Hurricane

Annual Report and Group Financial Statements 2013

Contents

4-5 Introduction
8 Chairman's Statement
8-14 Group Strategic Report
16-17 The Board
18-19 Corporate Governance
20 Remuneration Report
21 Environmental Policy
22 Health and Safety Policy
23 AGM
24 CFO Review
27 Financial Statements

Highlights

Refreshed Competent Person's Report including incremental subsurface and engineering studies

New highly experienced Non-Executive Director team joined the Board

Completed an IPO on 4 February 2014, admitting the Company's shares to AIM

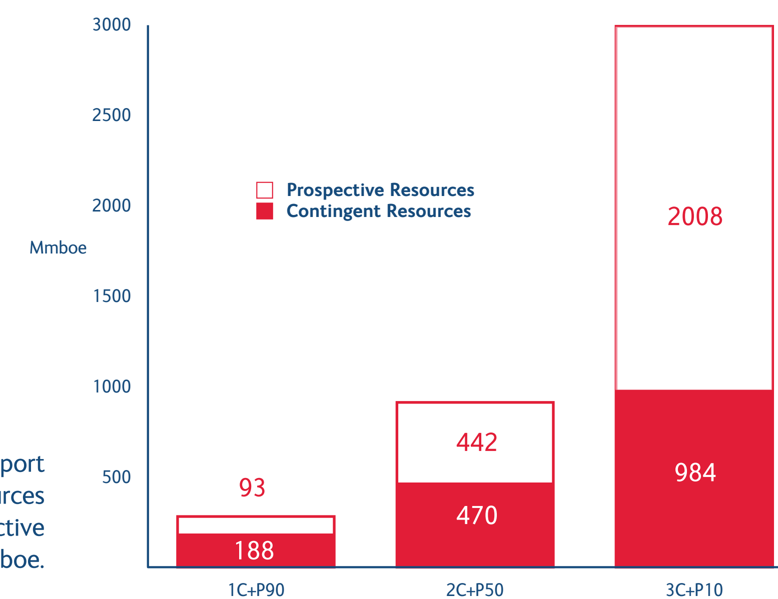
Hurricane has 470* MMboe of 2C Contingent Resources and a further 442* MMboe P50 Prospective Resources that it owns 100%

Agreed licence extensions with DECC

Secured Transocean Sedco 712 drilling rig for 2014 operations

Pre-IPO and IPO fundraising added over £47 million (net) to the balance sheet

In Hurricane's 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 November 2013 (*Whirlwind oil case)

Introduction

Hurricane was established 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, West of Shetland on which the Group has made two basement reservoir discoveries, each approximately 200 MMboe 2C Contingent Resources. The Group also has approximately 440 MMboe of P50 Prospective Resources in its portfolio of exploration opportunities. To date we have 100% ownership of the licences over all our discoveries and prospects.

Hurricane's most advanced asset is Lancaster. Currently, our focus is to drill and test a horizontal well on Lancaster to demonstrate commercial flow rates of oil and this operation commenced in April 2014.

Hurricane's headquarters is in Lower Eashing, Surrey with an office in Aberdeen.

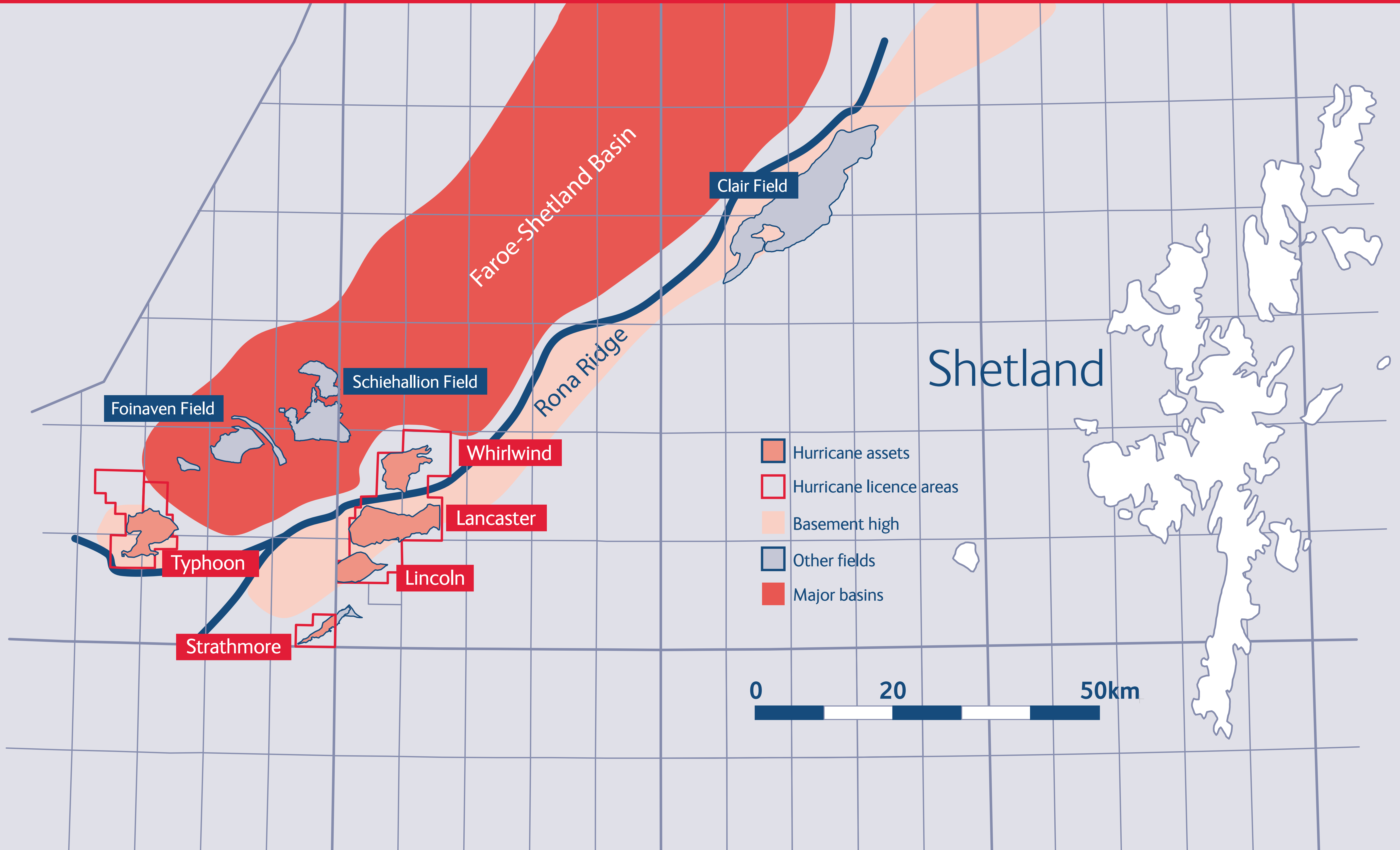
During 2013 the Group:

- Completed a pre-IPO fundraising of £31.4 million (gross, through the issue of convertible loan notes and new equity together with a warrant to subscribe for equity)
- Changed the Company name to Hurricane Energy plc
- Entered into a rig contract to drill a Lancaster appraisal well in 2013 but subsequently accepted its cancellation
- Relinquished offshore frontier licence P1884
- Extended the third term of frontier licence P1368
- Extended the term for licence P1485

In early 2014, the Group:

- Secured a rig to drill a Lancaster appraisal well in 2014
- Admitted the Company's shares to trading on AIM
- Raised £18 million by issuing new equity at IPO
- Commenced operations on the horizontal well on Lancaster

Hurricane's Asset Locations



Chairman's Statement

Welcome to Hurricane Energy's 2013 Annual Report.

I was pleased to join the Board on 8 March 2013 and I now have the benefit of being Chairman for more than a year at the time of writing this statement. 2013 began promisingly with your management having signed up a rig for summer appraisal drilling on its Lancaster oil discovery when many commentators believed there were no rigs to be had; preparations for a summer flotation of the Company's shares via an Initial Public Offering (IPO) on the AIM market (AIM) of the London Stock Exchange were well advanced; and a pre-IPO fundraising of £31 million had been completed through the issue of one year convertible loan notes and new equity accompanied by a warrant to subscribe for further equity, with a view to additional funds being raised upon listing.

However, this bright start was overshadowed by events later in the year that were outside management's control, resulting in 2013 becoming a difficult and disappointing year for all. The availability of the rig was seriously delayed by problems elsewhere and when the rig was finally available late in the summer there was insufficient time remaining to complete the Group's drilling and testing programme before winter weather conditions would have closed down operations. The Group therefore reluctantly agreed to accept cancellation of the rig contract and consequently defer drilling to 2014. This decision created uncertainty over the timing of future activity which, in turn, caused the IPO to have to be postponed.

In the second half of 2013 management began the task of securing a new rig contract for 2014 appraisal drilling on Lancaster and to refresh the IPO plans around a revised schedule. It was also considered prudent to extend the term of the pre-IPO convertible loan notes and a one year extension to March 2015 was successfully agreed with note holders. It was frustrating for all involved to have worked so hard and come so close to a successful outcome on many fronts in 2013, only to lose hard won time and to have to start again. I would like to acknowledge the hard work that the Hurricane team and advisors have put in during the year to get the Group's plans back on track.

The first step was to secure a new rig and Transocean's Sedco 712 was contracted for drilling in 2014.

While these efforts continued, the financial background in the capital markets progressively deteriorated during 2013 and into 2014 with, it seemed, the small to mid-cap resources sector particularly out of favour. To give some perspective, in 2013 there were just seven IPOs on AIM in our sector raising a total of £111 million between them. In fact total money raised on AIM in the sector in 2013 was less than a quarter of that raised in 2010. Against this challenging background the Company was successful in floating its shares on AIM on 4 February 2014, raising an additional £18 million before expenses. With these funds and the pre-IPO cash raised previously, the Group added more than £47 million cash to the balance sheet, after expenses, through the fundraising effort.

The share price performance in the period since flotation has been disappointing and we believe that we can respond to this over time by delivering a successful appraisal well result at Lancaster to underscore the value of the Group. In the meantime, management has been working hard to ensure the market recognises the scale of the opportunity that Hurricane represents. An extensive and ongoing programme of meetings with brokers, analysts and industry commentators and presentations at special investor events is underway to tell the Hurricane story. I am satisfied that management is being proactive in engaging with the investment community in an undoubtedly difficult market.

The Group is now at a key point in its activities. We announced on 28 April 2014 the spudding of the Lancaster appraisal well, designed to test for commercially sustainable oil flow rates from the fractured basement reservoir. Success in this well will not only demonstrate the significant commercial potential of the Lancaster discovery, it will also have a significant impact on how the industry values other fractured basement opportunities in the UK. Through the heightened awareness created by Hurricane of fractured basement plays, the UK government has for the first time put fractured basement on the map as a material component of the UK's remaining prospective resources. The government sponsored Pilot study describes fractured basement reservoirs as the most extensive under-explored play remaining on the UKCS. Your Group's licence holdings and unique expertise in fractured basement reservoirs in the UK leave it well placed to build further on success.

I look forward to meeting Shareholders at the Annual General Meeting on 23 June 2014.

John Hogan
Chairman

Group Strategic Report

Business model

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

Oil exploration, appraisal and development is by its nature capital intensive and typically takes several years to get a discovery through to development and production. Early capital is provided either through equity investment or through a farm-out of licence assets in exchange for financial contribution to wells and, or, a level of financial carry on field development. It has always been part of our strategy to introduce a development partner at the right time to enable field development and also to bring expertise and manpower in skill sets that Hurricane does not intend to develop in-house for the development and production phase. Hurricane is focused on bringing its existing discoveries to field development and will continue to acquire new acreage as it is able to do so, subject to financial capability.

Strategy

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

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

Up to now we have maintained 100% ownership and operatorship of all of our discoveries and we will engage with a partner at the right time to help move our fields into development.

Review of 2013

At the start of the year a complex three way negotiation was completed between ATP, Transocean and Hurricane agreeing a contract for Transocean's GSF Arctic III drilling rig that was to drill a well on Lancaster later in 2013. The process took several months and was successfully completed in the face of an all but impossible rig market when many industry commentators observed 'there are no rigs'. The contract was constructed in a way to protect Hurricane in the event that the operator using the rig before Hurricane was delayed.

At the time of the 2013 AGM held on 10 June the management still fully expected to be able to take the rig within the window the Group had committed to. However, as events unfolded, it was clear by mid-July that the previous operator was delayed. Soon after, the Board took the decision to accept cancellation of the rig contract. Had Hurricane opted to take the rig following completion of the previous operator's activities it was clear that we would have been unable to complete the well in the time remaining before the rig was required to leave the area due to the onset of winter conditions. In this situation we would have had to temporarily suspend the well, re-entering in 2014. That would have created substantial incremental costs associated with additional mobilisations and demobilisations. Whilst this resulted in no drilling in 2013, management's foresight to reserve the right to limit the date at which Hurricane would have to take the rig meant that Shareholders' funds were protected from an incomplete operation hampered by the onset of winter weather.

Early in 2013 plans were at an advanced stage to float Hurricane on AIM. A pre-IPO fundraising was completed in March 2013 through the issue of one year convertible loan notes, new equity and a warrant, convertible at IPO. The Group added £30 million to the balance sheet through this activity, after expenses.

A wide round of presentations was undertaken with institutional investors and on 15 April 2013 a General Meeting authorised the issue of new shares, as well as a change of company name to Hurricane Energy plc in preparation for an expected IPO. The investment story set out the planned drilling to take place in summer of 2013. As a result of the subsequent decision to exit the rig contract, the IPO timetable had to be revisited since clearly the basis on which the IPO had been planned had changed. Consequently the IPO expected in summer 2013 was postponed.

As a result of these events the Group set about identifying a rig for 2014 and created a fresh IPO timetable which the Group and its advisers worked through during the rest of the year. We successfully negotiated an extended maturity period for the convertible loan notes which protected the Group from facing repayment pressure in March 2014 if the IPO had not come to a conclusion.

The management was able to identify a number of rig opportunities and ultimately was able to agree a contract for the Transocean Sedco 712.

With the rig and a new plan in place, extensive meetings with investors were held in the lead up to IPO. Despite very difficult market conditions, the IPO was completed on 4 February 2014 at a price of 43p per share and adding a further £17 million to the balance sheet, after expenses. The pre-IPO and IPO fundraisings together added over £47 million to the balance sheet after expenses, thereby positioning the Group to undertake the planned drilling on Lancaster.

Despite the uncertainty that arose during 2013 we are pleased to report that we retained all key staff.

Well planning was carried out and all preparations made to accept the rig right at the beginning of the agreed period during which it may be offered to Hurricane.

Licence extensions

Negotiations to extend licences on Typhoon and Lancaster were successfully concluded, protecting the Group's assets.

Licence P1368 - the licence covering Lancaster, Lincoln and Whirlwind has been extended by DECC for an additional two years to 21 December 2019. The extension has been granted on the condition that an early production scheme is approved for Lancaster by the end of December 2017. Following December 2017, Licence P1368 will apply to the area covered by the early production scheme and Lincoln, provided a well is drilled on Lincoln by the end of December 2017.

Licence P1485 - the licence covering Typhoon has been extended by DECC to 31 December 2014 by when the Group will need to demonstrate it has a rig contract in place to drill on the structure at some future date. Should Hurricane be unable to meet this requirement, the licence will automatically be terminated unless a further extension is granted by DECC.

Licence P1835 - before 10 January 2015, the Group has a contingent commitment to drill one well to 1,800m or the top basement (whichever is shallower). This well need not be drilled (and the licence expires) if the Secretary of State confirms that it would not be appropriate to do so in the circumstances, in particular in light of the evaluation of the results of the firm well drilled in respect of licence P1485. By 10 January 2015, the Group is obliged to relinquish at least 50 percent of the initial licensed area. There is no requirement to relinquish during the second term but the Group must give notice to the Secretary of State of the area it wishes to retain.

Farm-out process

A formal farm-out process is underway. Early in 2014 the Board appointed Jefferies, a highly regarded specialist in the sector, to manage and advise. The process is ongoing and the Board will report on the outcome in due course.

Government and regulatory authorities

Hurricane was one of many companies interviewed as part of the Wood Review: UKCS Maximising Recovery Review, focusing on stronger and better stewardship rather than more regulation of the sector, published in February 2014.

Hurricane has also actively lobbied HM Treasury over government taxation proposals that may affect the industry and we are pleased that the government's 2014 Budget appeared to take some of our representations into account.

The Group successfully completed an official audit for renewal of our ISO 14001 Environmental Management System accreditation, essential to enable us to carry out drilling operations.

Board

In early March 2013 three new non-executive directors, John Hogan, Dr David Jenkins and John van der Welle were appointed to the Board. All three are highly experienced in the industry. Also in March, Neil Platt was appointed to the Board as Chief Operations Officer. See page 16 for profiles of the Directors.

Group Strategic Report: Future outlook

Currently all Hurricane's assets are owned 100% by the Group. We will continue the farm-out process through 2014 with a view to bringing in a suitable partner at the right time. The Board will report on progress in due course.

Lancaster

2014 is set to be a pivotal year for the Group. Securing the Sedco 712 drilling rig was a significant step. The operation has been meticulously planned with a high level of engagement with DECC and other agencies in preparation for taking the Sedco 712 rig on the 'early curve', which indeed happened. On 16 April 2014 the Group announced that it had begun the rig mobilisation process. On 28 April 2014 the Group announced that the well had been spudded and the drilling began in earnest.

The Lancaster asset is in a water depth of 155m. The horizontal section of the well is designed to pass through a number of faults within the basement and to test for commercial oil flow rates. The operation is planned to take 75 days and results from the well are expected, after third party analysis, in summer 2014. If the reservoir behaves as we expect and the drilling operation is successful the well will be suspended ready for tie-back to a host production facility as part of the Phase 1 development plan for Lancaster.

Subject to further funding, which could include a farm-out, the Board intends that a further two wells will be drilled on Lancaster in 2015 leading to a field development plan and first oil targeted in 2018.

The key corporate objective for 2014 is to drill a successful horizontal well on Lancaster that can demonstrate that the reservoir can produce a commercially sustainable flow of 4,000 barrels of oil per day.

Lincoln

Also controlled by Hurricane under Licence P1368, the Lincoln prospect lies to the south west of Lancaster. Through Hurricane's technical analysis, we believe that Lincoln shares many geological characteristics with Lancaster, including proven oil on structure and a well defined basement fault system. As with our basement discoveries, the Lincoln prospect benefits from data obtained from previous drilling and seismic data obtained from previous operators. Subject to future funding we plan to drill on Lincoln after 2015.

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

Whirlwind

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

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

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

Typhoon and Tempest

Typhoon and Tempest are controlled by Hurricane under Licences P1485 (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 Competent Person's Report 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 490m 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. However DECC has granted an extension to enable Hurricane to demonstrate that a rig contract and a clear plan for drilling can be put in place.

As noted earlier in this report, Licence P1485 expires on 31 December 2014 and Licence P1835 expires on 10 January 2015 if not extended.

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.

Group Strategic Report: Principal risks

All companies carry with them certain risks and Hurricane is no exception. The future outlook for the Group and therefore opportunities for growth in shareholder value should be understood in the context of the associated risks. Below, we have set out some of the principal risks facing the Group.

Substantial capital requirements

The Group's business plan to exploit and commercialise its assets will require significant capital expenditure. Future plans may be curtailed if the Group is unable to either raise further funds through equity and or debt markets, or successfully conclude an asset farm-out.

Operational risks

There are many operational risks. These include, but are not limited to, failure of the rig or other crucial equipment and unfavourable weather leading to delays in operations.

Geological and reservoir risk

Although we extensively model our reservoirs and have a high expectation of how they will behave, there is a risk that they do not behave as expected. The reservoirs may produce a high proportion of water resulting in significant financial and technical costs.

Licences

Licences may expire, or the management may be unable to agree extensions to licences.

Third party operators

After a farm-out, operating agreements with third party operators typically provide for a right of consultation or consent in relation to significant matters and generally impose standards and requirements in relation to the operator's activities. However, in the event that the Group does not act as operator in respect of certain of its licence interests, the Group will generally have limited control over the day-to-day management of operations of those assets and will therefore be dependent upon the third party operator.

Third party infrastructure

If the Group had an arrangement with a third party over shared infrastructure which failed in some way, this could materially impact upon the Group's business, finances and prospects.

Other risks

There is a wide variety of risks associated with the industry including for example oil price fluctuations affecting the ability to recover hydrocarbon resources economically, industrial hazards including oil spills, changes in the fiscal regime, regulation, macroeconomics and so on.

Group Strategic Report

Dr Robert Trice
CEO

The Board

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 1989–1993 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. John is currently Managing Director of Argos Resources Limited, non-executive Chairman of Celtique Energie Limited and a non-executive Director of Chrysaor Holdings Limited.

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

Dr Robert Trice Chief Executive Officer

Robert co-founded the Company in late 2004 and has 30 years' oil industry experience, having specialist technical experience of fractured reservoirs' characterisation and evaluation. Robert has a PhD in Geology from Birkbeck College, University of London and gained the majority of his geoscience experience with Enterprise Oil and Shell, having worked in field development, exploration, wellsite operations and geological consultancy. In addition, Robert has held the position of Visiting Professor at Trondheim University, Norway and has published and presented on subjects related to fractured reservoirs and exploration for stratigraphic traps. Robert is a Fellow of the Geological Society and a member of the Petroleum Exploration Society of Great Britain and the Society of Petroleum Engineers. Robert has been a Director of Hurricane since 29 December 2004.

Nicholas Mardon Taylor Chief Financial Officer

Nicholas has worked in the oil industry for over 35 years, his first involvement in the North Sea being in the early licensing rounds. He has been with Hurricane since 2005 when he was the Group's first CFO and was subsequently responsible for the Group's Environmental Management System. He was re-appointed as CFO in May 2012. Nicholas is a Chartered Accountant and has held senior finance roles with Total operating in the UKCS and was Finance Director of Carless operating in the UK and US. Nicholas has served as a Director of the Company from 10 May 2005 until 28 July 2011 and now again since 11 May 2012.

Nicholas has extensive experience with start-up companies, including Saxon Oil and was a founder director of Alkane, a methane extraction company.

Keith Kirby Chief Administrative Officer

An experienced business manager, prior to joining Hurricane in 2011 Keith spent 10 years with the Hutchison Whampoa Group as CEO of a Group business unit and profit centre, providing management consultancy and advising on marketing and strategic communications to companies around the World. He has previously advised Kuwait Petroleum International in Europe and Emarat in the UAE. 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 is responsible for general management, communications, investor relations, company systems, facilities, HR and the other administrative aspects of running the business, including leadership of certain key corporate activity. Keith has been a Director of the Company since 28 July 2011.

Neil Platt Chief Operations Officer

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

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. 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 Chief Technology Advisor for BP Group. Following retirement from BP he held a variety of advisory and board positions including nine years on the Board of BHP Billiton.

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

John van der Welle Non Executive Director

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

After 11 years at Enterprise Oil, where he was Business Development Manager and subsequently Group Treasurer, John has been Finance Director of a number of listed E&P companies, including Premier Oil 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 on 8 March 2013 and is Chairman of the audit committee and is also a member of the remuneration and nomination committees.

Corporate Governance

The Board recognises its responsibility for the proper management of the Group and is committed to maintaining a high standard of corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Corporate Governance Code does not apply to companies quoted on AIM and there is no formal alternative for AIM companies. The Quoted Companies Alliance (QCA) has published a set of corporate governance guidelines for AIM companies, which include a code of best practice comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Directors comply with the QCA Corporate Governance Guidelines for Smaller Quoted Companies so far as it is practicable having regard to the size and current stage of development of the Group. The Board currently comprises four executive Directors and three non-executive Directors, including the Chairman John Hogan, Dr David Jenkins and John van der Welle (these being the three non-executive Directors) who are, in the opinion of the Board, independent in character and judgment.

The Board's decision making process is not dominated by any one individual or group of individuals. None of the Directors have any potential conflicts of interest between their duties to the Group and their private interests and/or duties owed to third parties.

The composition of the Board will be reviewed regularly and strengthened as appropriate in response to the Group's changing requirements. Appropriate training and an induction programme will be undertaken in respect of all Directors on appointment and subsequently as necessary, taking into account existing qualifications and experience. One third of all Directors are subject to election by Shareholders each year. The Board intends to meet at least five times each year, including an annual strategy day. At these meetings, the Board reviews the Group's long-term strategic direction and financial plans. All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Certain matters are reserved for consideration by the Board whilst other matters are delegated to Board committees. The Board is responsible for leading and controlling the Company and, in particular, for formulating, reviewing and approving the Group's strategy and budget.

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

Audit Committee

The role of the audit committee is to assist the Board in discharging its responsibilities with regard to monitoring the integrity of the Group's financial reporting, to review the Group's internal control and risk management systems, to monitor the effectiveness of the Group's external and internal audit function and to oversee the relationship with the Group's external auditor. The audit committee focuses particularly on compliance with legal requirements, accounting standards and the AIM Rules and ensures that an effective system of internal financial control is maintained.

The audit committee is chaired by John van der Welle and the other members are John Hogan and Dr David Jenkins. The audit committee will meet at least three times a year with further meetings as required. The Chief Executive Officer, the Chief Financial Officer, other Directors and representatives from the finance function may also attend and speak at meetings of the audit committee. No members of the audit committee have links with the Group's external auditor.

Remuneration Committee

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

The remuneration committee meets at least twice a year and as otherwise required. The remuneration committee is chaired by Dr David Jenkins and the other members are John Hogan and John van der Welle. The Chief Executive Officer, the Chief Administrative Officer and other Directors may also attend and speak at meetings of the remuneration committee.

Nominations Committee

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

The nominations committee will meet at least twice a year. The nominations committee is chaired by John Hogan and the other members are Dr David Jenkins and John van der Welle. The Chief Executive Officer, the Chief Administrative Officer and other Directors may also attend and speak at meetings of the nominations committee.

The Environmental Management Committee ("EM Committee")

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

The Group's environmental policy is on page 21.

Remuneration Report

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

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

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

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

The committee has reviewed the base salary levels for Executive Directors and determined that no increases would be made for 2014. Furthermore, the committee and Executive Directors agreed that no bonuses would be paid to the Executive Directors in respect of 2013.

The Group contributes to personal pension schemes. Under current legislation, from 2015 we will be required to provide a workplace pension scheme for all employees.

During the year the committee took independent advice from two remuneration specialists, MM&K and Kepler Associates. In the light of this advice the committee considers that the current remuneration policy is in line with industry practice, is competitive and appropriate for the current strategic priorities of the business.

Environmental Policy

The operations of the Group are subject to a variety of laws and regulations governing the discharge of materials into the environment or otherwise relating to environment protection. Failure to comply with these laws and regulations can result in the imposition of substantial fines and penalties as well as potential orders suspending or terminating rights to operate. Hurricane is committed to minimising our impact on the environment in which we work and achieves this through the implementation of its Environmental Policy.

The 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, please refer to the Hurricane website, hurricaneenergy.com.

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.

Other core policies

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

Annual General Meeting

The 2014 AGM will be held on Monday 23 June 2014 at 11am at:

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Chief Financial Officer's Review

Overview

The year ended 31 December 2013 saw the Group prepare and plan the Lancaster horizontal well to further appraise the Lancaster structure. In parallel, the Group focused its efforts to fund the appraisal drilling by raising £31.4 million (gross) in a pre-IPO round of fundraising and to continue with the planned IPO. In February 2014 the Company was successfully floated on AIM and raised a further £18.0 million (gross).

Fundraising

The Group completed a fundraising in April 2013 in anticipation of an IPO in mid 2013. The Group raised £31.4 million (gross) by issuing a combination of convertible loan notes and issuing Ordinary Shares accompanied by a warrant 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. The rig contract for the use of the GSF Arctic III rig was signed in April 2013. However, due to the delays incurred by the previous operator of the rig, the Group decided to accept cancellation of the rig contract in order to avoid our programme running into winter weather. This cancellation triggered a review of the IPO timetable to bring it in line with the revised rig schedule being negotiated. To help facilitate the revised IPO schedule, in November 2013, the convertible loan notes and warrant were successfully renegotiated in order to extend the maturity date to 24 months from issue.

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

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

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

Immediately prior to the IPO in February 2014, the Group entered into an assignment agreement with Transocean Drilling UK Limited and Talisman Sinopec Energy UK Limited for the provision of the Sedco 712 semi submersible drilling rig for the drilling and testing of the Lancaster basement oil discovery. This committed the Group to $26.6 million of capital expenditure to lease the drilling rig for the operations.

Financial Review

The Group commenced 2013 with cash and cash equivalents of £22.4 million and spent £7.0 million during the period to further appraise Lancaster by planning the upcoming Lancaster horizontal well and assessing possible development scenarios for the Lancaster structure and the wider GLA. After further assessment of the Orkney prospect, situated within licence P1844, the decision was made not to continue to explore the area. The licence was relinquished in October 2013, resulting in £0.5 million being written off.

The Group's loss for the year increased to £21.3 million compared with £6.8 million in the previous 16 months. Although this appears to be a significant increase, it is primarily due to the effect of the Group's financing arrangements that were entered into in April 2013 as described below as well as the write off of exploration expenditure associated with licence P1844 and the effects of foreign exchange rate movements.

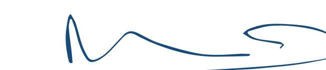
The losses associated with the Group's financing arrangements were non cash losses and have not affected the Group's funding position. This includes both the £5.7 million of effective interest on the convertible loan notes and the £8.8 million fair value movement of the derivatives associated with the conversion option of the loan notes and the warrant. The admission of the Company to AIM in 2014 triggered the conversion of all outstanding loan notes into Ordinary Shares of the Company, which extinguished all liabilities to the holders. The warrant was also exercised. The convertible loan note liability and derivative liabilities were both derecognised from the Group's Balance Sheet. Further details on accounting for the Groups pre IPO funding is included in note 23 of the Group Financial Statements.

Due to the nature of the Group's business, it has accumulated significant tax attributes since incorporation. As at 31 December 2013, the Group has pre-trading revenue expenses of £23.1 million and has incurred £119.4 million of capital expenditure on which tax relief should be available to carry forward against future trading profits.

In addition, the total pre-trading expenditure of £142.5 million may attract Ring Fenced Expenditure Supplement on the commencement of trade, which would result in a further uplift of £42.6 million of tax relief being available at that time.

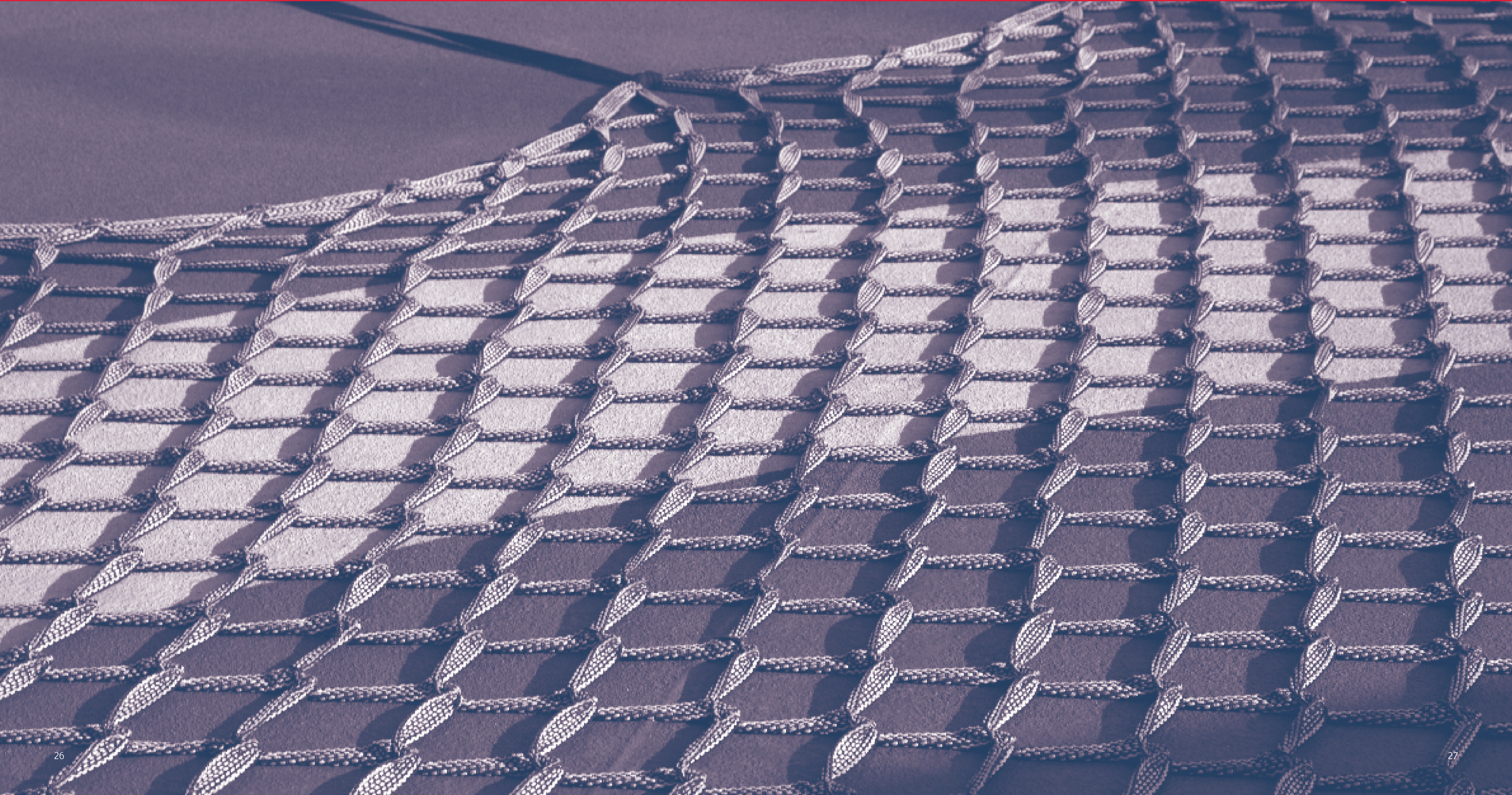
Although 2013 was a challenging year without any drilling activity, it enabled the Group to strengthen its financial position by way of the pre-IPO funding round. This, together with the very limited financial impact of cancelling the rig contract for the GSF Arctic III, meant that the Group ended 2013 in a strong position to complete the IPO early in 2014.

The Group looks forward to progressing as an AIM traded Group through 2014 and is fully funded for the forthcoming drilling campaign.



Nicholas Mardon Taylor
Chief Financial Officer

Financial Statements



Directors' Report

The Directors present their Annual Report and audited Group Financial Statements of Hurricane Energy plc (formerly Hurricane Exploration plc) (the Company) and its wholly-owned subsidiaries for the year ended 31 December 2013 (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 previous accounting period the Company's accounting reference date was changed to 31 December. The Annual Report includes the Group's results for the 12 months ended 31 December 2013 and comparatives are for the 16 months ended 31 December 2012 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 2013 with comparatives as at 31 December 2012.

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 £21,353,000 (2012: loss of £6,799,000). The Directors do not recommend the payment of a dividend.

Directors

The following Directors held office during the year ended 31 December 2013 and up to the date of this report.

Dr Robert Trice
Nicholas Mardon Taylor
Keith Kirby
Neil Platt (Appointed 8 March 2013)
John Hogan (Appointed 8 March 2013)
Dr David Jenkins (Appointed 8 March 2013)
John van der Welle (Appointed 8 March 2013)
Sir Adrian Montague CBE (Resigned 8 March 2013)
Bill Guest (Resigned 8 March 2013)
Philip Dayer (Resigned 8 March 2013)
Jon Murphy (Resigned 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 22.

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 23 of the Group Financial Statements.

The Group's Financial Statements for the year reflect the accounting policies for the Group's financing arrangements, however, these arrangements were settled on IPO.

Key performance indicators

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

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 23 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 year end was £40.2 million, and had £26.1 million of borrowings in the form of convertible loan notes. The Group has no source of operating revenue and currently obtains working capital primarily through equity financing. The Group is therefore dependent on future fundraising, capital receipts or other forms of finance including a possible farm out in order to continue in operation and the proposed work programme is dependent on this future fundraising activity.

On 4 February 2014 the Company was admitted on to AIM, a market operated by the London Stock Exchange. As part of the IPO the Group raised a further £18.0 million by issuing Ordinary Shares. The listing on AIM also triggered the conversion of all outstanding loan notes into Ordinary Shares of the Company, which extinguished all liabilities to the holders. This has enabled the Group to enter into a rig contract to drill the Lancaster horizontal well in Q2 2014 and the Group is fully funded for this drilling programme, and to sustain the Group's overhead for a period thereafter.

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 24 and 25. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Directors' Report

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

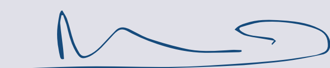
- so far as that Director was aware there was no relevant information of which the Group's auditor was unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's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

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

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:

Dr Robert Trice
Chief Executive Officer
13 May 2014



Nicholas Mardon Taylor
Chief Financial Officer
13 May 2014

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

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

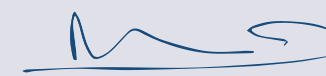
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies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

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

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

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

Dr Robert Trice
Chief Executive Officer
13 May 2014



Nicholas Mardon Taylor
Chief Financial Officer
13 May 2014

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 year ended 31 December 2013 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes 1 to 27 and 1 to 11.

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 2013 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 FCA (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
13 May 2014

Group Income Statement

for the Year Ended 31 December 2013

	Notes	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Operating expenses		**(5,333)**	(7,216)
Intangible exploration and evaluation costs written off	13	**(534)**	(9)
Operating loss	6	**(5,867)**	(7,225)
Investment revenue	5	**125**	103
Foreign exchange (losses)/gains		**(1,101)**	348
Finance costs	7	**(5,695)**	(7)
Fair value loss on derivative financial instruments	23.9	**(8,792)**	-
Loss before tax		**(21,330)**	(6,781)
Tax	10	**(23)**	(18)
Loss for the period		**(21,353)**	(6,799)
Loss per share, basic and diluted	11	(4.45) pence	(1.47) pence

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

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

Group Balance Sheet

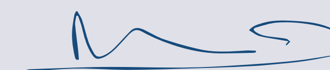
as at 31 December 2013

	Notes	As at 31 Dec 2013 £'000	As at 31 Dec 2012 £'000
Non-current assets			
Property, plant and equipment	12	**330**	-
Intangible exploration and evaluation assets	13	**137,681**	131,077
Other receivables	14	**130**	130
		138,141	131,207
Current assets			
Trade and other receivables	15	**1,098**	390
Cash and cash equivalents	16	**40,167**	22,390
		41,265	22,780
Total assets		**179,406**	153,987
Current liabilities			
Trade and other payables	17	**(847)**	(788)
Current tax liabilities		**(25)**	(22)
Borrowings	23.7	**(26,145)**	-
Derivative financial instruments	23.9	**(15,692)**	-
		(42,709)	(810)
Non-current liabilities			
Decommissioning provisions	18	**(4,764)**	(4,000)
Total liabilities		**(47,473)**	(4,810)
Net assets		**131,933**	149,177
Equity			
Share capital	19	**483**	475
Share premium		**167,328**	163,910
Share option reserve		**1,901**	1,343
Own shares held by SIP Trust	21	**(136)**	(67)
Accumulated deficit		**(37,643)**	(16,484)
Total equity		**131,933**	149,177

The Financial Statements of Hurricane Energy plc were approved by the Board of Directors and authorised for issue on 13 May 2014.

They were signed on its behalf by:

Dr Robert Trice
Chief Executive Officer
13 May 2014



Nicholas Mardon Taylor
Chief Financial Officer
13 May 2014

Registered company number 5245689

Group Statement of Changes in Equity

for the Year Ended 31 December 2013

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Own shares held by SIP Trust £'000	Warrant reserve £'000	Accumulated deficit £'000	Total £'000
Balance at 1 September 2011	488	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
Shares allotted	8	3,514	-	-	-	-	3,522
Transaction costs	-	(165)	-	-	-	-	(165)
Share option charge	-	-	752	-	-	-	752
Share options exercised	-	-	(194)	-	-	194	-
Own shares held by SIP Trust	-	69	-	(69)	-	-	-
Loss for the period	-	-	-	-	-	(21,353)	(21,353)
Balance at 31 December 2013	**483**	**167,328**	**1,901**	**(136)**	**-**	**(37,643)**	**131,933**

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.

Group Cash Flow Statement

for the Year Ended 31 December 2013

	Notes	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Net cash outflow from operating activities	22	**(4,424)**	(6,307)
Investing activities			
Interest received		**125**	115
Expenditure on property, plant and equipment		**(25)**	-
Expenditure on intangible exploration and evaluation assets		**(7,044)**	(33,181)
Net cash used in investing activities		**(6,944)**	(33,066)
Financing activities			
Interest paid		**(3)**	(7)
Net proceeds from issue of share capital and warrants		**4,065**	28,534
Net proceeds from issue of convertible loan notes		**26,713**	-
Expenses related to corporate finance activities		**(529)**	-
Net cash provided by financing activities		**30,246**	28,527
Net increase / (decrease) in cash and cash equivalents		**18,878**	(10,846)
Cash and cash equivalents at the beginning of the period		**22,390**	32,888
Net increase / (decrease) in cash and cash equivalents		**18,878**	(10,846)
Effects of foreign exchange rate changes		**(1,101)**	348
Cash and cash equivalents at the end of the period	16	**40,167**	22,390

Notes to the Group Financial Statements

for the Year Ended 31 December 2013

1. General information

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

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

1.1 New and revised standards International Financial Reporting Standards

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

Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
IFRS 13 Fair Value Measurement
IAS 19 (reissued) Employee Benefits
IFRIC 20 Stripping costs in the Production Phase of a Surface Mine

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

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2015)
IFRS 10 Consolidated Financial Statements (effective for periods beginning on or after 1 January 2014)
IFRS 11 Joint Arrangements (effective for periods beginning on or after 1 January 2014)
IFRS 12 Disclosure of Interest in Other Entities (effective for periods beginning on or after 1 January 2014)
IFRS 14 Regulatory Deferral Accounts (effective for periods beginning on or after 1 January 2016)
IAS 27 (reissued) Separate Financial Statements (effective for periods beginning on or after 1 January 2014)
IAS 28 (reissued) Investments in Associates and Joint Ventures (effective for periods beginning on or after 1 January 2014)
IFRIC 21 Levies (effective for periods beginning on or after 1 January 2014)

The Directors anticipate that the adoption of these standards and Interpretations in future periods will have no material impact on the Financial Statements of the Group.

2. Significant accounting policies

2.1 Basis of accounting

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

2.2 Going concern

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

2.3 Basis of consolidation

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

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

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

2.4 Revenue recognition

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

2.5 Oil and gas exploration and evaluation activity

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

Pre-licence costs, which relate to costs incurred prior to having obtained the legal right to explore an area, are charged to 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.

2.6 Property, plant and equipment

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

2.7 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.

2.8 Foreign currencies

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

2.9 Taxation

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

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

Notes to the Group Financial Statements

for the Year Ended 31 December 2013

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

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

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

2.11 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.

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

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

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

2.11.4 Financial liabilities at FVTPL
Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated at FVTPL.

A financial liability is classified as held for trading if it has been incurred principally for the purpose of repurchasing it in the near term.

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

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

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

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

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

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

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

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

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

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

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

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

2.13 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 that have the most significant effect on the amounts recognised in the historical financial information.

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

Note 13 discloses the carrying values and any impairments of the Group's intangible exploration and evaluation assets.

Notes to the Group Financial Statements
for the Year Ended 31 December 2013

3.2 Estimation of decommissioning costs
Provision for decommissioning is 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 oil and gas exploration and evaluation expenditure. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. The provision therefore reflects estimates of the decommissioning cost, timings of decommissioning and the appropriate discount rate which are subject to revisions as better information becomes available.

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

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

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

The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current funding position and have financial headroom for the 12 months from the date of approval of the 2013 Annual Report.

3.4 Determining the fair value of derivative financial instruments
Estimating the fair value of the derivative financial instruments that are recognised at fair value through profit and loss requires judgement from management over the expected timing and likelihood of settlement and the amount of interest payable in the underlying contracts. There are inherent uncertainties in the estimation timing and likelihood of settlement of the derivatives as they rely upon future events which are uncertain at the reporting date.

Note 23.9 provides further detail on the Group's derivative financial instruments, all of which were settled in 2014.

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

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

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

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

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

6. Operating loss

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Operating loss is stated after charging:		
Staff cost (note 9)	**3,319**	4,323
Operating lease rentals – land and buildings	**191**	205
Depreciation of property, plant and equipment (note 12)	**182**	-
Intangible exploration and evaluation costs written off (note 13)	**534**	9
Auditor's remuneration (see below)	**305**	257

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

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Audit services		
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**45**	28
The audit of the Company's subsidiaries	**5**	8
	50	36
Non audit services		
Taxation services	**5**	10
Corporate finance	**250**	211
	255	221
Total	**305**	257

Fees as reported for corporate finance services for the periods ending 31 December 2013 and 2012 are significantly higher than would be expected under the normal course of business as they relate to the Group's admission to AIM. Furthermore, the non-audit fees reported in the Group's next Annual Report, year ending 31 December 2014, will include the final corporate finance fees in respect of admission to AIM. After 2014, due to the Group's successful admission to AIM, the level of non-audit fees relating to corporate finance are expected to reduce significantly.

The Group made no charitable or political donation during 2013 (2012: £Nil).

7. Finance costs

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Bank charges	**3**	7
Interest on convertible loan notes (note 23.7)	**5,625**	-
Unwinding of discount on decommissioning provisions (note 18)	**67**	-
	5,695	7

Notes to the Group Financial Statements

for the Year Ended 31 December 2013

8. Directors' emoluments

8.1 Directors' emoluments

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

12 Months Ended 31 Dec 2013	Emoluments £'000	Bonus for 2012[6] £'000	Pension contributions £'000	Total £'000
Dr Robert Trice	375	120	38	533
Nicholas Mardon Taylor	275	78	28	381
Keith Kirby	275	98	28	401
Neil Platt[1]	229	131	23	383
John Hogan[1,2]	123	-	-	123
David Jenkins[1,3]	45	-	-	45
John van der Welle[1,4]	45	-	-	45
Other Directors[5]	85	-	-	85
	1,452	**427**	**117**	**1,996**

[1] Appointed 8 March 2013.
[2] Emoluments includes a £25,000 that is required to be used to acquire Ordinary Shares in the Company.
[3] 50% of emoluments were consulting fees paid to Chartwood Resources Ltd, a company controlled by David Jenkins.
[4] 50% of emoluments were consulting fees paid to Northlands Advisory Services Limited, a company controlled by John van der Welle.
[5] Other Directors emoluments include payments made to previous Directors who are no longer employed by the Group.
[6] Bonus payment made in March 2013, in respect of services provide in 2012.

16 Months Ended 31 Dec 2012	Emoluments £'000	Bonus for 2011[3] £'000	Pension contributions £'000	Total £'000
Dr Robert Trice	383	141	38	562
Nicholas Mardon Taylor[1]	127	-	13	140
Keith Kirby	327	69	33	429
Other Directors[2]	793	138	16	947
	1,583	**395**	**100**	**2,078**

[1] Reappointed 12 May 2012.
[2] Other Directors emoluments include payments made to previous Directors who are no longer employed by the Group.
[3] Bonus payment made in May 2012, in respect of services provide in 2011.

Notes to the Group Financial Statements
for the Year Ended 31 December 2013

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

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

Tranche	As at 1 Jan 2013	Granted	Exercised	Lapsed	As at 31 Dec 2013	Exercise price	Date from which exercisable	Expiry date
Dr Robert Trice								
22/02/06	1,000,000	-	(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
17/04/13	-	6,800,000	-	(2,266,667)	4,533,333	£nil	n/a	04/02/19
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
17/04/13	-	6,800,000	-	(2,266,667)	4,533,333	£nil	n/a	04/02/19
Nicholas Mardon Taylor								
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
17/04/13	-	6,800,000	-	(2,266,667)	4,533,333	£nil	n/a	04/02/19
Neil Platt (Appointed 8 March 2013)								
28/07/11	612,610	-	-	(612,610)	-	£1.11	28/07/14	27/07/21
20/07/12	129,630	-	-	(129,630)	-	£nil	31/12/14	20/07/22
17/04/13	-	6,800,000	-	(2,266,667)	4,533,333	£nil	n/a	04/02/19
John Hogan (Appointed 8 March 2013)								
17/04/13	-	1,000,000	-	(333,333)	666,667	£nil	n/a	04/02/19
Dr David Jenkins (Appointed 8 March 2013)								
17/04/13	-	500,000	-	(166,667)	333,333	£nil	n/a	04/02/19
John van der Welle (Appointed 8 March 2013)								
17/04/13	-	500,000	-	(166,667)	333,333	£nil	n/a	04/02/19
Total	**5,731,543**	**29,200,000**	**(2,000,000)**	**(13,464,878)**	**19,466,665**			

Tranche	As at 1 September 2011	Granted	Exercised	Lapsed	As at 31 December 2012	Exercise price	Date from which exercisable	Expiry date
Dr 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 (Reappointed 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
Total	**6,825,160**	**823,333**	**(300,000)**	**(359,190)**	**6,989,303**			

The share options exercised by Dr Robert Trice in 2012 were held by Julie Trice, his spouse.

Notes to the Group Financial Statements

for the Year Ended 31 December 2013

9. Staff costs

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

	12 Months Ended 31 Dec 2013 Number	16 Months Ended 31 Dec 2012 Number
Operations	**18**	19
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	**2,759**	4,455
Social security costs	**410**	523
Share-based payment expense	**752**	902
Pension costs	**181**	220
Total employment costs	**4,102**	6,100
Less amounts capitalised	**(783)**	(1,777)
Staff costs recognised in the income statement	**3,319**	4,323

The employment cost for the Directors employed by the Group during the year ended 31 December 2013 was £2,665,000 (16 month period ending 31 December 2012 was £3,076,000). These costs include social security costs of £237,000; (16 month period ending 31 December 2012: £241,000) and a share based payment expense of £478,000; (16 month period ending 31 December 2012: £510,000).

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

10. Tax on loss on ordinary activities

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
UK corporation tax		
Current tax – current year	**25**	18
Current tax – prior year	**(2)**	-
Deferred tax	**-**	-
	23	18
Loss on ordinary activities before tax	**(21,330)**	(6,781)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil and gas companies of 62% (2012: 62%)	**(13,225)**	(4,204)
Effects of:		
Adjustment to prior years	**(2)**	-
Expenses not deductible for tax purposes	**847**	1,100
Unrecognised pre-trade revenue expenditure carried forward	**12,456**	3,165
Profits subject to tax at lower rate	**(53)**	(43)
Total tax charge for period	**23**	18

10.1Factors 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 £23.1 million (2012 £20.2 million) and pre-trading capital expenditure £119.4 million (2012: £113.0 million) which will be available for tax relief on commencement of a petroliferous trade for UK tax purposes.

The total pre-trading expenditure of £142.5 million (2012: £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 £42.6 million (2012: £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 £14.3 million (2011: £12.5 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% (2012: 62%).

11. Loss per share

The basic and diluted loss per share has been calculated using the loss for the year ended 31 December 2013 of £21,353,000 (16 month period ended 31 December 2013: £6,799,000). The loss per share is calculated using a weighted average number of Ordinary Shares in issue less treasury shares. For the year ended 31 December 2013 this amounts to 480,246,410 (16 month period ended 31 December 2012: 462,838,701). The loss per share for the year ended 31 December 2013 was 4.45 pence (16 month period ended 31 December 2012: 1.47 pence).

As the Group has made losses for both periods, convertible loan notes, warrants and share options detailed in notes 20 and 23 were anti-dilutive and have not been included in the fully diluted loss per share calculation.

Notes to the Group Financial Statements

for the Year Ended 31 December 2013

12. Property, plant and equipment

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Cost		
At start of period	-	-
Adjustment	741	-
Additions	25	-
At 31 December	766	-
Depreciation		
At start of period	-	-
Adjustment	(254)	-
Charge for the period	(182)	-
At 31 December	(436)	-
Carrying amount at 31 December	330	-

Property, plant and equipment comprises the Group's investment in leasehold improvements, fixtures, office equipment and computer hardware. In previous periods these costs had been expensed on acquisition due to their immaterial nature. In the current period an immaterial adjustment has been made to capture the costs and depreciation of the Group's property, plant and equipment previously expensed.

13. Intangible exploration and evaluation assets

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
At start of period	131,077	96,237
Additions	6,441	31,649
Effect of changes to decommissioning estimates (note 18)	697	3,200
Amounts written off	(534)	(9)
At 31 December	137,681	131,077

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

The amounts written off in the year ended 31 December 2013 relates to the exploration expenditure on licence P1844 which was relinquished in October 2013. The amounts written off in the 16 months ended 31 December 2012 relates to the onshore UK licences of PEDL 160 and PEDL 229, which were relinquished in 2011.

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.

14. Other non-current receivables

The other non-current receivables of £130,000 (2012: £130,000) represents the deposit for the office lease. Further details are given in note 25.

15. Trade and other receivables

	31 Dec 2013 £'000	31 Dec 2012 £'000
Other receivables	1,073	370
Prepayments and accrued income	25	20
	1,098	390

16. Cash and cash equivalents

	31 Dec 2013 £'000	31 Dec 2012 £'000
Unrestricted funds	37,293	22,240
Escrow funds	2,874	150
	40,167	22,390

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 Lancaster drilling operations.

17. Trade and other payables

	31 Dec 2013 £'000	31 Dec 2012 £'000
Trade payables	197	633
Other payables	125	1
Accruals	525	154
	847	788

As at 31 December 2013 no trade payables or accruals were secured through charges on funds held within the escrow (2012: £29,000).

18. Decommissioning provisions

Provisions for decommissioning and restoration of the Group's exploration assets are:

	31 Dec 2013 £'000	31 Dec 2012 £'000
At start of period	4,000	800
Unwinding	67	-
Additions	697	3,200
At 31 December	4,764	4,000

The provision for decommissioning relates to the costs required to decommission the Lancaster and Whirlwind exploration assets. The additions in both periods 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 at the end of the current licence term in 2019, discounted at 1.9%.

Notes to the Group Financial Statements
for the Year Ended 31 December 2013

19. Called up share capital

	31 Dec 2013 £'000	31 Dec 2012 £'000
Allotted, called up and fully paid 2013: 483,288,050 (2012: 474,688,050) Ordinary Shares of £0.001 each	**483**	475

The Company does not have an authorised share capital.

During the year ended 31 December 2013, 5,300,000 share options were exercised for a gross cash consideration of £930,000. This resulted in the issue of 5,300,000 Ordinary Shares.

In April 2013, 3,299,999 Ordinary Shares and a warrant were issued for a gross cash consideration of £3.3 million.

On 15 April 2013 authority was provided by Shareholders for the Directors to issue a further 200 million Ordinary Shares for the purpose of the Group's IPO plans and other working capital requirements

During the 16 month period ended 31 December 2012, the Group issued 27,117,000 Ordinary Shares for a gross cash consideration of £29.8 million.

During the 16 months ended 31 December 2012, 5,782,935 of these 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.

20. Share options

On the 15 November 2011, a resolution was passed to subdivide each Ordinary Share with a nominal value of £0.01 each into ten £0.001 Ordinary Shares. This note reflects these changes.

On 22 February 2006, the Group granted share options, under an Enterprise Management Incentive scheme, over 3,600,000 Ordinary 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 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 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 Shares and unapproved share options over 1,283,000 Ordinary 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 Shares and unapproved share options over 1,579,020 Ordinary 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 Shares and unapproved share options over 1,450,470 Ordinary 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 Shares and unapproved share options over 633,440 Ordinary 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 Shares and unapproved share options over 111,111 Ordinary Shares to employees of the Group at an exercise price of £1.35 per share.

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 Group 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.

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 respect of these options in either period presented.

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

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

In November 2013, a total of 10,666,668 conditional awards under the PSP were surrendered. The remaining 34,783,332 conditional awards under the PSP had their performance conditions modified so that the share awards vest based on the Group meeting certain funding milestones across the next five years. A further 1,000,000 conditional rights to receive Ordinary Shares at nil cost were granted under the updated PSP. Also, a total of 666,667 conditional awards under the NED Plan were surrendered. The remaining 1,333,333 conditional awards under the NED Plan had their performance conditions modified in line with those modified in the PSP. The changes to the PSP and NED Plan have been accounted for as modifications to the original schemes. No charges have been recorded in the period for either scheme.

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of 5.2 years (2012: 4.9 years).
The estimated fair value of the options granted was £nil (2012: £97,886).

	31 Dec 2013 Number of options	31 Dec 2013 Weighted average exercise price £	31 Dec 2012 Number of options	31 Dec 2012 Weighted average exercise price £
Outstanding at start of period	**11,469,207**	**0.49**	11,527,710	0.60
Granted in the period	**48,450,000**	**-**	1,649,407	0.11
Forfeited in the period	**(17,502,542)**	**0.27**	(1,407,910)	1.03
Exercised in the period	**(5,300,000)**	**0.18**	(300,000)	0.10
Outstanding at the end of the period	**37,116,665**	**-**	11,469,207	0.49
Exercisable	**-**	**-**	5,900,000	0.19

The Group recognised total expenses of £752,000 in respect of share based payments in the year ended 31 December 2013 (16 month period ended 31 December 2012: £902,000).

Notes to the Group Financial Statements
for the Year Ended 31 December 2013

21. Own shares held by SIP Trust

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
At start of period	**67**	67
Acquired in the period	**97**	-
Shares disposed of to employees	**(28)**	-
At 31 December	**136**	67

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

As at 31 December 2013 and 2012 there were 136,898 Ordinary Shares held in the SIP Trust of which 93,050 are allocated to participants. The balance of 43,848 Ordinary Shares are available to meet future awards.

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

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Operating loss	**(5,867)**	(7,225)
Adjustments for:		
Depreciation of property, plant and equipment (note 12)	**182**	-
Non cash property, plant and equipment movements	**(360)**	-
Intangible exploration and evaluation costs written off (note 13)	**534**	9
Share based payment charge (note 20)	**752**	1,120
Operating cash out flow before working capital movements	**(4,759)**	(6,096)
Decrease in receivables	**55**	729
Increase / (decrease) in payables	**299**	(918)
Cash used in operating activities	**(4,405)**	(6,285)
Corporation tax paid	**(19)**	(22)
Net cash outflow from operating activities	**(4,424)**	(6,307)

23. Financial instruments

23.1 Financial risk management

The Group monitors and manages the financial risks relating to its operations on a continuous basis. These include foreign exchange, credit, liquidity and interest rate risks. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes. Derivatives on the Group's balance sheet at 31 December 2013, relate to certain features of the Group's financing arrangements all of which have been settled in 2014. The Group's significant financial instruments are cash and cash equivalents (note 16), trade payables (note 17), convertible loan notes and its associated derivative (note 23.7), and the warrant (note 23.8). The Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The Group has no material financial assets that are past due.

23.2 Capital risk management

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

Capital managed by the Group at 31 December 2013 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by management through regular internal and financial reporting and forecasting. As at 31 December 2013 equity attributable to equity holders of the parent is £131.9 million (2012: £149.2 million), whilst cash and cash equivalents amount to £40.2 million, (2012: £22.4 million).

23.3 Foreign exchange risk

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

A 10% increase in the strength of the US Dollar against Sterling would cause a decrease of £2.1 million (16 month period to 31 December 2012: £0.5 million) on the loss after tax of the Group for the year ended 31 December 2013. A 10% weakening in the strength of the US Dollar against Sterling, would cause an increase of £1.7 million (16 month period to 31 December 2012: £0.4 million) on the loss after tax of the Group for the year ended 31 December 2013.

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

23.4 Credit risk

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

23.5 Liquidity risk

The Group manages its liquidity risk by maintaining adequate cash and cash equivalents to cover its liabilities as and when they fall due. The financial liabilities of the Group are currently limited to trade payables which are due to be paid within 60 days of the Balance Sheet date, and the convertible loan notes, which have since been converted. (see note 23.7).

23.6 Interest rate risk

The Group is exposed to interest rate movements through its cash and cash equivalents which earn interest at variable interest rates. The interest rates on the convertible loan notes are fixed, as described in note 23.7.

If interest rates had been 1% higher, the Group's loss after tax for the year ended 31 December 2013 would have decreased by £0.4 million (16 months ended 31 December 2012: £0.2 million), assuming the cash and cash equivalents at the Balance Sheet date had been outstanding for the whole year. No sensitivity analysis has been undertaken for a 1% decrease in interest rates because of the low level of prevailing interest rates during the year.

Notes to the Group Financial Statements

for the Year Ended 31 December 2013

23.7 Convertible loan notes

In April 2013 the Group raised £28.1 million (gross) by issuing convertible loan notes at an issue price of £1.00 per note, with a maturity date of 1 year from issue. The maturity date of the loan notes was extended by a further year in October 2013.

The convertible loan notes were to be converted into Ordinary Shares on or immediately prior to admission of the Company's shares on AIM, which occurred on admission post year end. The conversion was at a 30% discount to the placing price (in the case of admission), subject to a minimum conversion price of £0.30 per share.

The convertible loan notes accrue interest at a rate of 5% per annum for the first seven months and at a rate of 15% thereafter. If conversion of the loan notes had not occurred, then amounts outstanding under the convertible loan notes (including all accrued interest) would be repayable in cash.

The conversion feature of the convertible loan notes has been classified as an embedded derivative liability and measured at fair value through profit and loss. The amount recognised on inception in respect of the host debt contract was determined by deducting the fair value of the conversion option at inception from the fair value of the consideration received for the convertible loan notes. The debt component is then recognised at amortised cost, using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Net proceeds on issue of convertible loan notes	26,713	-
Liability component at date of issue	20,520	-
Interest charged	5,625	-
Liability at 31 December	26,145	-
Derivative liability at date of issue	6,193	-
Change in fair value recognised in the income statement	8,085	-
Derivative liability at 31 December	14,278	-

The interest expensed of the year is calculated by applying an effective interest rate of 41% to the liability component to October 2013. After the extension of the repayment date, the interest was calculated by applying an effective interest rate of 23.7%.

On 4 February 2014 the Company was admitted to AIM which triggered the conversion of the loan notes. See note 27.2 for further detail.

23.8 Warrant

In April 2013 the Group raised £3.3 million (gross) by issuing Ordinary Shares together with a warrant to subscribe for additional Ordinary Shares.

The holder of the warrant could elect to subscribe for Ordinary Shares on admission of the Company's shares on AIM, which occurred post year end on admission. The warrant was exercisable on admission and lapsed if not exercised. On initial issue of the warrant, if admission did not occur, the warrant would lapse 12 months after issue, however this was extended to 24 months after initial issue in November 2013.

The warrant gave the holder the right to subscribe for Ordinary Shares at a price which gave the holder an average subscription price, across the Ordinary Shares already subscribed for and those subscribed on exercise of the warrant, which equates to a discount of 30% to the placing price, subject to a minimum overall subscription price of £0.30 per share.
The warrant has been recognised as a derivative financial liability and measured at fair value through profit and loss. The value attributed to the equity shares issued has been determined by deducting the fair value of the warrant from the fair value of the consideration received for the share and warrant issue as a whole.

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Net proceeds on issue of shares and warrant	3,135	-
Equity component	2,428	-
Derivative liability at date of issue	707	-
Change in fair value recognised in the income statement	707	-
Derivative liability at 31 December	1,414	-

On 4 February 2014 the warrant holder exercised warrant as the Company was admitted to AIM. See note 26.2 for further detail.

23.9 Derivative financial instruments

The only derivative financial instruments held by the Group are associated with the issue of the convertible loan notes and the warrant in April 2013. At inception and at the Balance Sheet date, the fair value of the derivatives was calculated based on the 30% discount to the placing price that the holders of the loan notes and the warrant would receive on admission of the Company, including the amount of accrued interest the holders would be entitled to (only relevant for the derivatives associated with the loan notes) and an assessment of the date and likelihood of admission of the Company which at inception was considered 50% likely.

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Derivative liability at date of issue	6,900	-
Change in fair value recognised in the income statement	8,792	-
Derivative liability at 31 December	15,692	-

The change in the fair value in the period from inception relates to the changes in the assumptions related to the date and likelihood of admission of the Company at the Balance Sheet date. On 4 February 2014, the Company was admitted to AIM, on which date the warrant was exercised and the loan notes converted, as such the derivatives associated with both financial instruments were extinguished. The Group's financial instruments measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

Both of the Group's derivatives are Level 3. There were no transfers between fair value levels during the year. For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Group Financial Statements
for the Year Ended 31 December 2013

24. Capital commitments
As at 31 December 2013 and 2012 there were no capital commitments. In January 2014, capital commitments of $26.6 million were made in relation to drilling the LDC5 a on the Lancaster exploration, see note 27.1 for further detail.

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

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Within one year	**160**	140
In the second to fifth years inclusive	**520**	520
After five years	**293**	423
	973	1,083

26. Related parties
During the year ended 31 December 2013, the only related party transactions are those with the Directors who are considered as the Group's key management personnel. All transactions with the Directors are detailed in note 8.

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 until his resignation on 12 October 2011. £807,000 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.

27. Subsequent events
27.1 Signing of rig contract and proposed drilling of the Lancaster well
On 22 January 2014, the Group entered into an assignment agreement with Transocean Drilling UK Limited and Talisman Sinopec Energy UK Limited for the provision of the Sedco 712 semi submersible drilling rig for the drilling and testing of the Lancaster basement oil discovery. This committed the Group to $26.6 million of capital expenditure to lease the drilling rig for the operations.

Well management company SPD Limited has been contracted to provide well construction and project management services during the drilling campaign.

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

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

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

27.3 Share incentive plan
On 25 February 2014, MM&K Plan Trustees Limited, trustee of the HMRC approved Hurricane Energy plc Share Incentive Plan (SIP), awarded 326,577 Ordinary Shares in the Company to participants in the SIP at a price of £0.31 per share.

The SIP award has been satisfied in part by Ordinary Shares already held by the SIP and the issue of 282,729 new Ordinary Shares issued to the SIP at a subscription price of £0.31 per share.

Under the SIP, the following Directors purchased or were awarded the following number of new Ordinary Shares:

	Number of Partnership shares	Number of Free shares	Number of Matching shares
Dr Robert Trice	4,838	9,676	9,677
Nicholas Mardon Taylor	4,838	9,676	9,677
Keith Kirby	4,838	9,676	9,677
Neil Platt	4,838	9,676	9,677
	19,352	**38,704**	**38,708**

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

Company Balance Sheet

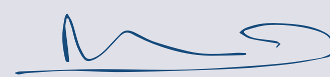
as at 31 December 2013

	Notes	**As at 31 Dec 2013 £'000**	As at 31 Dec 2012 £'000
Non-current assets			
Property, plant and equipment	1	**330**	-
Intangible exploration and evaluation assets	2	**61,062**	57,938
Investments	3	**15,090**	15,090
Amounts due from subsidiary undertakings		**59,213**	56,076
Other receivables	4	**130**	130
		135,825	129,234
Current assets			
Trade and other receivables	5	**1,098**	390
Cash and cash equivalents	6	**40,167**	22,390
Total current assets		**41,265**	22,780
Total assets		**177,090**	152,014
Current liabilities			
Trade and other payables	7	**(839)**	(779)
Current tax liabilities		**(25)**	(22)
Borrowings	9	**(26,145)**	-
Derivative financial instruments	9	**(15,692)**	-
		(42,701)	(801)
Non-current liabilities			
Decommissioning provision	8	**(2,382)**	(2,000)
Total liabilities		**(45,083)**	(2,801)
Net assets		**132,007**	149,213
Equity			
Share capital	9	**483**	475
Share premium		**167,328**	163,910
Share option reserve		**1,901**	1,343
Own shares held by SIP Trust	9	**(136)**	(67)
Accumulated deficit		**(37,569)**	(16,448)
Total equity		**132,007**	149,213

The Financial Statements of Hurricane Energy plc were approved by the Board of Directors and authorised for issue on 13 May 2014.
They were signed on its behalf by:

Dr Robert Trice
Chief Executive Officer
13 May 2014

Nicholas Mardon Taylor
Chief Financial Officer
13 May 2014



Registered company number 5245689

Company Statement of Changes in Equity

for the Year Ended 31 December 2013

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Own shares held by SIP Trust £'000	Warrant reserve £'000	Accumulated deficit £'000	Total £'000
Balance at 1 September 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
Shares allotted	8	3,514	-	-	-	-	3,522
Transaction costs	-	(165)	-	-	-	-	(165)
Share option charge	-	-	752	-	-	-	752
Share options exercised	-	-	(194)	-	-	194	-
Own shares held by SIP Trust	-	69	-	(69)	-	-	-
Loss for the period	-	-	-	-	-	(21,315)	(21,315)
Balance at 31 December 2013	**483**	**167,328**	**1,901**	**(136)**	**-**	**(37,569)**	**(131,007)**

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 year ended 31 December 2013 of the parent company was £21,315,000 (16 month period ended 31 December 2012: loss of £6,789,000). The Company has taken advantage of he exemption provided by Section 408 of the Companies Act 2006 not to publish its individual Income Statement and related notes.

Company Cash Flow Statement

for the Year Ended 31 December 2013

	Notes	**12 Months Ended 31 Dec 2013 £'000**	16 Months Ended 31 Dec 2012 £'000
Net cash outflow from operating activities	10	**(4,419)**	(6,434)
Investing activities			
Interest received		**125**	115
Expenditure on property, plant and equipment		**(25)**	-
Expenditure on intangible exploration and evaluation assets		**(3,847)**	(17,542)
Net cash used in investing activities		**(3,747)**	(17,427)
Financing activities			
Interest paid		**(3)**	(7)
Net proceeds from issue of share capital and warrants		**4,065**	28,534
Net proceeds from issue of convertible loan notes		**26,713**	-
Working capital provided to subsidiary companies		**(3,202)**	(15,512)
Expenses related to corporate finance activities		**(529)**	-
Net cash provided by financing activities		**27,044**	13,015
Net increase / (decrease) in cash and cash equivalents		**18,878**	(10,846)
Cash and cash equivalents at the beginning of the period		**22,390**	32,888
Net increase / (decrease) in cash and cash equivalents		**18,878**	(10,846)
Effects of foreign exchange rates		**(1,101)**	348
Cash and cash equivalents at the end of the period	6	**40,167**	22,390

Notes to the Company Financial Statements

for the Year Ended 31 December 2013

1. Property, plant and equipment

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Cost		
At the start of the period	**-**	-
Adjustment	**741**	-
Additions	**25**	-
At 31 December	**766**	-
Depreciation		
At the start of the period	**-**	-
Adjustment	**(254)**	-
Charge for the period	**(182)**	-
At 31 December	**(436)**	-
Carrying amount at 31 December	**330**	-

Property, plant and equipment comprises the Group's investment in leasehold improvements, fixtures, office equipment and computer hardware. In previous periods these costs had been expensed on acquisition due to their immaterial nature. In the current period an adjustment has been made to capture the costs and depreciation of the Group's property, plant and equipment previously expensed

2. Intangible exploration and evaluation assets

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
At the start of the period	**57,938**	40,339
Additions	**3,309**	16,008
Effect of changes to decommissioning estimates (note 8)	**349**	1,600
Amounts written off	**(534)**	(9)
At 31 December	**61,062**	57,938

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

The amounts written off in the year ended 31 December 2013 relates to the exploration expenditure on licence P1844 which was relinquished in October 2013. The amounts written off in the 16 months ended 31 December 2012 relates to the onshore UK licences of PEDL 160 and PEDL 229, which were relinquished in 2011.

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.

Notes to the Company Financial Statements
for the Year Ended 31 December 2013

3. Investments

	31 Dec 2013 £'000	31 Dec 2012 £'000
Investment in subsidiaries	**9,751**	9,751
Loan to subsidiary	**5,339**	5,339
	15,090	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 principal activity is oil and gas exploration. There are three other dormant subsidiaries; Hurricane Group Limited, Hurricane Basement Limited and Hurricane Petroleum Limited.

4. Other non-current receivables

The other non-current receivables of £130,000 (2012: £130,000) represent the deposit for the office lease. Further details are given in note 25 of the Group Financial Statements.

5. Trade and other receivables

	31 Dec 2013 £'000	31 Dec 2012 £'000
Other receivables	**1,073**	370
Prepayments and accrued income	**25**	20
	1,098	390

6. Cash and cash equivalents

	31 Dec 2013 £'000	31 Dec 2012 £'000
Unrestricted funds	**37,293**	22,240
Escrow funds	**2,874**	150
	40,167	22,390

The Company 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.

7. Trade and other payables

	31 Dec 2013 £'000	31 Dec 2012 £'000
Trade payables	**197**	633
Other payables	**125**	1
Accruals	**517**	145
	839	779

8. Decommissioning provisions

Provisions for decommissioning and restoration of the Group's exploration assets are:

	31 Dec 2013 £'000	31 Dec 2012 £'000
At start of period	**2,000**	400
Unwinding	**33**	-
Additions	**349**	1,600
At 31 December	**2,382**	2,000

The provision for decommissioning relates to the costs required to decommission the Lancaster and Whirlwind exploration assets. The additions in both periods 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 at the end of the current licence term in 2019, discounted at 1.9%.

9. Other balance sheet disclosures

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

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

	12 Months Ended 31 Dec 2013 £'000	16 Months Ended 31 Dec 2012 £'000
Operating loss	**(5,863)**	(7,214)
Adjustments for:		
Depreciation of property, plant and equipment (note 1)	**182**	-
Non cash property, plant and equipment movements	**(360)**	-
Intangible exploration and evaluation costs written off (note 2)	**534**	9
Share based payment charge	**752**	1,120
Operating cash out flow before working capital movements	**(4,755)**	(6,085)
Decrease in receivables	**55**	593
Increase / (decrease) in payables	**300**	(920)
Cash used in operating activities	**(4,400)**	(6,412)
Corporate tax paid	**(19)**	(22)
Net cash outflow from operating activities	**(4,419)**	(6,434)

11 Other disclosures

Certain other disclosures in notes 24, 25, 26 and 27 to the Group Financial Statements also apply to the Company in respect of its share of the Group's operations

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