	-	-	-	-	(1,328)
Share option charge	-	(212)	902	-	-	448	1,138
Share options exercised	-	30	(10)	-	-	10	30
Warrants exercised	6	1,926	-	-	(197)	-	1,735
Warrants lapsed	-	-	-	-	(598)	598	-
Loss for the period	-	-	-	-	-	(6,799)	(6,799)
Balance at 31 December 2012	**475**	**163,910**	**1,343**	**(67)**	**-**	**(16,484)**	**149,177**

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

The warrant reserve represents the proceeds from the issue of warrants.

Consolidated Cash Flow

for the 16 Months Ended 31 December 2012

	Notes	**16 Months Ended 31 Dec 2012 £'000**	12 Months Ended 31 Aug 2011 £'000
Net cash outflow from operating activities	19	**(6,307)**	(2,338)
Investing activities			
Interest received		**115**	126
Expenditure on intangible assets		**(33,181)**	(34,335)
Net cash used in investing activities		**(33,066)**	(34,209)
Financing activities			
Interest paid		**(7)**	(2)
Net proceeds from issue of share capital		**28,534**	19,859
Net cash provided by financing activities		**28,527**	19,857
Net decrease in cash and cash equivalents		**(10,846)**	(16,690)
Cash and cash equivalents at the beginning of the period		**32,888**	50,389
Net decrease in cash and cash equivalents		**(10,846)**	(16,690)
Effects of foreign exchange rate changes		**348**	(811)
Cash and cash equivalents at the end of the period	12	**22,390**	32,888

Notes to the Financial Statements

for the 16 Months Ended 31 December 2012

1. General information

Hurricane Energy plc (formerly Hurricane Exploration plc) is a company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The nature of the Group's operations and its principal activity is exploration of oil and gas reserves principally in the UK Continental Shelf. The Company's registered address is The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey GU7 2QN.

Adoption of new and revised standards

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective.

Amendments to IFRS 7 Financial instruments disclosures
Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates for first time adopters
Amendments to IFRS 1 Government Loans
Amendments to IAS 32 Offsetting financial assets and financial liabilities
Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets
Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income
Amendments to IAS 19 Employment benefits
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 27 (2011) Separate Financial Statements
IAS 28 (2011) Investments in associates and joint ventures
IFRIC 20 Stripping costs in the production phase of a surface mine

These standards are yet to be endorsed by the European Union. The directors do not expect the adoption of the standards and interpretations listed above to have a material impact on the financial statements of the Group in future periods.

2. Significant accounting policies

(a) Basis of accounting
The consolidated financial statements have been prepared under the historical cost convention, except for share-based payments, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on a going concern basis as set out in the Directors' Report. The use of this basis of accounting takes into consideration the Group's current and forecast financial position, additional detail of which is included in notes 21 and 22.

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

On an acquisition that qualifies as a business combination, the assets and liabilities of the subsidiary are measured at their fair value as at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is capitalised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the income statement in the period of acquisition.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

(d) Oil and gas exploration and evaluation activity
The Group follows the successful efforts method of accounting for oil and gas exploration and evaluation activities ("Intangible Assets").

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

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

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

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

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

(f) Foreign currencies
Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement.

(g) Taxation
Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

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

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

Notes to the Financial Statements
for the 16 Months Ended 31 December 2012

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

(i) Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument. The Group has not entered into any derivative financial instruments during any of the years presented.

Cash and cash equivalents
Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash with three months or less remaining to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

Investments
Fixed asset investments in subsidiaries are stated at cost in the Company only balance sheet and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

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

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Where warrants are granted in conjunction with other equity instruments, they are recorded at their fair value, which is measured by the use of a binomial model.

(j) Operating leases
Rentals under operating leases are charged to the income statement on a straight line basis over the lease term, even if the payments are not made on such a basis.

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

Recoverability of exploration and evaluation assets
Intangible assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to (i) the likely future commerciality of the asset and when such commerciality may be determined, (ii) future revenues and costs pertaining to the asset in question, and (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

Recoverability of carrying value of investments
Management is required to assess the carrying value of investments in subsidiaries in the Company balance sheet for impairment by reference to the recoverable amount. This amount is highly dependent on the assessments discussed above in respect of the recoverability of intangible assets.

Decommissioning
Provisions for decommissioning are recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. The provisions therefore reflect estimates of the costs and timing of decommissioning, and the appropriate discount rate, which are subject to revisions as better information becomes available. Changes in the estimated cost and timing of decommissioning are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the asset. The unwinding of the discount on the provision is included as a finance cost.

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

5. Operating segments
The Group complies with IFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In the opinion of the directors, the operations of the Group comprise one class of business, being oil and gas exploration and related activities in only one geographical area, the UK Continental Shelf.

6. Operating loss

	16 Months Ended 31 Dec 2012 £'000	12 Months Ended 31 Aug 2011 £'000
Operating loss is stated after charging:		
Operating lease rentals – land and buildings	**205**	92
Write off of exploration and evaluation assets	**9**	782
Audit services	**36**	30
Non-audit services provided by the auditor	**221**	15

The following is an analysis of the gross fees paid to the Company's auditor, Deloitte LLP, in the 16 months ended 31 December 2012 and the 12 months ended 31 August 2011:

Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**28**	25
The audit of the Company's subsidiaries	**8**	5
Total audit fees	**36**	30
Non audit services		
Taxation services	**10**	10
Accounting services	**-**	5
Corporate Finance	**211**	-
Total non audit fees	**221**	15

As at 31 December 2012, nil (August 2011: £135k) has been accrued within prepayments in respect of ongoing Corporate Finance services performed by the Company's auditor. The corporate finance fees of £211k represent work completed during the period. Fees for the corporate finance services relating to the Group's admission to AIM have been incurred in 2013 and will therefore be reported in the Group's next annual report and accounts. The Group made no charitable or political donation during 2012 (2011: £Nil).

7. Directors' emoluments

	16 Months Ended 31 Dec 2012 £'000	12 Months Ended 31 Aug 2011 £'000
All directors:		
Aggregate emoluments	**1,982**	808
Pension contributions	**98**	35
	2,080	843
Highest paid director:		
Aggregate emoluments	**524**	304
Pension contributions	**38**	16
	562	320

Notes to the Financial Statements

for the 16 Months Ended 31 December 2012

7. Directors' emoluments (continued)

Directors' share options

Details of directors' share options at the beginning and end of the period are as follows:

Tranche	As at 1 September 2011	Granted	Exercised	Lapsed	As at 31 December 2012	Exercise price	Date from which exercisable	Expiry date
Robert Trice								
22/02/06	1,300,000	-	300,000	-	1,000,000	£0.10	01/02/10	22/02/16
25/01/11	225,000	-	-	-	225,000	£1.00	25/01/14	31/12/20
14/06/11	550,450	-	-	-	550,450	£1.11	14/06/14	13/06/21
28/07/11	237,840	-	-	-	237,840	£1.11	28/07/16	27/07/21
20/07/12	-	333,333	-	-	333,333	£nil	31/12/14	20/07/22
Keith Kirby								
28/07/11	756,760	-	-	-	756,760	£1.11	28/07/14	27/07/21
28/07/11	126,120	-	-	-	126,120	£1.11	28/07/16	27/07/21
20/07/12	-	272,222	-	-	272,222	£nil	31/12/14	20/07/22
Nicholas Briggs (Resigned 11 May 2012)								
06/07/09	2,000,000	-	-	-	2,000,000	£0.30	24/05/12	28/06/13
25/01/11	170,000	-	-	170,000	-	£1.00	25/01/14	31/12/20
28/07/11	189,190	-	-	189,190	-	£1.11	28/07/16	27/07/21
Nicholas Mardon Taylor (Resigned as a director 28 July 2011) (Re-appointed 11 May 2012)								
22/02/06	1,000,000	-	-	-	1,000,000	£0.10	01/02/10	22/02/16
25/01/11	68,000	-	-	-	68,000	£1.00	25/01/14	31/12/20
14/06/11	103,500	-	-	-	103,500	£1.11	14/06/14	13/06/21
28/07/11	98,300	-	-	-	98,300	£1.11	28/06/16	27/07/21
20/07/12	-	217,778	-	-	217,778	£nil	31/12/14	20/07/22

The share options exercised by Robert Trice were held by Julie Trice, his spouse.

8. Employee information

The average number of persons, including directors, employed by the Group during the period was:

	16 Months Ended 31 Dec 2012 Number	12 Months Ended 31 Aug 2011 Number
Operations	**19**	14
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	**4,455**	1,356
Social security costs	**523**	157
Share-based payment expense	**902**	214
Pension costs	**220**	70
	6,100	1,797
Less amounts capitalised	**(1,777)**	(701)
Staff costs recognised in the income statement	**4,323**	1,096

The employment cost for the directors employed by the Group during the period was £2,831k (2011: £1,045k). These costs include social security costs of £241k (2011: £93k) and share-based payment expense of £510k (2011: £109k). Amounts capitalised in the period represent employee time directly related to the development of the exploration and evaluation assets of the Group and has thus been capitalised into intangible assets.

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

9. Tax on loss on ordinary activities

	16 Months Ended 31 Dec 2012 £'000	12 Months Ended 31 Aug 2011 £'000
(a) UK corporation tax		
Current tax – current year	**18**	23
Current tax – prior year	**-**	3
Deferred tax	**-**	-
	18	26
(b) Loss on ordinary activities before tax	**(6,781)**	(3,995)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil companies of 62% (2011: 50%)	**(4,204)**	(1,998)
Effects of:		
Adjustment to prior years	**-**	3
Expenses not deductible for tax purposes	**1,100**	-
Unrecognised pre-trade revenue expenditure carried forward	**3,165**	2,054
Profits subject to tax at lower rate	**(43)**	(33)
Total tax charge for period	**18**	26

(c) Factors which may affect future tax charges

Future profits may be subject to ring fence taxation at a combined rate of 62% on taxable oil extraction profits (ring fence corporation tax at 30% and a supplementary charge at 32% with no deduction for financing costs).

The Group has pre-trading revenue expenses of £20.2 million (2011: £15.0 million) and pre-trading capital expenditure of 113.0 million (2011: £81.3 million) which will be available for tax relief on commencement of a petroliferous trade for UK tax purposes.

The total pre-trading expenditure of £133.2 million (referred to above) may attract Ring Fence Expenditure Supplement on the commencement of trade, which would result in a further uplift of £26.3 million of tax relief being available at that time.

No provision has been made in these financial statements for a potential deferred tax asset of £12.5 million (2011: £9.3 million) resulting from the effect of carried forward pre-trading revenue expenses. A deferred tax asset would only be recognised where there is reasonable certainty that the Group will generate suitable taxable profits in the foreseeable future. The Group's practice is generally not to recognise potential deferred tax assets during exploration and evaluation stage activities due to the inherent uncertainty of success at this stage. The potential deferred tax asset is calculated at a rate of 62% (2011: 62%).

Notes to the Financial Statements

for the 16 Months Ended 31 December 2012

10. Intangible assets

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Exploration and evaluation expenditure at start of period	**96,237**	76,767
Additions	**34,849**	20,252
Write-off	**(9)**	(782)
Exploration and evaluation expenditure at end of period	**131,077**	96,237

Exploration and evaluation expenditure comprises the book cost of licence interests and exploration and evaluation expenditure within the Group's licensed acreage in the West of Shetlands. In the year ended 31 August 2011, the exploration and evaluation expenditure also comprised of amounts capitalised in respect of the Group's onshore UK locations being explored at the time.

The amounts written off in 2011 and 2012 relate to the onshore UK licences of Perthshire and Wiltshire, which were relinquished in 2011.

In additions for the year, £3.2 million (2011: £0.4 million;) relate to the change in estimates associated with the decommissioning provisions (note 15).

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

11. Other non-current receivables

The other non-current receivables represent the deposit for the office lease. Further details are given in note 22.

12. Trade and other receivables

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Other receivables	**370**	380
Prepayments and accrued income	**20**	751
	390	1,131

13. Cash and cash equivalents

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Unrestricted funds	**22,240**	17,357
Escrow funds	**150**	15,531
	22,390	32,888

The Group holds the beneficial interest in the funds held in the escrow accounts. These funds can only be dispersed to the benefit of an independent third party for work undertaken as part of the drilling operations.

14. Trade and other payables

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Trade payables	**633**	1,258
Other payables	**1**	90
Accruals	**154**	1,890
	788	3,238

15. Decommissioning provisions

Provisions for decommissioning and restoration of exploration and evaluation assets are:

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
At start of period	**800**	400
Additions	**3,200**	400
At end of period	**4,000**	800

The provision for decommissioning relates to the costs required to decommission the Lancaster and Whirlwind exploration assets. The additions seen in 2012 represent an adjustment to reflect an updated estimate of the present value of decommissioning costs for these assets based on better information regarding these discoveries. The expected decommissioning cost for both assets is based on the directors' best estimate of the cost of decommissioning as part of an integrated testing campaign at the end of the current licence term in 2017. If the Group were required to undertake a specific campaign to plug and abandon the wells, the cost on a stand alone basis would be approximately £5.0 million for each of the two wells drilled to date. No finance costs have been recorded in any period shown, as the impact would not be material.

16. Called up share capital

As at 15 November 2011, a resolution was passed to subdivide each ordinary share with a nominal value of £0.01 each into ten ordinary shares with a nominal value of £0.001 each. The subdivision of the shares also impacts the warrants that are in place. Each existing warrant held was subdivided into the right for each warrant holder to subscribe for 10 new ordinary £0.001 shares at an exercise price of £0.30 per share. This note reflects these changes.

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Authorised		
1,000,000,000 ordinary shares of 0.1p each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
474,688,050 (2011: 447,571,050) ordinary shares of 0.1p each	**474,688**	447,571

During the 16 months period ended 31 December 2012, the Group issued 27,117,000 ordinary 0.1p shares for a gross cash consideration of £29,844,307.

During the year ended 31 August 2011, the Group issued 18,251,340 ordinary 0.1p shares for a gross cash consideration of £20,250,138.

At 31 August 2011, 23,381,670 warrants were in issue providing the right for each warrant holder to subscribe for one new ordinary 0.1p share per warrant held at an exercise price of £0.30 per share. During the 16 months ended 31 December 2012, 5,782,935 warrants were exercised. The remaining 17,598,735 warrants were due to lapse in July 2012 but were extended until 31 December 2012. There were no further exercises of these warrants and as such they all lapsed on 31 December 2012.

Notes to the Financial Statements

for the 16 Months Ended 31 December 2012

17. Share options

As at 15 November 2011, a resolution was passed to subdivide each ordinary share with a nominal value of £0.01 each into ten ordinary shares with a nominal value of £0.001 each. This note reflects these changes.

On 22 February 2006, the Group granted share options, under an Enterprise Management Incentive (EMI) scheme, over 3,600,000 ordinary 0.1p shares to employees of the Group at an exercise price of £0.10 per share.

On 14 April 2009, the Group granted unapproved share options over 2,600,000 ordinary 0.1p shares to employees of the Group at an exercise price of £0.30 per share. On 19 January 2010, the Group granted further unapproved share options over 1,100,000 ordinary 0.1p shares to an employee of the Group at an exercise price of £0.60 per share.

On 25 January 2011, the Group granted approved share options over 194,000 ordinary 0.1p shares and unapproved share options over 1,283,000 ordinary 0.1p shares to employees of the Group at an exercise price of £1.00 per share. On 14 June 2011, the Group granted further approved share options over 88,710 ordinary 0.1p shares and unapproved share options over 1,579,020 ordinary 0.1p shares to employees of the Group at an exercise price of £1.11 per share.

On 28 July 2011, the Group granted further approved share options over 81,060 ordinary 0.1p shares and unapproved share options over 1,450,470 ordinary 0.1p shares to employees of the Group at an exercise price of £1.11 per share.

On 28 July 2011, the Group granted approved share options over 18,010 ordinary 0.1p shares and unapproved share options over 633,440 ordinary 0.1p shares to employees of the Group at an exercise price of £1.11 per share. These options have a 5 year vesting period.

On 27 February 2012, the Group granted approved share options over 22,222 ordinary 0.1p share options and unapproved share options over 111,111 ordinary 0.1p shares to employees of the Group at an exercise price of £1.35 per share.

On 20 July 2012, the Group made 1,512,074 share option awards under its Long Term Incentive Plan, which will vest subject to the employees remaining in service until 31 December 2014 and an increase in an index based on the Group's reserves and resources being achieved. The estimated fair value of the awards based on a share price of £1.35 is £2.6 million. No charge has been recorded in the period to 31 December 2012 in respect of these options.

The options normally vest 3 or 5 years after the date of the grant and are due to lapse 10 years after the date of the grant. The options vest early upon either sale, restructuring or listing of the Company and, except for a listing, the options must be exercised at the time of the vesting event. For options granted after January 2011, listing does not constitute an early vesting event. The date of lapse for the options issued on 14 April 2009 to Nicholas Briggs was modified on his departure to 24 May 2013 and subsequently to 28 June 2013.

Subsequent to the balance sheet date, on 15 April 2013 all unvested share options (with the exception of those that vest on listing) were replaced by share awards as part of the Group's Performance Share Plan. Also, 3,300,000 share options were exercised by directors and employees post year end, refer to note 24 for further details.

The options outstanding at 31 December 2012 had a weighted average remaining contractual life of 4.5 years (2011: 7.7 years). The aggregate of the estimated fair value of the options granted was £97,886 (2011: £3,261,967).

	2012 Number of options	**2012** Weighted average exercise price £	2011 Number of options	2011 Weighted average exercise price £
Outstanding at start of period	**11,527,710**	**0.60**	7,300,000	0.25
Granted in the period	**1,649,407**	**0.11**	5,327,710	1.08
Forfeited in the period	**(1,407,910)**	**1.03**	(1,100,000)	0.60
Exercised in the period	**(300,000)**	**0.10**	-	-
Outstanding at the end of the period	**11,469,207**	**0.49**	11,527,710	0.60
Exercisable	**5,900,000**	**0.19**	3,600,000	0.10

The Group recognised total expenses of £902k in respect of share-based payments in the 16 month period to 31 December 2012 (12 months to 31 August 2011: £214k).

18. Own shares held by Employee Benefit Trust

The own shares reserve represents the cost of shares in Hurricane Energy plc (formerly Hurricane Exploration plc) purchased and held by the Group's Employee Benefit Trust to satisfy the Group's Share Incentive Plan administered by MM&K Share Plan Trustees Limited.

The number of ordinary shares held by the Employee Benefit Trust at 31 December 2012 was 668,300 (31 August 2011: 668,300).

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

	16 Months Ended 31 Dec 2012 £'000	12 Months Ended 31 Aug 2011 £'000
Operating loss	**(7,225)**	(3,294)
Non cash exploration write-offs	**9**	782
Non cash share-based payment charge	**1,120**	278
Decrease / (increase) in trade and other receivables	**729**	(656)
(Decrease) / increase in trade and other payables	**(918)**	589
Cash used in operating activities	**(6,285)**	(2,301)
Corporation tax paid	**(22)**	(37)
Net cash outflow from operating activities	**(6,307)**	(2,338)

Notes to the Financial Statements

for the Year Ended 31 December 2012

20. Financial instruments

Financial risk management
The Group monitors and manages the financial risks relating to its operations on a continuous basis. These include foreign exchange, credit, liquidity and interest rate risks. The Group's financial instruments are cash and cash equivalents and trade payables.

Foreign exchange risk
The Group undertakes certain transactions denominated in foreign currencies; hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are predominately held in Pounds Sterling although the Group will hold cash balances in US Dollars to meet actual or expected commitments in that currency. A 10% increase in the strength of the US Dollar against Sterling would cause a decrease of £0.5 million (2011: £1.9 million) on the loss after tax of the Group. A 10% weakening in the strength of the US Dollar against Sterling would cause an increase of £0.4 million (2011: £1.5 million) on the loss after tax of the Group.

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

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

Liquidity risk
The Group manages its liquidity risk by maintaining adequate cash and cash equivalents to cover its liabilities as and when they fall due. The financial liabilities of the group are currently limited to trade payables which are due to be paid within 60 days of the balance sheet date.

Interest rate risk
The Group is exposed to interest rate movements through its cash and cash equivalents which earn interest at variable interest rates. If interest rates had been 1% higher, the Group's loss after tax for the 16 months ended 31 December 2012 would have decreased by £0.2 million (2011: £0.3 million), assuming the cash and cash equivalents at the balance sheet date had been outstanding for the whole year. No sensitivity analysis has been undertaken for a 1% decrease in interest rates because of the low level of prevailing interest rates during the year.

21. Capital commitments

As at 31 December 2012 there were no capital commitments (31 August 2011: £25.4 million in relation to planned drilling activities at the Whirlwind well). Subsequent to the period end the Group entered into a rig contract to drill the Lancaster Horizontal well in 2013. Capital commitments on this contract are £17.1 million at the date of this report.

22. Financial commitments

The Group and Company had total future commitments under non-cancellable operating leases as follows:

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Within one year	**140**	56
In the second to fifth years inclusive	**520**	443
After five years	**423**	726
	1,083	1,225

23. Related party transaction

During the 16 months ending 31 December 2012, Charles Good was a partner of Hawkwood Capital LLP and Matrix Corporate Capital LLP as well as being a director of Hurricane Energy plc (formerly Hurricane Exploration plc) until his resignation on 12 October 2011. £807k (2011: £247k) of corporate finance and placing fees were charged by Hawkwood Capital LLP and Matrix Corporate Capital LLP in the 16 month period to 31 December 2012.

24. Subsequent events

On 8 March 2013 the Group announced the appointment of John Hogan as Non-Executive Chairman following the resignation of Sir Adrian Montague. The Group also announced the appointment of Non-Executive Directors David Jenkins and John van der Welle on the same day. Bill Guest, Philip Dayer and Jon Murphy have stepped down as Non-Executive Directors. Neil Platt was also appointed to the board as Chief Operations Officer.

In April 2013, 1,000,000 shares were issued to Nicholas Mardon Taylor, in respect of the exercise of 1,000,000 EMI options at an exercise price of 10p per share. Also in April 2013, 1,000,000 shares were issued to Robert Trice, in respect of the exercise of 1,000,000 EMI options at an exercise price of 10p per share. The exercise date of the 2 million share options held by a former director, were extended by a month to 28 June 2013.

In April 2013, 1,300,000 shares were issued to employees, in respect of the exercise of 1,300,000 EMI options at an exercise price of 10p per share.

The Group completed a fundraising in April 2013. The Group raised £31.4 million (gross) by issuing a combination of convertible loan notes and issuing ordinary shares accompanied by warrants to subscribe for further shares. As a result of raising this finance, the Group was able to enter into a rig contract to drill the Lancaster horizontal well in 2013. The rig contract was signed in April 2013.

Also in April 2013, all awards under the Group's Long Term Incentive Plan were surrendered together with all unvested share options (other than those that vest at IPO) and replaced with awards under The Hurricane Energy 2013 Performance Share Plan. Under the Hurricane Energy 2013 Performance Share Plan the employees were granted conditional rights to receive in aggregate 47,450,000 ordinary shares at nil cost. The share awards vest based on the Group meeting certain operational and funding milestones across the next three years.

On 15 April 2013 the Group announced that the name of the Company would change from Hurricane Exploration plc to Hurricane Energy plc.

In March 2013, DECC granted a six month extension (to 31 September 2013) for the P1485 licence to enable Hurricane to demonstrate that a rig contract and a clear plan for drilling can be put in place.

On 15 April 2013 authority was provided by shareholders for the directors to issue a further 200 million shares with nominal value of £0.001 for the purpose of the Group's current IPO plans.

Company Balance Sheet

as at 31 December 2012

	Notes	**As at 31 Dec 2012 £'000**	As at 31 Aug 2011 £'000
Non-current assets			
Intangible assets	1	**57,938**	40,339
Investments	2	**15,090**	15,090
Amounts due from subsidiary undertaking		**56,076**	40,563
Other receivables	3	**130**	130
		129,234	96,122
Current assets			
Trade and other receivables	4	**390**	995
Cash and cash equivalents	5	**22,390**	32,888
Total current assets		**22,780**	33,883
Total assets		**152,014**	130,005
Current liabilities			
Trade and other payables	6	**(779)**	(3,231)
Current tax liabilities		**(22)**	(26)
		(801)	(3,257)
Non-current liabilities			
Decommissioning provision	7	**(2,000)**	(400)
Total liabilities		**(2,801)**	(3,657)
Net assets		**149,213**	126,348
Equity			
Share capital	8	**475**	448
Share premium		**163,910**	135,436
Share option reserve		**1,343**	451
Warrant reserve		**-**	795
Own shares held by Employee Benefit Trusts		**(67)**	(67)
Accumulated deficit		**(16,448)**	(10,715)
Total equity		**149,213**	126,348

The financial statements were approved and authorised for issue by the Board of Directors on 10 May 2013 and were signed on its behalf by:

Robert Trice
Director

Nicholas Mardon Taylor
Director

Registered company number 5245689

Company Statement of Changes in Equity

for the 16 Months Ended 31 December 2012

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Own shares held by EBT £'000	Warrant reserve £'000	Accumulated deficit £'000	Total £'000
Balance at 1 September 2010	429	115,465	237	-	795	(6,701)	110,225
Shares allotted	19	20,231	-	-	-	-	20,250
Transaction costs	-	(260)	-	-	-	-	(260)
Share option charge	-	-	214	-	-	-	214
Own shares held by EBT	-	-	-	(67)	-	-	(67)
Loss for the year	-	-	-	-	-	(4,014)	(4,014)
Balance at 31 August 2011	448	135,436	451	(67)	795	(10,715)	126,348
Shares allotted	21	28,058	-	-	-		28,079
Transaction costs	-	(1,328)	-	-	-		(1,328)
Share option charge	-	(212)	902	-	-	448	1,138
Share options exercised	-	30	(10)	-	-	10	30
Warrants exercised	6	1,926	-	-	(197)	-	1,735
Warrants lapsed	-	-	-	-	(598)	598	-
Loss for the period	-	-	-	-	-	(6,789)	(6,789)
Balance at 31 December 2012	**475**	**163,910**	**1,343**	**(67)**	**-**	**(16,448)**	**149,213**

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

The warrant reserve represents the proceeds from the issue of outstanding warrants.

The loss for the 16 month period of the parent company was £6,789k (12 month period ended Aug 2011: loss of £4,014k). The Company has taken advantage of the exemption provided by Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

Company Cash Flow Statement

for the 16 Months Ended 31 December 2012

	Notes	**16 Months Ended 31 Dec 2012 £'000**	12 Months Ended 31 Aug 2011 £'000
Net cash outflow from operating activities	9	**(6,434)**	(2,198)
Investing activities			
Interest received		**115**	127
Expenditure on intangible assets		**(17,542)**	(24,431)
Net cash used in investing activities		**(17,427)**	(24,304)
Financing activities			
Interest paid		**(7)**	(2)
Net proceeds from issue of share capital		**28,534**	19,859
Working capital provided to subsidiary companies		**(15,512)**	(10,045)
Net cash provided by financing activities		**13,015**	9,812
Net decrease in cash and cash equivalents		**(10,846)**	(16,690)
Cash and cash equivalents at the beginning of the period		**32,888**	50,389
Net decrease in cash and cash equivalents		**(10,846)**	(16,690)
Effects of foreign exchange rates		**348**	(811)
Cash and cash equivalents at the end of the period	5	**22,390**	32,888

Notes to the Financial Statements

for the 16 Months Ended 31 December 2012

1. Intangible assets

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Exploration and evaluation expenditure at the start of the period	**40,339**	30,972
Additions	**17,608**	10,149
Write-off	**(9)**	(782)
Exploration and evaluation expenditure at the end of the period	**57,938**	40,339

Exploration and evaluation expenditure comprises the book cost of licence interests and exploration and evaluation expenditure within the Company's licensed acreage in the West of Shetlands. In the year ended 31 August 2011, the exploration and evaluation expenditure also comprised of amounts capitalised in respect of the Group's onshore UK locations being explored at the time.

The amounts written off in 2011 and 2012 relate to the onshore UK licences of Perthshire and Wiltshire, which were relinquished in 2011.

In additions for the year, £1.6 million (2011: £0.2 million) relate to the change in estimates associated with the decommissioning provisions (note 7).

The directors have fully considered and reviewed the potential value of licence interests, including carried forward exploration and evaluation expenditure. The directors have considered the Company's tenure to its licence interests, its plans for further exploration and evaluation activities in relation to these and the likely opportunities for realising the value of the Company's licences, either by farm out or by development of the assets and have concluded that there are no indications of impairment.

2. Investments

	Investment in subsidiary £'000	Loan to subsidiary £'000	Total £'000
As at 31 December 2012 and 31 August 2011	9,751	5,339	15,090

The entire share capital of Hurricane Exploration (UK) Limited was acquired in 2008. Hurricane Exploration (UK) Limited is registered in the UK and its activity is oil and gas exploration. There are three other dormant subsidiaries; Hurricane Group Limited, Hurricane Basement Limited (formerly Hurricane Energy Limited) and Hurricane Petroleum Limited.

3. Other non-current receivables

The other non-current receivables represent the deposit for the office lease. Further details are given in note 22 of the consolidated financial statements.

4. Trade and other receivables

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Other receivables	**370**	550
Prepayments and accrued income	**20**	445
	390	995

Notes to the Financial Statements
for the 16 Months Ended 31 December 2012

5. Cash and cash equivalents

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Unrestricted funds	**22,240**	17,357
Escrow funds	**150**	15,531
	22,390	32,888

The Company holds the beneficial interest in the funds held in the escrow accounts. These can only be dispersed to the benefit of an independent third party for work undertaken as part of the drilling operations.

6. Trade and other payables

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Trade payables	**633**	1,258
Other payables	**1**	90
Accruals	**145**	1,883
	779	3,231

7. Decommissioning provisions

	As at 31 Dec 2012 £'000	As at 31 Aug 2011 £'000
Provisions for decommissioning and restoration of exploration and evaluation assets are:		
At start of period	**400**	200
Additions	**1,600**	200
At end of period	**2,000**	400

The provision for decommissioning relates to the costs required to decommission the Lancaster and Whirlwind exploration assets. The additions seen in 2012 represent an adjustment to reflect an updated estimate of the present value of decommissioning costs for these assets based on better information regarding these discoveries. The expected decommissioning cost for both assets is based on the directors' best estimate of the cost of decommissioning as part of an integrated testing campaign at the end of the current licence term in 2017. If the Company were required to undertake a specific campaign to plug and abandon the wells, the cost on a stand alone basis would be approximately £2.5 million for each of the two wells drilled to date. No finance costs have been recorded in any period shown, as the impact would not be material.

8. Called up share capital

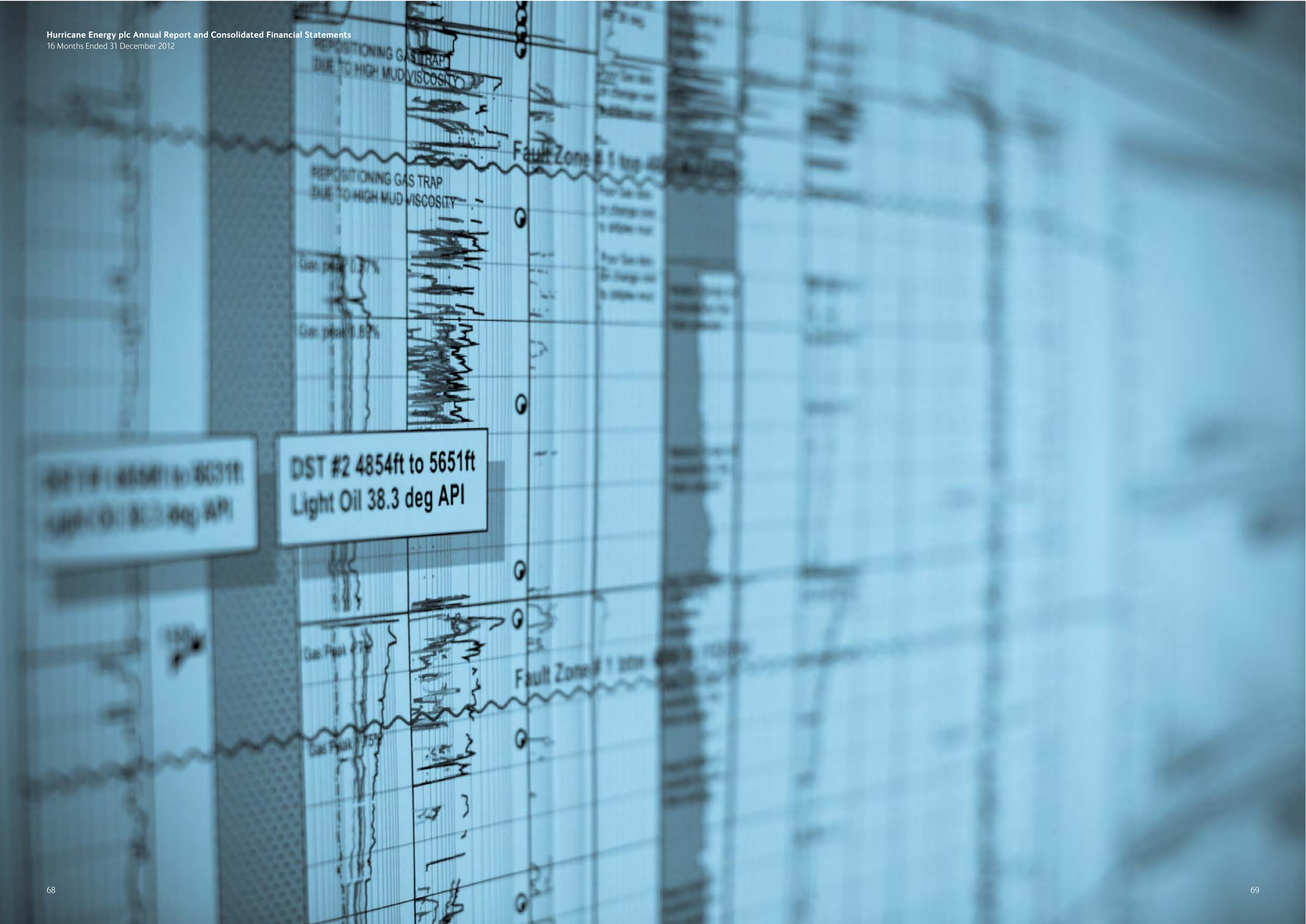
Details of the Company's share capital, share options and own shares held by the Employee Benefit Trust (EBT) are provided in notes 16, 17 and 18 of the consolidated financial statements.

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

	16 Months Ended 31 Dec 2012 £'000	12 Months Ended 31 Aug 2011 £'000
Operating loss	**(7,214)**	(3,289)
Non cash exploration write-offs	**9**	782
Non cash share-based payment charge	**1,120**	278
Decrease / (increase) in trade and other receivables	**593**	(521)
(Decrease) / increase in trade and other payables	**(920)**	589
Cash used in operating activities	**(6,412)**	(2,161)
Corporation tax paid	**(22)**	(37)
Net cash outflow from operating activities	**(6,434)**	(2,198)

10 Other disclosures

Certain other disclosures in notes 20, 21, 22, 23 and 24 to the consolidated financial statements also apply to the Company in respect of its share of the Group's operations.


REPOSITIONING GAS TRAP
DUE TO HIGH MUD VISCOSITY
DST #2 4854ft to 5651ft
Light Oil 38.3 deg API

Hurricane

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