Hurricane

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Directors' Report

The directors present their annual report and audited consolidated financial statements of Hurricane Exploration Plc and its wholly-owned subsidiaries for the year ended 31 August 2011 (collectively the "Group") Hurricane Exploration Plc (the "Company") is a company incorporated in Great Britain and registered in England and Wales and is the parent company of the Group

During the year three further subsidiary companies were incorporated which are currently dormant. These companies are Hurricane Petroleum Limited Hurricane Energy Limited and Hurricane Group Limited.

Principal Activity
The principal activity of the Group is oil and gas exploration There have not been any significant changes in the Groups principal activity during the year under review

The Groups head office is in Lower Eashing, Surrey with a regional office in Aberdeen.

Post Balance Sheet Events
Following the year end, the Group completed testing operations on the Whirlwind exploration well (205/21a 5) offshore UK, West of Shetland. The well has been suspended for future operations The testing resulted in the recovery to surface of light volatile oil / gas condensate. Drilling fluid losses and the recovery of hydrocarbons to surface indicate that the reservoir penetrated by the well is permeable and downhole pressure testing confirms the overpressured nature of the fractured reservoir The total drilling cost of the Whirlwind well re-entry was £25 4 million all incurred post year end

In addition as at 15 November 2011 a resolution was passed to subdivide each ordinary share with a nominal value of £0 01 each into ten ordinary shares with a nominal value of £0 001 each

The subdivision of the shares also impacts the warrants that are in place. Each existing warrant held is subdivided into the right for each warrant holder to subscribe for 10 new ordinary £0 001 shares at an exercise price of £0 30 per share.

1,904 640 warrants were exercised between 30 November 2011 and 1 February 2012 at a price of £0.30 for each new ordinary £0 001 share in the Company

A private fundraising was launched in January 2012 which is due to close on 24 February 2012 under which additional funding has already been committed.

Results for the year and dividends
The loss of the Group for the year was £4 021k (2010 loss of £1 011k). The directors do not recommend the payment of a dividend.

Directors
The following directors held office during the year ended 31 August 2011

Robert Trice
Nicholas Briggs
Bill Guest
Philip Dayer (Appointed 1 January 2011)
Jon Murphy (Appointed 1 January 2011)
Sir Adrian Montague CBE (Appointed 1 July 2011)
Keith Kirby (Appointed 28 July 2011)
Nicholas Mardon Taylor (Resigned 28 July 2011)
Charles Good (Resigned 12 October 2011)

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.

Supplier payment policy
The Groups 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 Groups policy to settle invoices close to the end of the month following the month of invoicing.

Financial risk
The Groups 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 AA rating.

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

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 Companys 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 Companys auditor was aware of that information

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

Going Concern
The Group has no source of operating revenue and currently obtains working capital through equity financing. It is therefore dependent on future fundraising, capital receipts or other forms of finance in order to continue in operation and the proposed work programme is dependent on this future fundraising activity

After making appropriate enquiries, the directors have formed an opinion at the time of approving the financial statements that there is a reasonable expectation that the Group can secure adequate resources to continue in operational existence for the foreseeable future This is based on the current bank balances, proposed funding income the underlying value of the licences and the spread of the Groups prospective resources

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

Nicholas Briggs
Chief Financial Officer

Directors' Responsibilities Statement

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

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

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

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

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

Corporate Governance Statement

The Combined Code on Corporate Governance as issued by the Financial Reporting Council is not mandatory for unlisted companies However the directors support the principles of the Combined Code and are applying the requirements where they are considered appropriate to the size, nature and unlisted status of the Group

The Board

At the balance sheet date and subsequently the Board consists of three executive directors one independent non executive chairman and three independent non-executive directors

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

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

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

During the year the Board appointed a non-executive chairman two independent non-executive directors and created a fully-mandated Remuneration Committee, Nomination Committee and Audit Committee. The Remuneration Committee and Audit Committee each consist of three independent non-executive directors. The Nominations Committee consists of a majority of independent non-executive directors.

It is intended that the three Committees comply with the Combined Code to the extent appropriate for the size nature and unlisted status of the Group.

Internal control

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

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

Communication with shareholders

The Company provides information about the Group s activity through its website (www.hex plc com) and shareholders and other interested parties may register on the website to receive news releases issued by the Group directly to their e-mail

Independent auditor's report to the members of Hurricane Exploration Plc

We have audited the financial statements of Hurricane Exploration Plc for the year ended 31 August 2011 which comprise of the Consolidated and Company Balance Sheets, the Consolidated Income Statement, the Consolidated and Company Statement of Changes in Equity the Consolidated and Company Cash Flow Statements and the related notes 1 to 23 and 1 to 10 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Companys 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 auditors 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 Boards 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 Groups 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. 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 Groups and of the parent companys affairs as at 31 August 2011 and of the Groups loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

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

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

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

Bevan Whitehead (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor London UK
3 February 2012

Consolidated Income Statement
for the Year Ended 31 August 2011

	Notes	2011 £'000	2010 £'000
Operating expenses		(2 512)	(1 031)
Write-off of Intangible Assets		(782)	-
Operating loss	5	(3,294)	(1,031)
Investment revenue		112	169
Exchange gains and losses		(811)	(114)
Finance costs		(2)	(2)
Loss before tax		(3 995)	(978)
Tax	8	(26)	(33)
Loss for the year		(4 021)	(1 011)

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

The loss for the financial year of the parent company was £4 014k (2010 loss of £1,000k) The Company has taken advantage of the exemption provided by Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

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

Consolidated Balance Sheet
as at 31 August 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Intangible assets	9	96 237	76 767
Other receivables	10	130	
		96 367	76 767
Current assets			
Trade and other receivables	11	1,131	619
Cash and cash equivalents	12	32 888	50 389
Total current assets		34,019	51 008
Total assets		130,386	127775
Current liabilities			
Trade and other payables	13	(3,238)	(17132)
Current tax liabilities		(26)	(37)
		(3,264)	(17169)
Non-current liabilities			
Decommissioning provision	14	(800)	(400)
Total liabilities		(4 064)	(17,569)
Net assets		126,322	110 206
Equity			
Share capital	15	448	429
Share premium		135 436	115,465
Share option reserve		451	237
Warrant reserve		795	795
Own shares held by Employee Benefit Trust	17	(67)	
Accumulated deficit		(10 741)	(6 720)
Total equity		126 322	110 206

The financial statements were approved and authorised for issue by the Board of Directors on 3 February 2012 and were signed on its behalf by

Robert Trice
Director

Nicholas Briggs
Director

Registered company number 5245689

Consolidated Statement of Changes in Equity

for the Year Ended 31 August 2011

	Share capital	Share premium account	Share option reserve	Own shares held by EBT	Warrant reserve	Accumulated deficit	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 September 2010	429	115 465	237	-	795	(6 720)	110 206
Shares allotted	19	20 231	-				20 250
Transaction costs	-	(260)	-	-	-		(260)
Share option charge	-		214	-			214
Own shares held by EBT	-	-	-	(67)			(67)
Loss for the year	-		-	-		(4 021)	(4 021)
Balance at 31 August 2011	**448**	**135 436**	**451**	**(67)**	**795**	**(10,741)**	**126 322**
Balance at 1 September 2009	328	57 834	130		822	(5 709)	53 405
Shares allotted	101	60 244				-	60,345
Transaction costs	-	(2 640)			-	-	(2 640)
Warrant exercise	-	27	-	-	(27)	-	
Share option charge	-	-	107	-	-	-	107
Loss for the year	-	-		-	-	(1 011)	(1 011)
Balance at 31 August 2010	429	115 465	237	-	795	(6,720)	110 206

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

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

Consolidated Cash Flow

for the Year Ended 31 August 2011

	Notes	2011 £000	2010 £000
Net cash flow from operating activities	18	(2 338)	(1 160)
Investing activities			
Interest received		126	156
Expenditure on intangible assets		(34 335)	(40 698)
Net cash used in investing activities		(34,209)	(40 542)
Financing activities			
Interest paid		(2)	(2)
Net proceeds from issue of share capital		19 859	57,555
Net proceeds from issue of warrants		-	
Net cash used in financing activities		19 857	57 553
Net (decrease) / increase in cash and cash equivalents		(16 690)	15 851
Cash and cash equivalents at the beginning of the year		50 389	34 651
Net (decrease) / increase in cash and cash equivalents		(16,690)	15 851
Effects of foreign exchange rate changes		(811)	(113)
Cash and cash equivalents at the end of the year	12	32 888	50 389

Notes to the Financial Statements
for the Year Ended 31 August 2011

1 General Information
Hurricane Exploration Plc is a company incorporated in Great Britain and registered in England and Wales under the Companies Act 2006. The nature of the Groups operations and its principal activity is exploration of oil and gas reserves principally in the UK Continental Shelf

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

Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income
IAS 19 (revised June 2011) Employee Benefits
IFRS 13 Fair Value Measurement
IFRS 12 Disclosure of Interests in Other Entities
IFRS 10 Consolidated Financial Statements
IAS 27 (revised May 2011) Separate Financial Statements
IFRS 9 Financial Instruments
IFRS 11 Joint Arrangements

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

2 Significant accounting policies

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

The financial statements have been prepared on a going concern basis as set out in the Directors Report. The use of this basis of accounting takes into consideration the Groups current and forecast financial position additional detail of which is included in notes 20 21 and 23

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

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

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

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

(d) Oil and gas exploration and evaluation activity
The Group follows the successful efforts method of accounting for oil and gas exploration and evaluation activities ("Intangible Assets") as defined in IFRS 6 Exploration for and Evaluation of Mineral Resources.

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

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

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

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

(e) Decommissioning provision
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 decommissioning asset. The unwinding of the discount on the decommissioning provision is included as a finance cost

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

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

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

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

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

Notes to the Financial Statements
for the Year Ended 31 August 2011

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

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

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

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

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty
In the process of applying the Groups accounting policies management has made the following judgements that have the most significant effect on the amounts recognised in the financial information

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

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

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

5 Operating loss

	2011 £'000	2010 £'000
Operating loss is stated after charging		
Operating lease rentals – land and buildings	**92**	22
Audit services	**30**	30
Non-audit services provided by the auditor	**15**	7

The following is an analysis of the gross fees paid to the Company s auditor, Deloitte LLP, in 2011 and 2010

Audit services		
Fees payable to the Company s auditor for the audit of the Company s annual accounts	**25**	25
The audit of the Company s subsidiary pursuant to legislation	**5**	5
Total audit fees	**30**	30
Non audit services		
Taxation services	**10**	7
Accounting services	**5**	
Total non audit fees	**15**	7

As at 31 August 2011 £135k (2010 £Nil) has been accrued within prepayments in respect of ongoing Corporate Finance services performed by the Company s auditor

The Group made no charitable or political donation during 2011 (2010 £Nil)

6 Directors emoluments

	2011 £'000	2010 £'000
All directors:		
Aggregate emoluments	**808**	752
Pension contributions	**35**	
	843	752
Highest paid director		
Aggregate emoluments	**304**	305
Pension contributions	**16**	-
	320	305

Notes to the Financial Statements
for the Year Ended 31 August 2011

6 Directors' emoluments (continued)

Directors share options

Details of directors share options at the beginning and end of the year are as follows

Tranche	As at 1 September 2010	Granted	Exercised	Lapsed	As at 31 August 2011	Exercise price
Robert Trice						
22/02/06	130 000				130 000	£1 00
25/01/11		22,500			22,500	£10 00
14/06/11		55,045			55,045	£11 10
28/07/11		23 784			23,784	£11 10
Keith Kirby (Appointed 28 July 2011)						
28/07/11	-	88 288			88 288	£11 10
Nicholas Briggs						
06/07/09	200 000				200 000	£3 00
25/01/11	-	17,000			17,000	£10 00
28/07/11		18 919			18,919	£11 10
Nicholas Mardon Taylor (Resigned as a director 28 July 2011)						
22/02/06	100 000	-	-		100 000	£1 00
25/01/11		6,800	-		6 800	£10 00
14/06/11		10 350	-		10 350	£11 10
28/07/11	-	9 830			9,830	£11 10

The share options of Robert Trice include options over 30 000 shares held by Julie Trice his spouse.

7 Employee information

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

	2011 Number	2010 Number
Operations	**14**	10
	£'000	£ 000
Staff costs for the above persons were.		
Wages and salaries	**1,356**	1 182
Social security costs	**157**	125
Share-based payment expense	**214**	108
Pension costs	**70**	-
	1,797	1 415

The employment cost for the directors employed by the Group during the year was £1 045k (2010 £859k) These costs include social security costs of £93k (2010 £79k) and share-based payment expense of £109k (2010 £27k).

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

8 Tax on loss on ordinary activities

	2011 £ 000	2010 £'000
(a) UK corporation tax		
Current tax		
Current tax – current year	**23**	33
Current tax – prior year	**3**	-
Deferred tax		-
	26	33
(b) Loss on ordinary activities before tax	**(3 995)**	(978)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to oil companies of 50% (2010 50%)	**(1,998)**	(489)
Effects of		
Adjustment to prior years	**3**	-
Expenses not deductible for tax purposes	**-**	
Unrecognised pre trade revenue expenditure carried forward	**2 054**	544
Profits subject to tax at lower rate	**(33)**	(22)
Current tax charge for period	**26**	33

(c) Factors which may affect future tax charges

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

The Group has pre-trading revenue expenses of £16.0 million (2010 £11 9 million) and pre-trading capital expenditure (£80 5m as at 31 August 2011) which will be available for tax relief on commencement of a petroliferous trade for UK tax purposes.

The total pre-trading expenditure of £96.5m (referred to above) may attract Ring Fence Expenditure Supplement on the commencement of trade, which would result in a further uplift of £13 7m of tax relief being available at that time.

No provision has been made in these financial statements for a potential deferred tax asset of £10 0 million (2010 £6.0 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 potential deferred tax asset is calculated at a rate of 62% (2010 50%)

Notes to the Financial Statements

for the Year Ended 31 August 2011

9 Intangible assets

	2011 £'000	2010 £'000
Exploration and evaluation expenditure b/f	76,767	25 839
Additions	20,252	50 928
Write-off	(782)	
Exploration and evaluation expenditure c/f	96,237	76 767

Exploration and evaluation expenditure comprises the book cost of licence interests and exploration and evaluation expenditure within the Companys licensed acreage in the West of Shetlands and onshore UK locations

The amount written off in the year relates to the onshore UK licences of Perthshire and Wiltshire, which were relinquished in the year

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 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.

10 Other non-current receivables

The other non-current receivables represent the deposit for the office lease. Further details are given in note 21

11 Trade and other receivables

	2011 £'000	2010 £'000
Other receivables	380	550
Prepayments and accrued income	751	69
	1 131	619

12 Cash and cash equivalents

	2011 £'000	2010 £'000
Unrestricted funds	17 357	27 720
Restricted funds	-	9 669
Escrow funds	15 531	13 000
	32 888	50,389

Independent third parties had been granted charges over the restricted funds to secure payment as part of the drilling operations. Generally speaking, these funds could only be dispersed to the benefit of these third parties.

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

13 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	1,258	7 507
Other payables	90	38
Accruals	1,890	9 587
	3,238	17 132

14 Decommissioning provision

Provisions for decommissioning and restoration of oil and gas assets are

	2011 £'000	2010 £'000
At 1 September 2010	400	
Additions	400	400
At 31 August 2011	800	400

The provision for decommissioning as at 1 September 2010 relates to the Lancaster exploration asset. The additions seen in the year represent the present value of decommissioning costs for Whirlwind following exploration activity that has taken place during the period. The expected decommissioning cost for both assets is based on the cost of decommissioning as part of an integrated testing campaign If the Group were required to undertake a specific campaign to plug and abandon the wells the cost on a stand alone basis would be approximately £2 000k per well

15 Called up share capital

	2011 £	2010 £
Allotted called up and fully paid		
44 757105 (2010 42,931 971) ordinary shares of 1p each	447 571	429,320

During the year, the Company issued 1 825,134 ordinary 1p shares for a gross cash consideration of £20 250 138

During the prior year the Company issued 10 121 076 ordinary 1p for a gross cash consideration of £60 344,511

As at 31 August 2011 and 2010 2 338,167 warrants were in issue providing the right for each warrant holder to subscribe for one new ordinary 1p share per warrant held at an exercise price of £3 per share. These warrants will lapse on 17 July 2012 if unexercised

Notes to the Financial Statements
for the Year Ended 31 August 2011

16 Share options

On 22 February 2006 the Company granted share options under an EMI scheme over 360 000 ordinary 1p shares to employees of the Company at an exercise price of £1 00 per share The options have now vested and lapse on the earlier of 10 years after the date of grant or 3 months after the sale, restructuring or listing of the Company

On 14 April 2009 the Company granted unapproved share options over 260 000 ordinary 1p shares to employees of the Company at an exercise price of £3.00 per share. On 19 January 2010 the Company granted further unapproved share options over 110 000 ordinary 1p shares to an employee of the Company at an exercise price of £6.00 per share.

On 25 January 2011 the Company granted approved share options over 19 400 ordinary 1p shares and unapproved share options over 128 300 ordinary 1p shares to employees of the Company at an exercise price of £10 00 per share. On 14 June 2011, the Company granted further approved share options over 8,871 ordinary 1p shares and unapproved share options over 157902 ordinary 1p shares to employees of the Company at an exercise price of £11 10 per share

On 28 July 2011 the Company granted further approved share options over 8,106 ordinary 1p shares and unapproved share options over 145,047 ordinary 1p shares to employees of the Company at an exercise price of £11 10 per share.

On 28 July 2011 the Company granted approved share options over 1,801 ordinary 1p shares and unapproved share options over 63 344 ordinary 1p shares to employees of the Company at an exercise price of £11 10 per share. These options have a 5 year vesting period

The options normally vest 3 or 5 years after the date of the grant and are due to lapse 10 years after the date of the grant. The options vest early upon either sale, restructuring or listing of the Company and, except for a listing, the options must be exercised at the time of the vesting event. For options granted after January 2011 listing does not constitute an early vesting event.

The options outstanding at 31 August 2011 had a weighted average remaining contractual life of 7 7 years (2010 7 5 years). The aggregate of the estimated fair value of the options granted was £3 261 967 (2010 £229 000)

	2011 Number of options	2011 Weighted average exercise price £	2010 Number of options	2010 Weighted average exercise price £
Outstanding at start of year	**730 000**	**2 47**	620 000	1 84
Granted in the year	**532 771**	**10 80**	110 000	6 00
Forfeited in the year	**(110 000)**	**6 00**		-
Exercised in the year	**-**	**-**		-
Outstanding at the end of the year	**1,152 771**	**5 98**	730 000	2.47

The Group recognised total expenses of £214k in respect of share based payments in 2011 (2010 £107k)

17 Own shares held by Employee Benefit Trust

	Own Shares
Balance at 1 September 2010	
Acquired in the period	76
Shares disposed of to employees	(9)
Balance at 31 August 2011	67

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

The number of ordinary shares held by the Employee Benefit Trust at 31 August 2011 was 6,683 (2010 Nil)

18 Reconciliation of operating loss to net cash flow from operating activities

	2011 £ 000	2010 £'000
Operating loss	**(3 294)**	(1,031)
Non cash exploration write offs	**782**	-
Non cash share-based payment charge	**278**	258
Increase in receivables	**(656)**	(207)
Increase / (Decrease) in payables	**589**	(119)
Cash utilised by operating activities	**(2 301)**	(1,099)
Corporation tax paid	**(37)**	(61)
Net cash outflow from operating activities	**(2 338)**	(1,160)

Notes to the Financial Statements

for the Year Ended 31 August 2011

19 Financial Instruments

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

Foreign exchange risk
The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Groups 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 £1 9m (2010 £2.7m) on the loss after tax of the Group A 10% weakening in the strength of the US Dollar against Sterling would cause an increase of £1.5m (2010 £2.2m) on the loss after tax of the Group.

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

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

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

Interest rate risk
The Group is exposed to interest rate movements through its cash and cash equivalents which earn interest at variable interest rates. If interest rates had been 1% higher, the Groups loss after tax for the year ended 31 August 2011 would have decreased by £0 3million (2010 £0 5 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

20 Capital commitments

As at 31 August 2011 the Group was in the process of re-visiting the Whirlwind well for testing and had entered into contracts covering the planned drilling activities. Drilling had not commenced at the balance sheet date and as such, no drilling costs had been incurred
Following the year end the Group completed testing operations and the total drilling costs were £25.4 million

21 Financial commitments

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

	2011 £'000	2010 £'000
Land and buildings - lease expiring in the second to fifth years	548	
- lease expiring in less than 1 year	5	22

22 Related party transaction

As at 31 August 2011 Charles Good was a partner of Matrix Corporate Capital LLP the Groups corporate brokers and a director of Hurricane Exploration Plc £247k of Corporate Finance and Placing fees were charged by Matrix Corporate Capital LLP in the period (2010 £2 490k)

23 Subsequent events

Following the year end, the Group completed operations on the Whirlwind exploration well Further details are set out in note 20

In addition as at 15 November 2011 a resolution was passed to subdivide each ordinary share with a nominal value of £0 01 each into ten ordinary shares with a nominal value of £0 001 each

The subdivision of the shares also impacts the warrants that are in place. Each existing warrant held is subdivided into the right for each warrant holder to subscribe for 10 new ordinary £0 001 shares at an exercise price of £0 30 per share.

1 904 640 warrants were exercised between 30 November 2011 and 1 February 2012 at a price of £0 30 for each new ordinary £0 001 share in the Company

A private fundraising was launched in January 2012 which is due to close on 24 February 2012, under which additional funding has already been committed

Company Balance Sheet
as at 31 August 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Intangible assets	1	**40,339**	30 972
Investments	2	**15 090**	15 090
Amounts due from subsidiary undertaking		**40,563**	30,518
Other receivables	3	**130**	
		96 122	76 580
Current assets			
Trade and other receivables	4	**995**	618
Cash and cash equivalents	5	**32,888**	50,389
Total current assets		**33 883**	51 007
Total assets		**130 005**	127587
Current liabilities			
Trade and other payables	6	**(3 231)**	(17125)
Current tax liabilities		**(26)**	(37)
		(3,257)	(17162)
Non-current liabilities			
Decommissioning provision	7	**(400)**	(200)
Total liabilities		**(3 657)**	(17362)
Net assets		**126,348**	110 225
Equity			
Share capital	8	**448**	429
Share premium		**135 436**	115 465
Share option reserve		**451**	237
Warrant reserve		**795**	795
Own shares held by Employee Benefit Trusts		**(67)**	-
Accumulated deficit		**(10 715)**	(6,701)
Total equity		**126 348**	110 225

The financial statements were approved and authorised for issue by the Board of Directors on 3 February 2012 and were signed on its behalf by

Robert Trice
Director

Nicholas Briggs
Director

Company Statement of Changes in Equity
for the Year Ended 31 August 2011

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Own shares held by EBT £'000	Warrant reserve £'000	Accumulated deficit £'000	Total £'000
Balance at 1 September 2010	429	115 465	237	-	795	(6 701)	110 225
Shares allotted	19	20 231	-				20 250
Transaction costs		(260)	-				(260)
Share option charge		-	214				214
Own shares held by EBT	-	-	-	(67)		-	(67)
Loss for the year	-		-		-	(4 014)	(4 014)
Balance at 31 August 2011	**448**	**135 436**	**451**	**(67)**	**795**	**(10,715)**	**126 348**
Balance at 1 September 2009	328	57,834	130	-	822	(5 701)	53 413
Shares allotted	101	60 243			-	-	60 344
Transaction costs		(2,639)	-		-	-	(2 639)
Warrant exercise		27	-		(27)		
Share option charge			107	-	-		107
Loss for the year		-	-	-		(1 000)	(1 000)
Balance at 31 August 2010	429	115 465	237	-	795	(6 701)	110 225

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

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

Company Cash Flow Statement
for the Year Ended 31 August 2011

	Notes	2011 £'000	2010 £'000
Net cash flow from operating activities	9	**(2,198)**	(1 153)
Investing activities			
Interest received		**127**	156
Expenditure on intangible assets		**(24 431)**	(15 803)
Net cash used in investing activities		**(24 304)**	(15 647)
Financing activities			
Interest paid		**(2)**	(2)
Net proceeds from issue of share capital		**19 859**	57,555
Net proceeds from issue of warrants		**-**	-
Working capital provided to subsidiary companies		**(10 045)**	(24 902)
Net cash used in financing activities		**9 812**	32 651
Net (decrease) / increase in cash and cash equivalents		**(16,690)**	15 851
Cash and cash equivalents at the beginning of the year		**50,389**	34 651
Net (decrease) / increase in cash and cash equivalents		**(16 690)**	15 851
Effects of foreign exchange rates		**(811)**	(113)
Cash and cash equivalents at the end of the year	5	**32 888**	50 389

Notes to the Financial Statements
for the Year Ended 31 August 2011

1 Intangible assets

	2011 £'000	2010 £'000
Exploration and evaluation expenditure b/f	**30 972**	5 139
Additions	**10 149**	25,833
Write-off	**(782)**	-
Exploration and evaluation expenditure c/f	**40 339**	30,972

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 and onshore UK locations.

The amount written off in the year relates to the onshore UK licences of Perthshire and Wiltshire which were relinquished in the year

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 likely opportunities for realising the value of the Company s licences, either by farm-out or by development of the assets and have concluded that there are no indications of impairment.

2 Investments

	Investment in subsidiary £'000	Loan to subsidiary £'000	Total £'000
As at 31 August 2011 and 2010	9 751	5 339	15 090

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

3 Other non-current receivables

The other non-current receivables represent the deposit for the office lease. Further details are given in note 21 of the consolidated financial statements.

4 Trade and other receivables

	2011 £'000	2010 £'000
Other receivables	**550**	549
Prepayments and accrued income	**445**	69
	995	618

Notes to the Financial Statements
for the Year Ended 31 August 2011

5 Cash and cash equivalents

	2011 £'000	2010 £'000
Unrestricted funds	17 357	27 720
Restricted funds	-	9 669
Escrow funds	15 531	13 000
	32 888	50 389

Independent third parties had been granted charges over the restricted funds to secure payment as part of the drilling operations. Generally speaking, these funds could only be dispersed to the benefit of these third parties.

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

6 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	1,258	7,507
Other payables	90	38
Accruals	1,883	9 580
	3,231	17125

As at 31 August 2011 trade creditors and accruals of £939k (2010 £13 516k) in the Company were secured through charges on restricted funds or funds held within the escrow account.

7 Decommissioning provision

	2011 £'000	2010 £'000
Provisions for decommissioning and restoration of oil and gas assets are.		
At 1 September 2010	200	
Additions	200	200
At 31 August 2011	400	200

The provision for decommissioning as at 1 September 2010 relates to the Lancaster exploration asset. The additions seen in the year represent the present value of decommissioning costs for Whirlwind following exploration activity that has taken place during the period The expected decommissioning cost for both assets is based on the cost of decommission as part of an integrated testing campaign. If the Company were required to undertake a specific campaign to plug and abandon the well, the cost on a stand alone basis would be approximately £1 000k per well.

8 Called up share capital

Details of the Company's share capital share options, own shares held by EBT and warrants are provided in notes 15 16 and 17 of the consolidated financial statements.

9 Reconciliation of operating loss to net cash flow from operating activities

	2011 £ 000	2010 £'000
Operating loss	(3,289)	(1 020)
Non cash exploration write-offs	782	-
Non cash share-based payment charge	278	257
Increase in trade and other receivables	(521)	(206)
Increase / (Decrease) in trade and other payables	589	(123)
Cash generated by operating activities	(2,161)	(1 092)
Corporation tax paid	(37)	(61)
Net cash flow from operating activities	(2,198)	(1153)

10 Other disclosures

Certain other disclosures in notes 19 20 21 and 22 also apply to the Company in respect of its share of the Groups operations