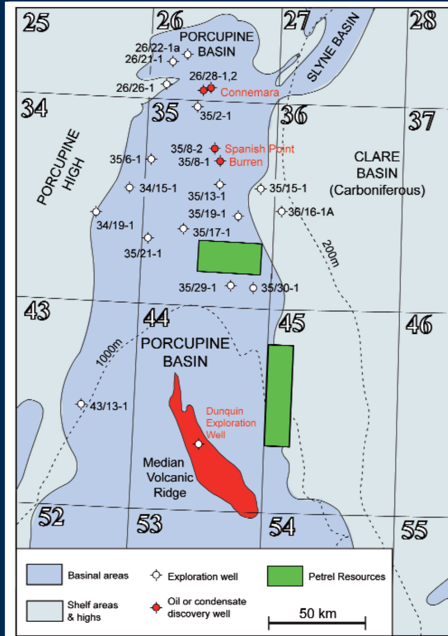
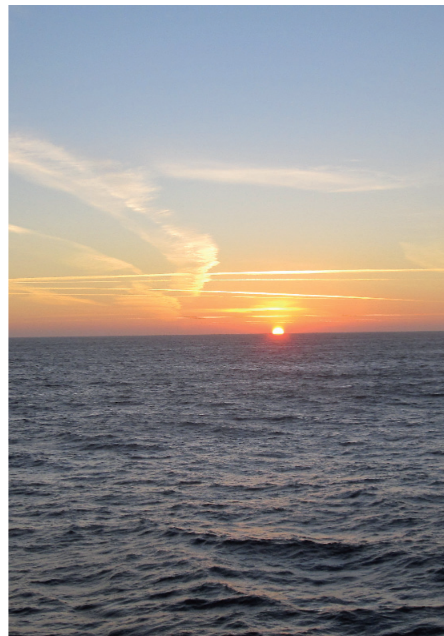
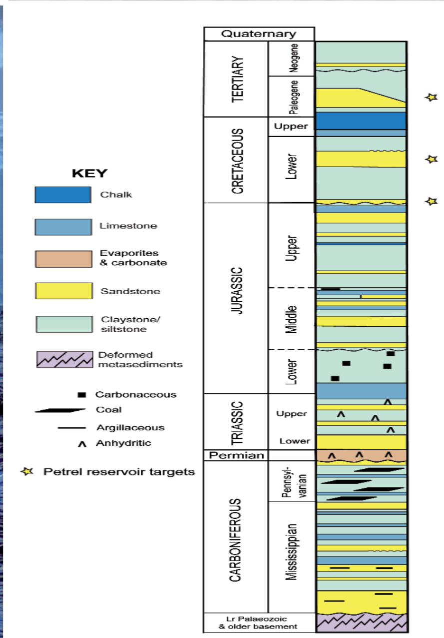
Petrel Resources Plc







Annual Report and Accounts

Year ended 31 December 2013

Front Cover
Licence Blocks awarded to Petrel Resources in the 2011 Licence Option Round.
Stratigraphic column identifying Petrel's reservoir targets.

Contents

Chairman's Statement	2
Review of Operations	5
Directors' Report	13
Statement of Directors' Responsibilities	18
Independent Auditors' Report	19
Consolidated Statement of Comprehensive Income	21
Consolidated Balance Sheet	22
Company Balance Sheet	23
Consolidated and Company Statement of Changes in Equity	24
Consolidated Cash Flow Statement	25
Company Cash Flow Statement	26
Notes to the Financial Statements	27
Notice of Annual General Meeting	48
Directors and Other Information	Inside back cover

Chairman's Statement

This is a tough time to be a junior oil explorer. Despite improvements in the world economy, a high oil price and a rising stock market, junior explorers remain out of favour with investors. Your company was very active in the period under review but failed to persuade investors of the value created.

Our flagship project, two hydrocarbon exploration blocks in the Atlantic Ocean's Porcupine Basin offshore Ireland, had a stellar year. A farm out agreement was concluded in March 2014 with Woodside Petroleum, an Australian independent with a top class exploration record in hydrocarbon discoveries and developments. The agreement provided for repayment of 85% of all costs incurred by Petrel and a significant carry through exploration up to and including one well on each block. We estimate that Woodside could spend up to $200 million on our two blocks before we incur any expenditure. The deal was ratified by the Irish government and the frontier exploration licences held by Petrel became Frontier Exploration Licences operated by Woodside, who have established an office in Dublin. They have completed their review and analysis of available data and are expected to commission a seismic survey for 2015. The plan is, subject to the results of the seismic, to drill in 2016/2017.

The importance of a successful oil discovery offshore Ireland cannot be exaggerated. One oil discovery in the Porcupine is likely to be big enough to supply all of Ireland's oil demand if not more. Ireland currently imports all of its 132,000 barrels a day oil consumption and 95% of its gas needs. Apart from security of supply, the fiscal implications are immense.

The wave of investor interest in the Irish offshore which occurred in 2013 has declined significantly in recent times due to a number of factors, some of which are temporary. The Dunquin drilling by ExxonMobil in the South Porcupine Basin in 2013, while finding traces of hydrocarbons was seen by the market as a failure. The fact that this was a wildcat well in an area remote from most other offshore Porcupine blocks was ignored by the market. Secondly it was expected that Cairn would drill the Spanish Point block in the Porcupine Basin in 2014. Due to rig problems, this is not likely. Again, the market took this in a very negative way. The Spanish Point well is an important milestone for explorers in the Porcupine Basin as previous drilling in the early 1980s provided good oil flows. New technology and far higher oil prices make this an attractive target. Petrel has interests close to Spanish Point so we are disappointed by the delay.

The third factor has no relevance to the Porcupine Basin in the Atlantic but investors and analysts have not understood this point. Failure by the relevant partners to farm out the Barryroe discovery in the Celtic Sea off the South coast of Ireland has adversely affected attitudes toward offshore Irish exploration in general. It is frustrating to make repeated protestations, which are not accepted, that there is no relationship between Celtic Sea geology and that of the Porcupine Basin in the Atlantic. Drilling success will change this but we will have to wait until 2015 before drilling commences.

Additionally, ongoing potential problems with the development of the Corrib field offshore Mayo continue to reflect poorly on the attitudes of some Irish people toward hydrocarbon development. Due to continued agitation from a small minority the development is delayed by a decade and has tripled in capital cost. The Irish government has failed to take decisive action on the issue. Attitudes towards investment are important factors in board room decisions. If investors are not welcome they will go elsewhere.

Finally, there is concern that the Irish Government is changing the fiscal regime for explorers. Given that there has never been a commercial oil discovery in 44 years of exploration offshore Ireland this may be counterproductive. Oil and gas explorers can invest their scarce funds in over 200 countries in the world. Many countries have better geology than Ireland. Most of them have far lower exploration costs than those in the wild Atlantic ocean (the Dunquin Well cost $200 million). Despite 158 wells Ireland has yet to find any commercial oil discovery. Previous onerous fiscal terms, in the 1970s, and exploration failure, resulted in little exploration in the Porcupine for a generation. It is unfortunate that the government has decided to increase taxes and increase uncertainty before any drilling and before the next licencing round. Royalties and higher taxes reduce the potential rate of return so will reduce the number of wells to be drilled. Of more concern is the uncertainty introduced. There is now a question mark over all Irish hydrocarbon exploration despite the statement of no retrospective changes to existing licences. Successful explorers will need a Development Licence. Certainty is now gone. It is incumbent on the State to offset the weak geology and difficult environment with attractive terms. The Porcupine needs to be drilled.

The second Petrel area of activity is Iraq. Petrel has been in Iraq since 1999 with some success in the 2000s. We have held an interest in Block 6 in the Anbar province since 2002 and in 2013 we acquired a 5% carried interest in certain assets of the Amira Group, in Wasit province. Amira, an Iraqi group, have worked with the Iraqi provinces to obtain exploration rights. They have been successful particularly in the Wasit province where they have a joint venture with Oryx, a listed Canadian group, to explore and develop certain highly prospective areas. It was believed that the provincial government would authorise Oryx to commence seismic activities in 2014 followed by drilling. Negotiations continue. Petrel paid $500,000 cash for an effective 5% carry right through to production plus issuing new shares to Amira equal to 20% of the Petrel equity. If they spud a well within 5 years they get an additional 10,526,316 shares. If a discovery is commercial they get a further 10,526,316 shares. The issued shares are locked in and are cancelled in 2018 if milestones are not reached. We were pleased that Arman Kayablian, a director and significant shareholder in the Amira group, joined the board of Petrel. His experience and contacts will be very useful.

The situation in Iraq is now very uncertain. War has raged in Anbar province for months. Block 6 is in Anbar. The country as a whole is now on a war footing. Little work is being done or can be done. At the present time it is not possible to predict the results of these events but a fragmentation of the country looks possible. This could mean Block 6 being part of a Sunni dominated area while Wasit is predominantly Shia. We are not giving up on Iraq. Neither are Amira or Oryx. Iraq remains the best source of oil in the world. The geology will not change, but the political situation will change.

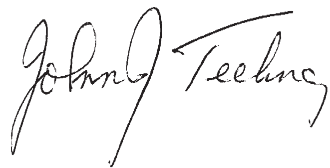
The third interest held by Petrel is a 30% stake in a licence, Tano 2A, onshore/offshore Ghana. Petrel has held the interest for some years and has undertaken a significant work programme. The expectation was that the signed agreement with the Ghana National Petroleum Company (GNPC) would be submitted to the Ghanaian cabinet for approval followed by parliamentary ratification. This did not happen. Instead Petrel and partners were subjected to a continuous stream of queries and requests culminating in a demand for a $25 million insurance bond on the agreed work programme. This was not part of a signed agreement but we complied.

Chairman's Statement (continued)

Despite ongoing correspondence between the parties, in February/March 2014, the Ministry of Energy awarded an offshore block to a US listed Nigerian controlled company. This block overlapped one third of our licence agreement. We obtained an injunction stopping this in the Ghanaian High Court. Despite the injunction, the parliament ratified the award of the block in early May 2014. Difficulties obtaining exploration licences in Ghana are exacerbated by the rapid increase in activity due to the impressive development of the Ghanaian oil industry. Problems with co-ordinates and overlapping licence awards are part and parcel of international exploration. Often the bureaucrats lack the resources to implement the actions of politicians. Offices are overburdened and mistakes are made. We have maintained lines of communication with the relevant parties in Ghana. Some limited discussions have taken place. To assist the discussions we have suspended the ongoing court case. With goodwill on both sides a satisfactory solution can be found.

Future

Exploring the Atlantic offshore Ireland will occur in the near future at no cost to Petrel. The Ghanaian situation is coming to a head while we continue to monitor developments in Iraq. We are actively looking at ways to enhance shareholder value. An application for additional blocks offshore Ireland is being prepared and we keep an active discussion ongoing with other parties holding interests in the Irish offshore and elsewhere. With over $2 million in cash we are well funded for the foreseeable future.



John Teeling
Chairman
24 June 2014

Review of Operations

A time of disruption and opportunity in the oil & gas industry

Introduction

Petrel Resources plc has explored for oil & gas since 1982 (since 1997 under current management) and has been listed on the AIM market of the London Stock exchange since 2000.

Petrel is active in the Irish offshore Atlantic Margin, Ghana's Tano Basin and Iraq.

Petrel holds a 15% interest in 1,050km of prospective acreage in the Porcupine Basin of the Irish offshore (FEL 3/14 and 4/14). Petrel is substantially carried by operator Woodside Energy through the technical work programme.

Petrel has a 30% interest in a signed Petroleum Agreement in the Ghanaian Tano 2A Block, close to circa 2 billion barrels of recent discoveries. We are in dispute with the Ghanaian authorities.

Petrel has an effective 5% carry with Oryx Petroleum on licences with the Wasit Governate in Iraq. Oryx has applied for permits to conduct its seismic survey. Wasit is east of Baghdad in a Shia region and as of June 2014 remains unaffected by disturbances west and north of Baghdad.

Ireland – the offshore frontier

- Frontier Exploration Licences 3/14 and 4/14 issued on 1,050km^2 of Irish Atlantic acreage
- 85% of historical expenditure recovered by Petrel
- Petrel substantially carried through the technical work programme
- Regional and additional Block data being loaded
- Several Leads are being worked up

The Irish offshore is a play whose time has come: due to a combination of the high oil price, success of frontier plays elsewhere, dramatically improving technology and competitive fiscal terms.

But the industry is not yet excited by Irish waters generally: the traditional fairway of the Celtic Sea, with its shallow water and past production, still leaves most industry players cold. Locations beside urban beauty spots excite controversy even where sub-sea completions are likely for any development. The deeper Atlantic is mostly too remote, unknown and expensive. First must come commercial discoveries, then frontiers will be pushed back.

Only 5% of Irish waters are licensed in any form. Only 10% has ever been studied. This despite Ireland being now effectively part of the European gas market.

Petrel focuses on the most prospective acreage of the Irish Atlantic Margin Porcupine Basin. This is not really a 'frontier play', since 31 wells have been drilled – all of which yielded oil and/or gas shows. Though there is as yet no commercial production, the play is tantalising:

There is established **source rock** in the Jurassic, as well as secondary sources such as Lower Cretaceous.

There are established good to excellent **reservoirs**.
Past exploration failed on the issue of **seal** – but many of the traps tested nearly worked.

Most Porcupine Basin exploration wells were drilled in the early 1980s. At that time the effective operating limit for 3rd generation semi-submersibles in Atlantic waters was 500 metres water depth. Even 1,000 metres had not been pioneered. They were reliant on 2D seismic or early 3D. This meant they were targeting relatively shallow plays on the northern and eastern fringe of the Porcupine. Taking into account that little was then known about the geology, and that companies were adopting a North Sea like 'Brent Model', it is encouraging they had as much success as they did.

Review of Operations (continued)

As of 2014, the geological and commercial picture has been transformed. It is now understood that the geology is quite different from the North Sea. More relevant are the west African type plays, in the Cretaceous age sedimentary rocks, which have transformed the prospectivity of Ghana and other formerly by-passed regions.

Other plays that have worked in Australia and elsewhere have also possible application to the wide-open Irish Atlantic play. It is a time for new thinking, new players and new ideas. Up to 1,000 metre water depth (typical of much of our acreage) is now routine. Wells have been drilled in as much as 3,650 metre water depth offshore Brazil. There have been developments in comparably harsh environments, such as eastern Canadian 'Hibernia' and the Norwegian Barents Sea – albeit not yet at great depths (1,000 metres+).

Petrel Resources plc has worked intensively on potential oil and gas plays in the Irish Atlantic Margin Porcupine Basin since 2011. We were awarded 1,400km^2 of acreage under two Licence Options in 2011. This work was successfully completed on schedule in 2013. We started with Tertiary type plays, which did not work. But deeper Cretaceous and Jurassic plays were enhanced by our data reprocessing and reinterpretation. This work was subjected to 'a trial by fire' in a farm-out process in 2013. Our work was analysed by some of the world's leading technical companies. We were greatly heartened by the clear interest and believe that there will be increased participation in future Irish bid rounds. But we can only choose one partner, so we picked the best. We did not want partners with the negative baggage of having tried and failed in Irish waters for 44 years. We avoided companies who had had difficult experiences or whose corporate structures might not work smoothly. We wanted an expert, environmentally sensitive player who had delivered technically demanding projects safely, profitably and quickly.

We brought in Woodside Energy as operator and 85% partner, and jointly applied to convert the maximum possible portion of this acreage to full Frontier Exploration Licences. This application was successful, and Frontier Exploration Licences 3/14 and 4/14 were awarded in January 2014. Under applicable rules, when converting Licence Options, the applicants can retain up to 75% of the original acreage. Hence our Frontier Exploration Licences cover 1,050km^2. We were able to retain most of the early leads that Petrel had been working on. This acreage is quite densely populated with leads.

An aggressive work programme has been agreed and is proceeding on schedule. All available Block and relevant regional data has or is being acquired and reprocessing is underway. Required or appropriate environmental work is underway, in cooperation with the Marine Institute and other official bodies. We expect a high specification 3D seismic programme to commence as soon as all permits are in order. Several leads have already been worked up showing structures and stratigraphic traps of commercial potential. If high quality 3D seismic confirms and de-risks one or more such leads, we expect that drilling will be recommended to the licence holders. The most likely initial targets are probably in up to 800 metres water depth, which should be reasonable in terms of logistics, technical challenges and cost. Petrel will be substantially carried on this work.

Frontier Exploration Licences

In January 2014 the Department of Communications, Energy and Natural Resources, awarded Frontier Exploration Licences 3/14 and 4/14 in the Irish Atlantic's Porcupine Basin. The acreage licensed collectively covers approximately 1,050km^2 or 75% of the 1,400km^2 previously held under Licensing Options 11/4 and 11/6. In August 2013, Petrel farmed out 85% of its interest in, and operatorship of, the Licensing Options to Woodside Energy (Ireland) Pty Ltd (Woodside).

The recent (2014) Irish review of fiscal terms has no bearing on our current Frontier Exploration Licences.

Applicable tax rules on our FELs are those established under the 2007 Regulations.

Proposed changes in fiscal terms will, however, impact any future Licence Options or Frontier Exploration Licences we apply for. The main changes are an "effective 5% royalty", which will operate as effectively a Petroleum Profits Tax-prepayment. Accordingly it will be set against Petroleum Profits Taxes due, if any, and is of course only payable on production. The 25% corporate tax rate remains unchanged, but is now

levied after – rather than before – the extra tax. The additional Petroleum Profits Tax (PPT) rates increase from previous practice, with a maximum overall rate increasing from 40% of the profits to a total, effective 55% on a high 'R factor' of 4.5x.

The 'R factor' is an industry standard that divides total revenues by total allowable capital and operating costs. The 'R factor' will be calculated on the basis of the licence in which the field is situation (and not the company's entire expenditure). The proposed changes do not formally alter the 'R factor' bands, but they are now calculated pre-corporate tax, rather than post-corporate tax, which effectively means that they kick in 25% earlier.

The maximum state take will shortly be 55% in the event of a bonanza – which is not onerous by international standards. There is a danger that the manner of these changes, for largely political rather than economic reasons, might confuse the industry and reduce likely participation in future bid rounds. Twice before, in the 1970s and 1980s, Ireland was considered a 'hot' exploration province. On each occasion the opportunity was squandered before major oil discoveries: in the 1970s the culprit was misconceived government policy based on a flawed grasp of risk. The evaporation of interest after 1985 was mainly due to a collapsed oil price. Wise policy-makers will learn from these mistakes.

The Frontier Exploration Licences are split into logical phases under best international practice, facilitating orderly permitting and progress. The Frontier Exploration Licences are valid for 15 years, with an initial 3 year phase, followed by three phases of 4 years each.

The main elements of the first phase are reprocessing of historic 3D seismic, environmental studies and, subject to regulatory rules and permits, may include the acquisition of new, state-of-the-art 3D seismic. Preparatory technical and environmental work is underway.

Petrel is 100% carried through phase one of the work programme, which covers the next three years.

The main element of the second phase, should the parties elect to enter it, would be the drilling of a well on each Frontier Exploration Licence, for which Petrel would be substantially carried.

Petrel's strategy in the Irish offshore was to identify, acquire and work up acreage with high potential albeit geologically risky plays. Individual wells may be $50 to $200 million, depending on water depth, rock depth and drilling conditions. As oil and gas prices have risen so have operating costs – though not as dramatically. Rig and boat availability can also be an issue.

Accordingly it was part of Petrel's strategy to launch a farm-out process with the objective of finding the best partner with the vision as well as technical and financial resources and strategic intent to pioneer new hydrocarbon plays in an under-explored, deep-water frontier basin. It quickly became apparent that many of the traditional players seem jaded by past failures to find big oil early. We concluded that both Petrel and Irish exploration generally needed new players with new approaches and new sources of risk capital. The Woodside transaction and Licence awards represent the successful conclusion of this process.

We expect that there will be more intense interest, involving larger companies, in the next (September 2015) bid round compared to the 2011 bid round. Some of the industry enthusiasm might be dampened by confusing recent fiscal terms changes as well as the failure so far to discover new in broadly comparable Moroccan plays. Nonetheless, there is little doubt that the Porcupine plays, particularly the Cretaceous 'west African' play, is very alive in the minds of many explorers.

The main reason for renewed interest in the Irish Atlantic Margin is that it has demonstrated hydrocarbons but is lightly explored. It includes one of the largest continental shelves with source rock and reservoir that remain unexplored worldwide. Of course, not all Ireland's 700,008 km^2 of territorial waters are sedimentary basins with hydrocarbon potential. But there are very extensive, unexplored areas – particularly in Rockall, which combines promise with uncertainty.

PETREL RESOURCES

Review of Operations (continued)

Ironically much of the logic for this renewed interest is based on what has been learnt from similar plays elsewhere, particularly offshore West Africa.

One of the most successful players in the African offshore Cretaceous age plays is the Texan company Kosmos Energy. Following the success of its Ghanaian plays, Kosmos sought similar geology elsewhere, and now operates 3 FELs, on which it has shot extensive 3D seismic during 2013. From public comments from companies involved we understand that the quality of this recent seismic is good, that initial models appear to have been confirmed and that new plays are being worked up as a consequence. The expected date for wells is 2016.

Only 31 wells have ever been drilled in the Porcupine Basin, of which 22 were drilled between 1977 and 1982. Historically, exploration in the Porcupine Basin was in pursuit of tilted Jurassic fault block targets, similar to those in the northern North Sea. Failure to locate Jurassic reservoirs to match those of the North Sea province, combined with a prolonged period of low oil prices, meant that, despite evidence of proven working petroleum systems, exploration activity declined. As a result, only 3 wells have been drilled since 1989, of which two were appraisal of a past discovery. Because most historic wells targeted large Jurassic structures - easily visible on the seismic - they necessarily missed the more interesting Cretaceous-age reservoirs which tend to infill the hollows between the Jurassic humps. Oil explorers often speak of "closeology", but a shallow well that does not penetrate a deeper reservoir cannot tell us much about the latter's prospectivity. Likewise it is rarely possible to investigate subtle Cretaceous stratigraphy by drilling "North Sea" type Jurassic targets.

While not a commercial discovery, the 2013 Exxon-Mobil operated wildcat well on the Dunquin structure in Quadrant 44, which neighbours and is about 30km from Petrel's Quadrant 45 acreage (FEL 4/14), confirmed that the south-west part of the Porcupine is also oil-bearing. Petrel's geologists suspect that the primary source might be Jurassic with perhaps Lower Cretaceous oil as a secondary source.

The rest of the Irish Atlantic Margin is even more neglected than the Porcupine Basin: only 21 wells have been drilled outside the Porcupine in a vast area (greater than 250,000 km^2).

Past exploration elsewhere in Irish Atlantic Margin was also generally based on assumed "North Sea type" geology.

The Atlantic has the potential for subtle structures and giant stratigraphic traps. Ghanaian success shows how a by-passed region can be transformed by new thinking and modern technology.

A consortium operated by Cairn Energy had planned to drill an exploration well on the Spanish Point condensate discovery, originally found in 1981. This well was originally planned to be drilled in mid-2014, but which appears to have been delayed, mainly we believe for mechanical reasons associated with the rig. Given the early stage of Irish Atlantic oil development it is probably wise to be especially cautious with safety. We expect this well to be drilled in 2015, with an outside chance of a 2014 well with a different rig than originally planned.

Petrel Resources was formed in 1982 to explore offshore Ireland. The then stringent fiscal terms, challenging waters and unfamiliar geology were barriers to exploration success. At that time major oil companies were seeking large, simple, clear structures similar to the bonanza Jurassic plays in the North Sea. It was then impossible to convince major oil company management to drill the type of stratigraphic trap play which is most interesting in those waters.

Technical work over the past two years by Petrel has identified significant prospects at three levels within the Lower Cretaceous and Lower Tertiary of the Petrel Quad 45 option blocks (Option 11/6). The prospect at the lowermost Cretaceous level may hold several hundred million barrels of in-place oil, with the possibility of stacked targets at Aptian-Albian and other levels.

On the Quad 35 blocks (FEL 3/14) high potential prospects have also been mapped in mounded Lower Cretaceous fan sandstones, with internal closures up to 15 km^2, and in Eocene shelf clinoform sheet sands. The Eocene sands are anticipated to have excellent reservoir properties and are seen as having the potential to host large volumes of oil.

Ghana

Petrel Resources holds a 30% interest in Pan Andean Resources Limited (60% Clontarf Energy) which holds a 90% interest in the Tano 2A onshore/offshore block in Ghana.

The company has already conducted extensive work and spent, with its partners, a total of circa $2 million on exploring this prospective acreage. We intend to continue this work as soon as the legal situation is confirmed and parliamentary ratification completed. We are also open to an equitable alternative that properly recognises the rights under our signed Petroleum Agreement.

Pan Andean Resources Limited signed a Petroleum Agreement on the 1,532km^2 onshore / shallow offshore Tano 2A Block in 2008. To facilitate clarifications requested by GNPC and an optimal work programme, Pan Andean Resources Limited then signed a revised Petroleum Agreement on the Tano 2A Block in 2010. Since then, Pan Andean Resources Limited has in good faith invested $2 million in purchasing seismic and other data from GNPC, and working up leads and prospects.

A serious issue has arisen threatening the Petroleum Agreement signed on Tano 2A Block by Pan Andean Resources Limited.

It was with surprise that we learnt that the Ghanaian authorities had submitted a conflicting licence proposal from Camac Energy Ghana Limited, Base Energy and GNPC Explore Co. to Parliament on or about 27th February 2014. On 26th March 2014 Camac Energy Inc. announced that “Camac Energy Ghana Limited holds 60% of the interest” in a new Ghanaian Block which overlaps our block. On 22nd April 2014 Camac Energy Inc., an NYSE listed company, announced that they hold 30% of the Block, as technical operator. This is held by “an indirect 50%-owned subsidiary of the company”. The shareholding of the remaining shareholding of its subsidiary Camac Energy Ghana Limited is unclear.

Background:

International investors are a major contributor to the exploration and development of Ghana’s oil industry. An important foundation for this investment is a transparent licensing system, under which Petroleum Agreements are signed by GNPC and ratified in good faith by Parliament. Without sanctity of contracts and protection of property rights the international investment community would not be positive on Ghana. We are keen that this investment and technology transfer is maintained and expanded.

We understand from the leading Non-Governmental Organisation, the Africa Centre for Energy Policy (ACEP), as well as press reports that this conflicting licence proposal was rushed through Parliament on or about 21st March 2014. From these press reports and a Stock Exchange statement of 26th March 2014, the conflicting licence proposal ingresses 529km^2 into the 1,532km^2 onshore / shallow offshore Tano 2A Block, by purporting to take a section of the shallow water acreage already assigned to Tano 2A Block. This purported action is clearly in breach of an existing Petroleum Agreement which remains valid, as confirmed by correspondence from the Ministry of Energy dated 4th March 2014, and despatched by the Ministry of Energy to Pan Andean Resources Limited on 27th March 2014.

As a result of these actions by GNPC and the Ministry Of Energy we submitted a High Court writ on the 27th March 2014, and an interlocutory injunction was put in place as of the 7th April 2014 against GNPC (and, following the 30 day notice period, the Government of Ghana). In accordance with Ghanaian law, no further lawful action can take place by any of the parties put on notice until the issue is resolved. We are concerned for our shareholders’ rights but also for Ghana, as this process has breached the stated Ghanaian standards of transparency, accountability, and rule of law.

Review of Operations (continued)

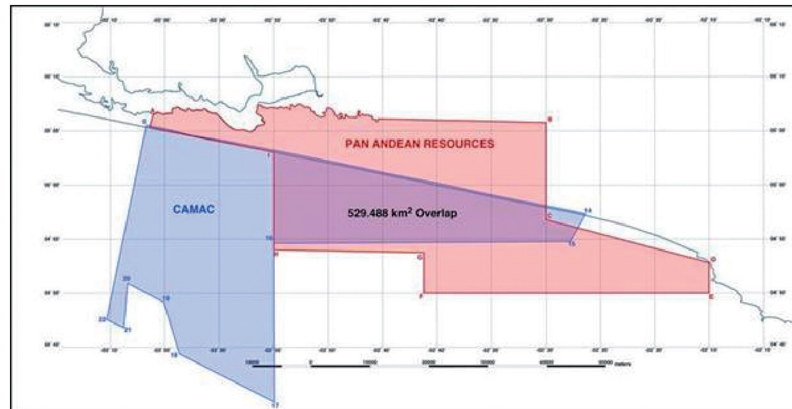


Exhibit 1 – Pan Andean Resources Tano 2A Block with Camac Award overlaid.

This Ghanaian company negotiated and signed first a Memorandum of Understanding and then a Petroleum Agreement with the Ghanaian authorities in 2008. The Ghanaian authorities conducted normal due diligence on our group prior to this signature.

Following a Ghanaian election, and major discoveries in the Tano Basin by Tullow Oil and Kosmos Energy, the Ghanaian State wished to clarify and enhance state rights, including Pre-Emption Rights and also requirements for more comprehensive state approvals of future corporate transactions involving the Block.

At the same time, our technical team wished to clarify and improve the work programme that had originally been agreed in 2008. This was necessary because initial studies and surveys showed that some of the most interesting acreage was under a shallow water surf zone, mangrove swamp or close to human habitation. Accordingly, the agreed work programme was optimised so as to make it more appropriate and technically feasible.

Accordingly, we negotiated a revised Petroleum Agreement with the Ghanaian authorities in 2010. The Ghanaian authorities conducted additional due diligence on our group prior to this signature of the revised Petroleum Agreement. As part of this process, we first met the full GNPC Board, then Acting for both itself and the Ghanaian Ministry of Energy, and subsequently met a GNPC Sub-Committee during which we were subjected to vigorous "technical and financial examination" which we passed with distinction.

The Petroleum Agreement creates rights and obligations even before full ratification, including in Articles 26.2 and 26.3, where the Ghanaian Ministry of Energy and GNPC warranted that:

> *"26.2 The State, its departments and agencies, shall support this Agreement and shall take no action which prevents or impedes the due exercise and performance of rights and obligations of the Parties hereunder.*
>
> *26.3 This Agreement and the rights and obligations specified herein may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the Parties."*

By contrast, Petrel Resources plc and its partners have fulfilled all our obligations under these agreements. We bought and collected all available data on the block. We incurred further expense in consolidating and integrating the GNPC data with our regional database in order to expedite and effectively focus the exploration work programme.

Included in our work was preparation of digital base maps for both the onshore and offshore areas by incorporating seismic lines and well data, together with all available topographic data. All the available data was consolidated within a multi-level GIS System, with satellite images covering both the Licence

Area and surrounding region – all of which have been duly processed. In turn, these images have been interpreted for elements of structural Geology and have also been used to Geo-rectify the Base Maps. Arising out of this technical work, initial leads have been worked up. We have had initial discussions with prospective partners which encourage our belief that this acreage is prospective. We await only full ratification in order to organise funding partners and conduct field work.

In addition, we have, without prejudice, given very extensive comfort on financial and technical capability to perform its initial 3 year work programme. The comfort provided goes well beyond what is industry norms or the extensive experience of our group over 30 years. Nonetheless, the Ghanaian authorities have yet to ratify our contract. Instead, since 2010 there have been a series of arbitrarily changing and inconsistent requests. When these were fulfilled there were new requests.

As of June 2014 we are in discussions which hopefully will resolve these issues on an equitable basis.

Iraq

Highlights:

- The Iraqi oil industry has experienced an extended period of insecurity and legal uncertainty since 2003. Production has increased slightly to c. 3.3 million barrels daily.

- Given the delays and difficulties of dealing with the Federal authorities, Petrel Resources plc broadened its Iraqi investment through acquiring a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V. This deal gives Petrel an immediate effective 5 per cent carried interest through to production in exploration and production licences operated by Oryx Petroleum in Wasit. Oryx had allocated $27 million to seismic acquisition and other work on this Wasit project during 2014. Due to administrative delays with permitting, the acquisition programme and related budget was rolled forward. As of June 2014, these required permits had not yet been granted. Accordingly, our partner has reduced its estimated Wasit project expenditure for 2014 to $5 million, and rolled the planned seismic campaign forward.

- So far, the Wasit Governate has not been materially impacted by June 2014 disturbances west and north of Baghdad.

This strategic partnership seeks to strengthen Petrel's position in Iraq, where it has had a presence since 1999, and allows Petrel to benefit from Amira Industries' reputation and local capability. Amira Industries has been at the forefront of licence acquisitions in the Iraqi provinces and was the first oil company to sign oil and gas exploration and production contracts with the provincial governments of Salah ad Din and Wasit.

Arman Kayablian, COO of Amira Industries N.V., joined the board of Petrel as a non-executive director. Arman has over 10 years' experience in project finance and development operations in the energy, utilities and telecommunications industries.

The acquisition is in line with Petrel's strategy of reinforcing its interests in Iraq. The shareholding in Amira's assets expands Petrel's programme scheduled for the next 18 months, with the potential to drill one or two additional wells.

The investment in Amira is essentially a US$500,000 option price. The initial consideration comprised an up-front cash payment of US$500,000 and the issue of locked in 18,947,368 shares in Petrel.

A further 10,526,316 shares in Petrel will be issued when the first conventional oil well spuds. When a well is spudded these initial shares become tradeable. A second tranche of 10,526,316 shares will be issued when there is a commercial discovery. If no drilling takes place within 5 years the deal expires and all share agreements cease.

Review of Operations (continued)

Petrel is also given a right of first refusal to participate or acquire an operated interest in any future exploration and production licences that Amira Industries secures in the Iraqi provinces of Muthanna, Karbala, Babil and Najaf. The terms of Petrel's participation in such licences are likely to be similar to Amira Industries' arrangement with Oryx Petroleum in respect of the Wasit licences.

Wasit Overview

Wasit is a large, relatively underexplored province in east central Iraq close to the giant East Baghdad field. Amira holds a 25 per cent carried interest in three contracts with the Wasit Provincial Government to explore and develop hydrocarbons in the Wasit province: an Asphalt Exploration Contract, Seismic Option Agreement and Risk Exploration Contract. The Wasit Government has a back-in right in respect of the licences which, if exercised in full, will reduce Amira's interest to 20 per cent (equivalent to a 4 per cent carried interest for Petrel).

The operator of the Wasit Licence is Oryx Petroleum Corporation Ltd, a Canadian E&P independent listed on the TSX with a market capitalisation of US$1.4 billion. To date, Oryx has identified five principal leads in the province containing 1,010 million barrels of unrisked prospective oil resources. Amira's interest in the Wasit Licence is carried to production by Oryx.

Oryx plans to commence a seismic data acquisition programme as soon as permits are in place and to drill an exploration well early in the following year, as soon as the seismic data has been processed and evaluated.

Accordingly, Petrel has been in initial discussions that may lead to the negotiation of local authority licences in Iraq. We have always been careful to conduct discussions in accordance with applicable laws and will continue to do so.

There remains considerable legal uncertainty in Iraq but there has been some movement in recent years: we believe that some smaller and medium-sized prospects and fields may now become available outside the Ministry of Oil’s preferred Technical Service Agreements system.

If so, Petrel should be well placed to negotiate such agreements: we will undertake work commitments after confirmation that adequate institutional funding is available. Past fundings and valuations suggest that there is international institutional interest in such projects.

Iraqi production increases have been slow to come through: for much of the past year, production fluctuated between 3 and 4 million barrels daily of which about 2.5 million barrels were exported. This falls well short of long-standing plans, which were to export at 8.5 million barrels daily by now, with longer-term plans to rival Saudi Arabia with over 12 million barrels daily.

In is increasingly clear that while limited progress is being made, a great leap forward in Iraqi oil development requires restructuring of the fiscal terms available. The experience of slow oil field development in Iraq and neighbouring Iran over recent decades shows that investors require a reasonable, risk-adjusted rate of return in order to invest the required capital, effort and technology to make major projects work.

Petrel retains its interest in the Western Desert Block 6 exploration & development contract, as well as the Technical Cooperation Agreement on the Merjan oil-field. Petrel has shown that it can operate under prevailing circumstances. As of June 2014, Anbar Governate is effectively under the control of Sunni militia.

The political and security situation in Iraq has again been challenging over the past year, with events in neighbouring countries further complicating Iraqi business.

Internal Iraqi political differences have so far impeded consensus on Hydrocarbon Laws and Revenue-Sharing Agreements.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The main activity of Petrel Resources plc and its subsidiaries (the Group) is oil and gas exploration. The Group has exploration interests in Iraq, Ghana and Ireland.

Further information concerning the activities of the Group during the year and its future prospects is contained in the Chairman's Statement and Review of Operations.

RESULTS FOR THE YEAR

The consolidated loss after taxation for the year, transferred to reserves, amounted to €526,783 (2012: loss of €469,767). The total exchange difference transferred to reserves is €218,452 (2012: €107,378)

The directors do not recommend that a dividend be declared for the year ended 31 December 2013 (2012: €Nil).

PERFORMANCE REVIEW

The performance review is set out in the Chairman's Statement and Review of Operations.

RISKS AND UNCERTAINTIES

The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group and could cause actual results to differ materially from expectation. The management of risk is the collective responsibility of the Board of Directors and the Group has developed a range of internal controls and procedures in order to manage risk. The following risk factors, which are not exhaustive, are the principal risks relevant to the Group's activities:

Risk	Nature of risk and mitigation
Licence obligations	Operations must be carried out in accordance with the terms of each licence agreed with the relevant ministry for natural resources in the host country. Typically, the law provides that operations may be suspended, amended or terminated if a contractor fails to comply with its obligations under such licences or fails to make timely payments of relevant levies and taxes. The Group has regular communication and meetings with relevant government bodies to discuss future work plans and receive feedback from those bodies. Country Managers in each jurisdiction monitor compliance with licence obligations and changes to legislation applicable to the company and reports as necessary to the Board.

Directors' Report (continued)

Requirement for further funding	The Group may require additional funding to implement its exploration and development plans as well as finance its operational and administrative expenses. There is no guarantee that future market conditions will permit the raising of the necessary funds by way of issue of new equity, debt financing or farming out of interests. If unsuccessful, this may significantly affect the Group's ability to execute its long-term growth strategy. The Board regularly reviews Group cash flow projections and considers different sources of funds. The Group regularly meets with shareholders and the investor community and communicates through their website and regulatory reporting.
Geological and development risks	Exploration activities are speculative and capital intensive and there is no guarantee of identifying commercially recoverable reserves. The Group activities in Ghana, Iraq and Ireland are in proven resource basins. The Group uses a range of techniques to minimise risk prior to drilling and utilises independent experts to assess the results of exploration activity.
Title to assets	Title to oil and gas assets in Ghana and Iraq can be complex. The Directors monitor any threats to the Group's interest in its licences and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests, where appropriate.
Exchange rate risk	The Group's expenses, which are primarily to contractors on exploration and development, are incurred primarily in US Dollars but also in Sterling and Euros. The Group's policy is to conduct and manage its operations in US Dollars and therefore it is exposed to fluctuations in the relative values of the Euro and Sterling. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and maintaining a level of cash in foreign denominated currencies sufficient to meet planned expenditure in that currency.
Political risk	The Group holds assets in Ghana, Iraq and Ireland and therefore the Group is exposed to country specific risks such as the political, social and economic stability of these countries. The countries in which the Group operates are encouraging foreign investment.

Political risk (continued)	The Group's projects are longstanding and we have established strong relationships with local and national government which enable the Group to monitor the political and regulatory environment.
Financial risk management	Details of the Group's financial risk management policies are set out in Note 19.

In addition to the above there can be no assurance that current exploration programmes will result in profitable operations. The recoverability of the carrying value of exploration and evaluation assets is dependent upon the successful discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Group to raise additional financing, if necessary, or alternatively upon the Group's and company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write down of the carrying values of the Group's assets.

KEY PERFORMANCE INDICATORS

The Group reviews expenditure incurred on exploration projects and successes thereon, ongoing operating costs and availability of finance.

DIRECTORS

The current directors are listed on the inside back cover. Guy Delbes resigned as director on 3 January 2013. Arman Kayablian was appointed director on 19 August 2013.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary holding office at 31 December 2013 held the following beneficial interests in the shares of the company:

	31/12/2013 Ordinary Shares of €0.0125 Number	**31/12/2013 Options - Ordinary Shares of €0.0125 Number**	1/1/2013 Ordinary Shares of €0.0125 Number	1/1/2013 Options - Ordinary Shares of €0.0125 Number
J. Teeling	**5,415,000**	**100,000**	3,615,000	1,900,000
D. Horgan	**4,215,384**	**150,000**	2,715,384	1,650,000
J. Finn (Secretary)	**1,785,384**	**100,000**	1,015,384	870,000
A. Kayablian***				

***(A. Kayablian is a director of Amira International Holdings Limited)

There have been no changes to the directors' interests between the year end and the date of this report.

SUBSTANTIAL SHAREHOLDINGS

The share register records that, in addition to the directors, the following shareholders held 3% or more of the issued share capital as at 31 December 2013 and 31 May 2014:

	31 December 2013 Number of Ordinary Shares	%	31 May 2014 Number of Ordinary Shares	%
Amira International Holdings Limited***	**16,147,368**	16.20	16,147,368	16.20%
Citibank Nominees (Ireland) Limited (CLRLUX)	**8,969,279**	9.00	9,864,568	9.90%
TD Direct Investing Nominee (Europe) Limited	**5,455,610**	5.47	5,492,927	5.51%
L. R. Nominees Limited	**4,454,752**	4.47	4,332,119	4.35%
HSDL Nominees Limited	**3,838,989**	3.85	3,585,731	3.60%
Barclayshare Nominees Limited	**3,537,804**	3.55	3,782,241	3.79%

***(A. Kayablian is a director of Amira International Holdings Limited)

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 19 to the financial statements.

GOING CONCERN

Information in relation to going concern is outlined in Note 3.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Board is committed to maintaining high standards of corporate governance and to managing the company in an honest and ethical manner.

The Board approves the Group's strategy, investment plans and regularly reviews operational and financial performance, risk management, and Health, Safety, Environment and Community (HSEC) matters.

The Chairman is responsible for the leadership of the Board, whilst the Executive Directors are responsible for formulating strategy and delivery once agreed by the Board.

The Group aims to maximise use of natural resources, such as energy and water, and is committed to full investment as part of its environmental obligations where applicable.

The Group works toward positive and constructive relationships with government, neighbours and the public, ensuring fair treatment of those affected by the Group's operations. In particular, the Group aims to provide employees with a healthy and safe working environment whilst receiving payment, that enables them to maintain a reasonable lifestyle for themselves and their families.

SUBSIDIARIES

Details of the company's significant subsidiaries are set out in Note 14 to the financial statements.

CHARITABLE AND POLITICAL DONATIONS

The company made no political or charitable contributions during the year.

BOOKS OF ACCOUNT

To ensure that proper books and accounting records are kept in accordance with Section 202 of the Companies Act, 1990, the directors have involved appropriately qualified accounting personnel and have maintained appropriate computerised accounting systems. The books of account are located at the company's office at 162 Clontarf Road, Dublin 3.

SUBSEQUENT EVENTS

Details of significant subsequent events are outlined in Note 25.

AUDITORS

Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, continue in office as auditors in accordance with Section 160(2) of the Companies Act 1963.

Signed on behalf of the Board:

John Teeling	David Horgan
Director	Director

24 June 2014

Statement of Directors' Responsibilities

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the group and the parent company financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2013. 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 Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors’ Report

To the Members of Petrel Resources Plc

We have audited the financial statements of Petrel Resources Plc for the year ended 31 December 2013 which comprise the Group Financial Statements: the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Group Statement of Changes in Equity and the Consolidated Cash Flow Statement and the Company Financial Statements: the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and in the case of the parent company as applied in accordance with the provision of the Companies Acts 1963 to 2013.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 auditors

As explained more fully in the Statement of Directors’ Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish 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 Reports and Consolidated Financial Statements for the year ended 31 December 2013 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 group’s financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group’s affairs as at 31 December 2013 and of its loss for the year then ended;
- the parent company balance sheet gives a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts, 1963 to 2013, of the state of the parent company’s affairs as at 31 December 2013; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013.

Independent Auditors' Report (continued)

To the Members of Petrel Resources Plc

Emphasis of matter – Realisation of assets

In forming our opinion on the financial statements, which is not modified, we draw your attention to Notes 12, 13, 14 and 15 to the financial statements concerning the realisation of intangible assets, financial assets, investments in subsidiaries and amounts due from subsidiaries. The realisation of intangible assets of €4,017,982 and financial assets of €4,211,123 included in the consolidated balance sheet and intangible assets of €4,006,745, investments in subsidiaries of €15,019 and amounts due from subsidiaries of €4,207,341 included in the company balance sheet is dependent on the discovery and successful development of economic mineral reserves including the ability of the Group to raise sufficient finance to develop these projects. The ultimate outcome of these uncertainties cannot, at present, be determined.

Matters on which we are required to report by the Companies Acts, 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of accounts have been kept by the parent company.
- The parent company balance sheet is in agreement with the books of account.
- In our opinion the information given in the directors' report is consistent with the financial statements.
- The net assets of the parent company, as stated in the parent company balance sheet are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2013 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the parent company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Ciarán O'Brien
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

24 June 2014

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2013

	Notes	2013 €	2012 €
CONTINUING OPERATIONS			
Administrative expenses	5	**(528,597)**	(481,427)
OPERATING LOSS		**(528,597)**	(481,427)
Investment revenue	4	**1,814**	11,660
LOSS BEFORE TAXATION	5	**(526,783)**	(469,767)
Income tax expense	10	**-**	-
LOSS FOR THE YEAR: all attributable to equity holders of the parent		**(526,783)**	(469,767)
Other comprehensive (expense) Income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences		**(218,452)**	(107,378)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(745,235)**	(577,145)
Loss per share – basic and diluted	11	**(0.63c)**	(0.61c)

The financial statements were approved by the Board of Directors on 24 June 2014 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

PETREL RESOURCES

Consolidated Balance Sheet

As at 31 December 2013

	Notes	2013 €	2012 €
ASSETS			
NON-CURRENT ASSETS			
Financial asset	12	**4,211,123**	-
Intangible assets	13	**4,017,982**	3,424,049
		8,229,105	3,424,049
CURRENT ASSETS			
Trade and other receivables	15	**34,044**	43,466
Cash and cash equivalents	16	**1,425,025**	3,015,858
		1,459,069	3,059,324
TOTAL ASSETS		**9,688,174**	6,483,373
CURRENT LIABILITIES			
Trade and other payables	17	**(410,826)**	(407,195)
NET CURRENT ASSETS		**1,048,243**	2,652,129
NET ASSETS		**9,277,348**	6,076,178
EQUITY			
Called-up share capital	20	**1,246,025**	958,308
Capital conversion reserve fund		**7,694**	7,694
Share premium		**21,416,085**	17,784,268
Share based payment reserve	21	**26,871**	-
Translation reserve		**(152,150)**	66,302
Retained deficit		**(13,267,177)**	(12,740,394)
TOTAL EQUITY		**9,277,348**	6,076,178

The financial statements were approved by the Board of Directors on 24 June 2014 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Company Balance Sheet
As at 31 December 2013

	Notes	2013 €	2012 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	13	4,006,745	3,412,812
Investment in subsidiaries	14	15,019	11,237
		4,021,764	3,424,049
CURRENT ASSETS			
Trade and other receivables	15	4,241,385	43,466
Cash and cash equivalents	16	1,425,025	3,015,858
		5,666,410	3,059,324
TOTAL ASSETS		9,688,174	6,483,373
CURRENT LIABILITIES			
Trade and other payables	17	(410,826)	(407,195)
NET CURRENT ASSETS		1,048,243	2,652,129
NET ASSETS		9,277,348	6,076,178
EQUITY			
Called-up share capital	20	1,246,025	958,308
Capital conversion reserve fund		7,694	7,694
Share premium		21,416,085	17,784,268
Share based payment reserve	21	26,871	-
Translation reserve		(152,150)	66,302
Retained deficit		(13,267,177)	(12,740,394)
TOTAL EQUITY		9,277,348	6,076,178

The financial statements were approved by the Board of Directors on 24 June 2014 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

PETREL RESOURCES

Consolidated and Company Statements of Changes in Equity

For the Year Ended 31 December 2013

Group and company

	Share Capital €	Share Premium €	Capital Conversion Reserve Fund €	Share Based Payment Reserve €	Translation Reserve €	Retained Deficit €	Total €
At 1 January 2012	958,308	17,784,268	7,694	205,971	173,680	(12,476,598)	6,653,323
Share options forfeited	-	-	-	(205,971)	-	205,971	-
Total comprehensive income for the year	-	-	-	-	(107,378)	(469,767)	(577,145)
At 31 December 2012	958,308	17,784,268	7,694	-	66,302	(12,740,394)	6,076,178
Shares issued	287,717	3,631,817	-	-	-	-	3,919,534
Share options granted	-	-	-	26,871	-	-	26,871
Total comprehensive income for the year	-	-	-	-	(218,452)	(526,783)	(745,235)
At 31 December 2013	**1,246,025**	**21,416,085**	**7,694**	**26,871**	**(152,150)**	**(13,267,177)**	**9,277,348**

Share premium

Share premium comprises of the excess of monies received in respect of the issue of share capital over the nominal value of shares issued.

Capital conversion reserve fund

The ordinary shares of the company were renominalised from €0.0126774 each to €0.0125 each in 2001 and the amount by which the issued share capital of the company was reduced was transferred to the capital conversion reserve fund.

Share based payment reserve

The share based payment reserve represents share options granted which are not yet exercised and issued as shares.

Translation Reserve

The translation reserve comprises of foreign exchange movement on translation from US Dollars (functional currency) to Euro (presentation currency).

Retained deficit

Retained deficit comprises accumulated losses in the current year and prior years.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2013

	Notes	2013 €	2012 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(526,783)**	(469,767)
Impairment charge		**19,658**	20,066
Share based payments		**13,435**	-
Investment revenue recognised in loss		**(1,814)**	(11,660)
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(495,504)**	(461,361)
Movements in working capital:			
Increase in trade and other payables		**3,631**	176,435
(Increase)/decrease in trade and other receivables		**9,422**	(10,992)
CASH USED IN OPERATIONS		**(482,451)**	(295,918)
Investment revenue		**1,814**	11,660
NET CASH USED IN OPERATING ACTIVITIES		**(480,637)**	(284,258)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(747,172)**	(793,475)
Payments for investments		**(421,649)**	-
NET CASH USED IN INVESTING ACTIVITIES		**(1,168,821)**	(793,475)
FINANCING ACTIVITIES			
Proceeds from share issue		**130,060**	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		**130,060**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,519,398)**	(1,077,733)
Cash and cash equivalents at beginning of financial year		**3,015,858**	4,150,649
Effect of exchange rate changes on cash held in foreign currencies		**(71,435)**	(57,058)
Cash and cash equivalents at end of financial year	16	**1,425,025**	3,015,858

PETREL RESOURCES

Company Cash Flow Statement

For the Year Ended 31 December 2013

	Notes	**2013**	2012
		€	€
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(526,783)**	(469,767)
Impairment charge		**19,658**	20,066
Share based payment		**13,435**	-
Investment revenue recognised in loss		**(1,814)**	(11,660)
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(495,504)**	(461,361)
Movements in working capital:			
Increase in trade and other payables		**3,631**	176,435
Decrease in trade and other receivables		**(408,446)**	(10,992)
CASH USED IN OPERATIONS		**(900,319)**	(295,918)
Investment revenue		**1,814**	11,660
NET CASH USED IN OPERATING ACTIVITIES		**(898,505)**	(284,258)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(747,172)**	(793,475)
Payments for investments		**(3,782)**	-
NET CASH USED IN INVESTING ACTIVITIES		**(750,953)**	(793,475)
FINANCING ACTIVITIES			
Proceeds from share issue		**130,060**	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		**130,060**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,519,398)**	(1,077,733)
Cash and cash equivalents at beginning of financial year		**3,015,858**	4,150,649
Effect of exchange rate changes on cash held in foreign currencies		**(71,435)**	(57,058)
Cash and cash equivalents at end of financial year	16	**1,425,025**	3,015,858

1. PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by the Group and company are as follows:

(i) Basis of preparation

The financial statements are prepared under the historical cost convention. The consolidated financial statements are presented in Euro.

(ii) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union.

The financial statements are prepared under the Companies Acts, 1963 to 2013.

(iii) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities or is exposed, or has any right to, variable return from its involvement with the investee.

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

(iv) Investment in subsidiaries

Investments in subsidiaries are stated at cost less any allowance for impairment.

(v) Intangible assets

Exploration and evaluation assets
Exploration expenditure relates to the initial search for mineral deposits with economic potential in Iraq, Ireland and Ghana. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration assets, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as intangible assets as part of exploration and evaluation assets.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share based payments) as determined by management, where they relate to specific projects.

Prior to reclassification to property, plant and equipment exploration and evaluation assets are assessed for impairment and any impairment loss is recognised immediately in the statement of comprehensive income.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(v) Intangible assets *(continued)*

Impairment of intangible assets
Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The Company reviews and tests for impairment on an ongoing basis and specifically if any of the following occurs:

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

(vi) Foreign currencies

The financial statements of the Company are maintained in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of the company is US Dollars. However, for the purpose of the consolidated financial statements, the results and financial position of the Company and Group are expressed in Euro (the presentation currency). This is for the benefit of the Company and Group's shareholders, the majority of whom reside in the Eurozone.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company and Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. All resulting exchange differences are recognised in other comprehensive income.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(vii) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on the taxable result for the year. Taxable result differs from net loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable result, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Unrecognised deferral tax assets are reassessed at each balance sheet date and are recognised to the event that it has become probable that future taxable projects will allow the deferred tax asset to be recovered.

(viii) Share-based payments

The Group and Company have applied the requirements of IFRS 2 "Share-Based Payments". In accordance with the transitional provisions, IFRS 2 has been applied to all equity instruments vesting after 1 January 2006.

Equity settled share-based payments are measured at fair value at the date of grant. The fair value excludes the effect of non-market based vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group and Company's estimate of shares that will eventually vest. At the balance sheet date the Group reviews its estimate of the nature of equity instruments expected to vest as a result of the effect of non-market based vesting conditions.

Where the value of the goods or services received in exchange for the share-based payment cannot be reliably estimated the fair value is measured by use of a Black-Scholes model.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(ix) Operating loss

Operating loss comprises general administrative costs incurred by the Company. Operating loss is stated before finance income, finance costs and other gains and losses.

(x) Financial instruments

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

Financial Assets
Financial assets are initially recognised at fair value. Subsequent measurement is at cost for equity instruments for which no quoted price exists on an active market and for which fair value cannot be reliably measured. If the recoverable amount falls below the carrying amount an impairment loss is recognised. Such losses are not reversed.

Trade and other receivables
Trade and other receivables are measured at initial recognition at invoice value, which approximates to fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the carrying value of the asset exceeds the recoverable amount. Subsequently, trade and other receivables are classified as loans and receivables which are measured at amortised cost, using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash held by the Group and Company and short-term bank deposits with a maturity of three months or less from the date of placement.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables
Trade payables are classified as financial liabilities, 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 Company are recorded at the proceeds received, net of direct issue costs.

(xi) Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Group and Company accounting policies
In the process of applying the Group and Company accounting policies above, management has identified the judgmental areas as those that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(xi) Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Exploration and evaluation
The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within intangible assets.

Costs which can be demonstrated as project related are included within exploration and evaluation assets. Exploration and evaluation assets relate to exploration and related expenditure in Ireland, Iraq and Ghana.

The Group and Company's exploration activities are subject to a number of significant and potential risks including:

- Licence obligations;
- Funding requirements;
- Political and legal risks, including title to licence, profit sharing and taxation; and
- Geological and development risks:

The recoverability of these exploration and evaluation assets is dependent on the discovery and successful development of economic reserves, including the ability to raise finance to develop future projects. Should this prove unsuccessful, the value included in the balance sheet would be written off as an impairment to the statement of comprehensive income.

Impairment of intangible assets
The assessment of intangible assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

The assessment requires judgements as to the likely future commerciality of the assets and when such commerciality should be determined, future revenue and operating costs and the discount rate to be applied to such revenues and costs.

Deferred tax assets
The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Going Concern
The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on finance being available for the continuing working capital requirements of the Group and Company and finance for the development of the Group's projects.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(xi) Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported in the statement of comprehensive income for the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The assessment of intangible assets for any indication of impairment involves uncertainty. There is uncertainty as to whether the exploration activity will yield any economically viable discovery. Aspects of uncertainty surrounding the group's intangible assets include the amount of potential reserves, ability to be awarded exploration licences, and the ability to raise sufficient finance to develop the group's projects.

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group did not adopt any new International Financial Reporting Standards (IFRS) or Interpretations in the year that had a material impact on the Group's Financial Statements. The following IFRS became effective since the last Annual Report but had no material impact on the Financial Statements:

		Effective date
IFRS 1 (amendment)	First-time adoption of International Financial Reporting Standards	1 January 2013
IFRS 7 (amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2013
IAS 32 (amendment)	Financial Instruments: Presentation	1 January 2013
IFRS 7 (amendment)	Disclosures about Financial Instruments	1 January 2013
IAS 1 (amendment)	Presentation of Financial Statements	1 July 2012 and 1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 16 (amendment)	Property, Plant and Equipment	1 January 2013
IAS 34 (amendment)	Interim Financial Reporting	1 January 2013
IAS 19 (amendment)	Employee Benefits	1 January 2013

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

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:

		Effective date
IFRS 7 (amendment)	Disclosures Offsetting Financial Assets and Financial Liabilities	1 January 2015
IFRS 12 (amendment)	Disclosure of Interests in Other Entities	1 January 2014
IFRS 11 (amendment)	Joint Arrangements	1 January 2014 & 1 January 2016
IFRS 10 (amendment)	Consolidated Financial Statements	1 January 2014
IAS 28 (amendment)	Investments in Associates and Joint Ventures	1 January 2014
IAS 27 (amendment)	Consolidated and Separate Financial Statements	1 January 2014
IFRS 7 (amendment)	Disclosures – Initial Application of IFRS 9	1 January 2018
IFRS 9	Financial Instruments	1 January 2017
Annual improvements to IFRS 2009-2011 cycle		1 January 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 32 (amendment)	Financial instruments presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 39	Financial Instruments Recognition and Measurement	1 January 2014 & 2015
IAS 19	Defined Benefit Plans: Employment Contributions	1 July 2014
IFRIC21	Levies	1 January 2014
IFRS15	Revenue from Contracts with Customers	1 January 2017

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group, however, at this point they do not believe they will have a significant impact on the financial statements of the Group in the period of initial application.

3. GOING CONCERN

The Group and Company incurred a loss for the year of €526,783 (2012: loss of €469,767) and had a retained earnings deficit of €13,267,177 (2012: deficit of €12,740,394), at the balance sheet date leading to doubt about the Group and Company's ability to continue as a going concern.

The Group and Company had a cash balance of €1,425,025 at the balance sheet date. Cash flow projections prepared by the directors indicate that the funds available are sufficient to meet the obligations of the Group and Company for a period of at least twelve months from the date of approval of these financial statements. Accordingly the directors are satisfied that it is appropriate to continue to prepare the financial statements of the Group and Company on a going concern basis. The financial statements do not include any adjustment to the carrying amount, or classification of assets and liabilities, which would be required if the Group or Company was unable to continue as a going concern.

4. INVESTMENT REVENUE

	2013 €	2012 €
Interest on bank deposits	**1,814**	11,660

5. LOSS BEFORE TAXATION

The loss before taxation is stated after charging the following items:

	2013 €	2012 €
Administrative expenses:		
Professional fees	**284,383**	204,519
Staff costs - salaries	**98,606**	177,930
- payroll taxes	**16,618**	12,792
Other administration expenses	**95,896**	66,120
Impairment of exploration and evaluation expenditure	**19,658**	20,066
Share based payments	**13,435**	-
	528,596	481,427

Details of auditors' and directors' remuneration are set out in Notes 6 and 7 respectively

6. AUDITORS' REMUNERATION

Auditors' remuneration for work carried out for the Group and Company in respect of the financial year is as follows:

	2013 €	2012 €
Group		
Audit of Group accounts	**19,000**	19,000
Other assurance services	**1,000**	1,000
Tax advisory services	**1,000**	1,000
Other non-audit services	-	-
Total	**21,000**	21,000

6. AUDITORS' REMUNERATION *(continued)*

	2013 €	2012 €
Company		
Audit of individual company accounts	**9,500**	9,500
Other assurance services	**9,500**	9,500
Tax advisory services	**1,000**	1,000
Other non-audit services	-	-
Total	**20,000**	20,000

7. RELATED PARTY AND OTHER TRANSACTIONS

Group and Company

Directors' remuneration
The remuneration of the directors is as follows:

	2013 Fees – services as directors €	2013 Fees – other services €	2013 Total €	2012 Fees – services as directors €	2012 Fees – other services €	2012 Total €
John Teeling	**5,000**	**95,000**	**100,000**	5,000	95,000	100,000
David Horgan	**5,000**	**145,000**	**150,000**	5,000	145,000	150,000
	10,000	**240,000**	**250,000**	10,000	240,000	250,000

The number of directors to whom retirement benefits are accruing is nil. There were no entitlements to pension schemes or retirement benefits. The aggregate amount of the gains made by directors on the exercise of share options during the year was €354,968. Details of directors' interests in the shares of the company are set out in the Directors' Report.

Directors' remuneration of €175,000 (2012: €150,000) was capitalised as exploration and evaluation expenditure as set out in Note 13

Key management compensation
Key management personnel are deemed to be John Teeling (Chairman), David Horgan (Director), and James Finn (Chief Financial Officer). The total compensation expense comprising solely of short-term benefits in respect of key management personnel was as follows:

	2013 €	2012 €
Short-term employee benefits	**350,000**	350,000

7. RELATED PARTY AND OTHER TRANSACTIONS *(continued)*

Other

Petrel Resources plc shares offices and overheads with a number of companies also based at 162 Clontarf Road. These companies have some common directors.

Transactions with these companies during the year are set out below:

	Botswana Diamonds plc	Clontarf Energy plc	Connemara Mining plc	Hydrocarbon Exploration Limited	Total
	€	€	€	€	€
Balance at 1 January 2012	5,009	6,577	3,739	(4,012)	11,313
Office and overhead costs recharged	(33,770)	10,663	60,297	-	37,190
Exploration and evaluation expenditure recharged by Petrel	-	12,079	-	-	12,079
Exploration and evaluation expenditure recharged to Petrel	-	(82,988)	-	-	(82,988)
Repayments	28,761	54,643	(64,036)	4,012	23,380
Balance at 31 December 2012	-	974	-	-	974
Balance at 1 January 2013	-	974	-	-	974
Office and overhead costs recharged	4,042	-	66,947	-	70,989
Repayments	(4,042)	(974)	(66,947)		(71,963)
Balance at 31 December 2013	-	-	-	-	-

Company

At 31 December the following amount was due to the company by its subsidiary:

	2013	2012
	€	€
Amounts due from Petrel Resources (TCI Limited)	**4,207,341**	-

The amount due is non-interest bearing, unsecured and repayable on demand. The recoverability of the amount due is dependent on the discovery and successful development of economic mineral reserves which is subject to a number of risks as set out in Note 1(xi).

8. STAFF NUMBERS

The average number of persons employed by the group (including directors and secretary) during the year was:

	2013 Number	2012 Number
Management and administration	5	5

8. STAFF NUMBERS *(continued)*

Staff costs for the above persons were:	2013 €	2012 €
Wages and salaries	433,606	437,930
Social welfare costs	16,618	12,792
Pension costs	-	-
	450,224	450,722

9. SEGMENTAL ANALYSIS

The Group adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about the Group that are regularly reviewed by the chief operating decision maker. The Board is deemed the chief operating decision maker within the Group. For management purposes, the Group has one class of business: oil exploration and development. This is analysed on a geographical basis.

	2013 €	2012 €
9A. Segment Results		
Continuing Operations		
Iraq	-	-
Africa	(19,658)	(20,066)
Ireland	-	-
Total for continuing operations	(19,658)	(20,066)
Unallocated head office	(507,125)	(449,701)
	(526,783)	(469,767)

There was no revenue earned during the year (2012: €Nil).

9B. Segment Assets and Liabilities	Assets		Liabilities	
	2013 €	2012 €	2013 €	2012 €
Iraq	6,597,090	2,292,050	-	-
Africa	662,943	607,134	(8,164)	-
Ireland	972,854	524,865	(4,842)	(41,729)
Total for continuing operations	8,232,887	3,424,049	(13,006)	(41,729)
Unallocated Head Office	1,455,287	3,059,324	(397,820)	(365,466)
	9,688,174	6,483,373	(410,826)	(407,195)

9. SEGMENTAL ANALYSIS *(continued)*

9B. Segment Assets and Liabilities *(continued)*

Additions to non-current assets (Group and Company)

	2013 €	2012 €
Iraq	**4,301,258**	266,736
Africa	**75,467**	215,675
Ireland	**447,989**	311,064
Total for continuing operations	**4,805,056**	793,475
Unallocated head office	-	-
	4,805,056	793,475

10. INCOME TAX EXPENSE

	2013 €	2012 €
Factors affecting the tax expense:		
Loss on ordinary activities before tax	**(528,597)**	(481,427)
Income tax calculated @ 12.5%	**(66,075)**	(60,178)
Effects of:		
Expenses not allowable	**12,300**	3,487
Tax losses carried forward	**53,554**	55,234
Income taxed at higher rate	**221**	1,457
Tax charge	-	-

No corporation tax charge arises in the current year or the prior year due to losses brought forward.

At the balance sheet date, the Group had unused tax losses of €5,090,900 (2012: €4,662,472) which equates to a deferred tax asset of €636,363 (2012: €582,809). No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Losses may be carried forward indefinitely.

11. LOSS PER SHARE

	2013 €	2012 €
Loss per share - basic and diluted	**(0.63c)**	(0.61c)

11. LOSS PER SHARE *(continued)*

Basic loss per share

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

	2013	2012
	€	€
Loss for the year attributable to equity holders	(526,783)	(469,767)

	2013	2012
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	84,088,217	76,664,624

Basic and diluted loss per share are the same as the effect of the outstanding share options is anti-dilutive.

12. FINANCIAL ASSET

Investment

Group

	2013	2012
	€	€
At the beginning of the year	-	-
Additions	4,211,123	-
At the end of the year	4,211,123	-

On 14 August 2013 the company announced that through its wholly owned subsidiary, Petrel Resources (TCI) Limited, it had acquired a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V.("Amira") from Amira Petroleum N.V. Amira is a special purpose vehicle which holds a 25 per cent carried to production interest in an early stage oil opportunity in the large, underexplored and underdeveloped province of Wasit.

Although the company owns 20 per cent of Amira, it does not have significant influence over Amira. Petrel does not have any representation on the Board of Amira. It does not have the right to participate in any financial or operating policy decisions. As a result Amira does not meet the definition of an associate and is treated as an investment.

The consideration for the Acquisition comprised an up-front cash payment of US$500,000 and the issue of 18,947,368 shares in Petrel ("Initial Consideration Shares"), representing 19.82 per cent of the enlarged issued share capital of Petrel. The Initial Consideration Shares are locked-in until the spudding of the first conventional oil well in respect of Amira's interest in the Wasit province. If the Spudding Date has not occurred by 19 August 2018, Petrel may, amongst other things, elect to re-acquire the Initial Consideration Shares for a nominal amount.

12. FINANCIAL ASSET *(continued)*

Following completion of the Acquisition, a further 21,052,632 shares in Petrel may be issued in two tranches upon the occurrence of certain events ("Deferred Consideration Shares"). The first tranche of 10,526,316 Deferred Consideration Shares is to be issued upon the Spudding of the first conventional oil well. The second tranche of 10,526,316 Deferred Consideration Shares is to be issued upon notification of a discovery in respect of Amira's interest in the Wasit Province.

As part of the Acquisition, Arman Kayablian, COO of Amira Industries, joined the board of Petrel as a non-executive director with effect from 19 August 2013.

Under the terms of the Acquisition agreement, Petrel is also given a right of first refusal to participate or acquire an operated interest in any future exploration and production licences that Amira Industries secures in the Iraqi provinces of Muthanna, Karbala, Babil and Najaf, which are currently being pursued by Amira Industries. The terms of Petrel's participation in such licence are subject to agreement between the parties but are likely to be similar to Amira Industries' arrangement with Oryx Petroleum ("Oryx") in respect of the Wasit licences.

Fair value information for the investment in Amira has not been disclosed as its fair value cannot be reliably measured. As a result the investment is carried at amortised cost. Fair value cannot be reliably measured as the investment is held in a private company. The company's equity instruments do not have a quoted price in an active market.

The recoverability of the group's financial asset is dependent on the discovery and successful development of the economic reserves which is subject to a number of risks as outlined in Note 1 (xi).

13. INTANGIBLE ASSETS

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Exploration and evaluation assets:				
Cost:				
Opening balance	**3,424,049**	2,700,960	**3,412,812**	2,689,723
Additions	**760,608**	793,475	**760,608**	793,475
Impairment charge	**(19,658)**	(20,066)	**(19,658)**	(20,066)
Exchange translation adjustment	**(147,017)**	(50,320)	**(147,017)**	(50,320)
Closing balance	**4,017,982**	3,424,049	**4,006,745**	3,412,812

Segmental Analysis	**Group**	Group
	2013	2012
	€	€
Iraq	**2,382,185**	2,292,050
Ghana	**662,943**	607,134
Ireland	**972,854**	524,865
	4,017,982	3,424,049

13. INTANGIBLE ASSETS *(continued)*

Exploration and evaluation assets at 31 December 2013 represent exploration and related expenditure in respect of projects in Ireland, Iraq and Ghana. The directors are aware that by its nature there is an inherent uncertainty in relation to the recoverability of amounts capitalised on the exploration projects. In addition, the current economic and political situation in Iraq is uncertain.

During the year the group incurred expenditure of €19,658 on minor projects in Africa. These projects were terminated during 2013 and the assets were impaired to nil.

In 2012, the directors decided to impair in full the Morocco and Guinea exploration and evaluation assets to nil, amounting to a total impairment charge of €20,066. The decision was taken as the projects were terminated during the year and the assets were impaired to nil.

Relating to the remaining exploration and evaluation assets at the year end, the directors believe there were no facts or circumstances indicating that the carrying value of the intangible assets may exceed their recoverable amount and thus no impairment review was deemed necessary by the directors. The realisation of these intangible assets is dependent on the successful discovery and development of economic reserves and is subject to a number of significant potential risks, as set out in Note 1 (xi).

The Group is currently seeking clarification from the Ghanaian authorities that a petroleum agreement in the Tano Basin block ratified by the Ghanaian parliarment in March 2014 does not relate to an area covered by the licence held by Petrel Resources plc. The Group has been granted an interlocutory injunction and interim order protecting the Group's rights in the Tano Basin block. Further details are set out in Note 25.

Directors' remuneration of €175,000 (2012: €150,000), salaries of €110,000 (2012: €110,000) and share based payments of €13,436 (2012: €Nil) were capitalised as exploration and evaluation expenditure during the year.

14. INVESTMENT IN SUBSIDIARIES

	2013	2012
	€	€
Company		
At beginning of the year	**11,237**	11,237
Additions	**3,782**	-
At end of the year	**15,019**	11,237

On 6 August 2013 the company acquired 5,000 shares of US$1 each in Petrel Resources (TCI) Limited, being 100% of that company's issued share capital. Petrel Resources (TCI) Limited was formed to acquire the 20% shareholding in Amira Hydrocarbons Wasit B.V. Details of the acquisition are provided in Note 12 above.

The directors are satisfied that the carrying value of the investment is not impaired. The realisation of the investment in subsidiaries is dependent on the discovery and successful development of economic reserves and is subject to a number of significant potential risks, as set out in Note 1 (xi).

14. INVESTMENT IN SUBSIDIARIES *(continued)*

The Group consisted of the parent company and the following wholly owned subsidiaries as at 31 December 2013:

Name	Nature of Business	Registered Office	Share
Petrel Industries Limited	Dormant	162 Clontarf Road, Dublin 3, Ireland	100%
Petrel Resources of the Middle East Offshore S.A.L.	Dormant	Damascus Street Beirut, Lebanon	100%
Petrel Resources (TCI) Limited	Holding	Duke Street, Grand Turk, Turks & Caicos Island	100%

The company also holds a 30% interest in Pan Andean Resources Limited, an early stage exploration company incorporated in Ghana. Pan Andean Resources Limited has not traded since incorporation.

15. TRADE AND OTHER RECEIVABLES

	Group 2013 €	Group 2012 €	**Company 2013 €**	Company 2012 €
VAT refund due	**29,919**	24,634	**29,919**	24,634
Other receivables	**4,125**	18,832	**4,125**	18,832
Due by subsidiaries (Note 7)	-	-	**4,207,341**	-
	34,044	43,466	**4,241,385**	43,466

The carrying value of trade and other receivables approximates to their fair value. The realisation of amounts due by subsidiaries is dependent on the discovery and successful development of economic reserves and is subject to a number of significant potential risks, as set out in Note 1 (xi).

16. CASH AND CASH EQUIVALENTS

	Group 2013 €	Group 2012 €	**Company 2013 €**	Company 2012 €
Cash and cash equivalents	**1,425,025**	3,015,858	**1,425,025**	3,015,858

Cash at bank earns interest at floating rates on daily bank rates. The fair value for cash and cash equivalents is €1,425,025 (2012: €3,015,858) for Group and €1,425,025 (2012: €3,015,858) for Company. The Group and Company only deposits cash surpluses with major banks.

17. TRADE AND OTHER PAYABLES

	Group 2013 €	Group 2012 €	**Company 2013 €**	Company 2012 €
Accruals	291,518	269,959	291,518	269,959
Other payables	119,308	137,236	119,308	137,236
	410,826	407,195	410,826	407,195

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers. It is the Group's policy that payments are made between 30 - 45 days and suppliers are required to perform in accordance with the agreed terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying value of trade and other payables approximates to their fair value.

18. FINANCIAL INSTRUMENTS

The Group and Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Group and Company holds cash as a liquid resource to fund the obligations of the Group. The Group's cash balances are held in Euro, Sterling and in US dollar. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure.

The Group and Company has a policy of not hedging due to no significant dealings in currencies other than euro and dollar denominated transactions and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures on an ad hoc basis.

The Group and Company has relied upon equity funding to finance operations. The directors are confident that adequate cash resources exist to finance operations for future exploration but expenditure is carefully managed and controlled.

The carrying amounts of the Group and Company's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

GROUP AND COMPANY	**Assets 2013 €**	Assets 2012 €	**Liabilities 2013 €**	Liabilities 2012 €
Sterling	199,163	3,325	8,275	50,297
US Dollar	1,221,141	3,012,289	1,969	32,159

19. FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash balances and various items such as trade receivables and trade payables which arise directly from exploration and evaluation activities. The main purpose of these financial instruments is to provide working capital to finance Group operations.

19. FINANCIAL RISK MANAGEMENT *(continued)*

The Group and Company do not enter into any derivative transactions, and it is the Group's policy that no trading in financial instruments shall be undertaken. The main financial risk arising from the Group's financial instruments is currency risk. The board reviews and agrees policies for managing financial risks and they are summarised below.

Interest rate risk profile of financial assets and financial liabilities The Group finances its operations through the issue of equity shares, and had no exposure to interest rate agreements at the year end date.

Liquidity Risk

As regards liquidity, the Group's policy is to ensure continuity of funding primarily through fresh issues of shares. Short-term funding is achieved through utilizing and optimising the management of working capital. All financial liabilities are due within 1 year from the year end. The directors are confident that adequate cash resources exist to finance operations in the short term, including exploration and development expenditure.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates, and maintaining a level of cash in foreign denominated currencies sufficient to meet planned expenditure in that currency. Foreign currency denominated assets and liabilities are set out in Note 18.

Credit risk

The maximum credit exposure of the group and company at 31 December 2013 amounted to €1,459,069 and €5,666,411 respectively relating to cash and cash equivalents and receivables. The directors believe there is limited exposure to credit risk on the group and company's cash and cash equivalents as they are held with major financial institutions. The credit risk on receivables is significant and their recoverability is dependent on the discovery and successful development of economic reserves by those subsidiary undertakings. Given the nature of the group's business significant amounts are required to be invested in exploration and evaluation activities at various locations. The directors manage this risk by reviewing expenditure plans in relation to projects before any monies are advanced.

Capital Management

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group does not hold any external debt and is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

20. SHARE CAPITAL

	Group and Company	
	2013	2012
	€	€
Authorised:		
200,000,000 ordinary shares of €0.0125	**2,500,000**	2,500,000

20. SHARE CAPITAL *(continued)*

Allotted, called-up and fully paid:

	Number	Share Capital €	Share Premium €
At 31 December 2012 and 1 January 2013	76,664,624	958,308	17,784,268
Issued during the year	23,017,368	287,717	3,631,817
At 31 December 2013	**99,681,992**	**1,246,025**	**21,416,085**

Movements in share capital
On 13 August 2013 the company issued 18,947,368 new ordinary shares to Amira Petroleum N.V. at a price of 20c per share as part consideration for the acquisition of a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V. Details of this acquisition are provided in Note 12.

On 17 December 2013 the directors of the company exercised 4,070,000 options at exercise prices ranging from 2.5p to 5p.

21. SHARE BASED PAYMENT

The Group issues equity-settled share-based payments to certain directors and individuals who have performed services for the Group. Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by the use of a Black-Scholes model.

Options
The Group plan provides for a grant price equal to the average quoted market price of the ordinary shares on the date of grant. The options vest immediately.

	Year ended 31/12/2013 Options	**Year ended 31/12/2013 Weighted average exercise price in pence**	Year ended 31/12/2012 Options	Year ended 31/12/2012 Weighted average exercise price in cent
Outstanding at beginning of year	-	-	200,000	178
Granted during the year	**500,000**	**10.50**	-	-
Forfeited during the year	-	-	(200,000)	(178)
Outstanding and exercisable at the end of year	**500,000**	**10.50**	-	-

The options outstanding at 31 December 2013 had a weighted average exercise price of 10.50p, and a weighted average remaining contractual life of 6.97 years.

During the year ended 31 December 2013, 500,000 options were granted with a fair value of €26,870. These fair values were calculated using the Black-Scholes valuation model.

21. SHARE BASED PAYMENT *(continued)*

The inputs into the Black-Scholes valuation model were as follows:

Grant 21 December 2013	
Weighted average share price at date of grant (in pence)	10.50p
Weighted average exercise price (in pence)	10.50p
Expected volatility	41.5%
Expected life	7 years
Risk free rate	0.5%
Expected dividends	none

Expected volatility was determined by management based on their cumulative experience of the movement in share prices over the year.

The terms of the options granted do not contain any market conditions within the meaning of IFRS 2.

The group capitalised expenses of €13,436 relating to equity-settled share-based payment transactions during the year.

At 31 December 2013, there were 350,000 (2012: 4,420,000) options in existence which are not accounted for under IFRS2 as the options were granted after 7 November 2002 and had vested by 1 January 2006 (date of transition to IFRS).

22. PROFIT ATTRIBUTABLE TO PETREL RESOURCES PLC

In accordance with Section 148 (8) of the Companies Act, 1963 and Section 7 (1A) of the Companies (Amendment) Act, 1986, the company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies. The total comprehensive loss for the year in the parent company was €745,235 (2012: €577,145) which includes exchange loss on translation of €218,452 (2012: loss of €107,378).

23. NON-CASH TRANSACTIONS

On 13 August 2013 the company issued 18,947,368 new ordinary shares to Amira Petroleum N.V. at a price of 20c per share as part consideration for the acquisition of a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V. Details of this acquisition are provided in Note 12.

24. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

25. POST BALANCE SHEET EVENTS

On 4 March 2014 the company announced that it had finalised an 85% farm-out agreement with Woodside, Australia on its offshore Ireland acreage. The agreement covers all of Petrel's participating interest in Licensing Option 11/6 (comprising offshore blocks 45/6, 45/11 and 45/16) and Licensing Option 11/4 (comprising offshore blocks 35/23, 35/24 and the western half of 35/25). Woodside will be operator of the licensing options. Petrel had a carrying value of €972,854 in relation to its Irish licenses at the balance sheet date.

On 25 March 2014 the Group noted press reports and speculation regarding the ratification by the Ghanaian Parliament of a petroleum agreement in the Tano Basin block. The Group holds a 30 per cent interest in the Tano 2A Block. As a precautionary measure the Group applied for injunctive relief to prevent the award of any part of the Tano 2A Block to a third party, while they seek clarification that the ratification does not relate to an area covered by the Tano 2A Block.

On 8 April 2014 the High Court of Ghana granted an interlocutory injunction and also an interim order for the protection of the Group's rights in the Tano 2A Block.

On 4 June 2014 the legal proceedings being pursued by the Group were temporarily adjourned while dicussions take place with the Ghanaian authorities.

26. CONTINGENT LIABILITIES

There are no contingent liabilities (2012:€Nil) other than those disclosed in Note 12.

PETREL
RESOURCES

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Petrel Resources plc will be held on 31 July 2014 in the Westbury Hotel, Grafton Street, at 11 am for the following purposes:

Ordinary Business

1. To receive and consider the Directors Report, Audited Accounts and Auditors Report for the year ended December 31, 2013.

2. To re-appoint director: David Horgan retires in accordance with Article 95 and seeks re-election.

3. To elect director: Arman Kayablian retires in accordance with Article 101 and seeks election.

4. To re-appoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration.

5. To transact any other ordinary business of an annual general meeting.

By order of the Board:

James Finn
Secretary

24 June 2014

Registered Office: 162 Clontarf Road, Dublin 3.

Note: A member of the company who is unable to attend and vote at the above Annual General Meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company.

To be effective, the Form of Proxy duly signed, together with the power of attorney (if any) under which it is signed, must be deposited at the Company's Registrars, Computershare Investor Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, not less than forty-eight hours before the time appointed for the Meeting or any adjournment thereof at which the person named in the Form of Proxy is to vote.

Directors and Other Information

CURRENT DIRECTORS	J. Teeling (Chairman) D. Horgan (Executive Director) A. Kayablian (appointed 19 August 2013)
SECRETARY	J. Finn
REGISTERED OFFICE	162 Clontarf Road Dublin 3 Telephone: 353-1-833 2833 Fax: 353-1-833 3505 E-Mail: info@petrelresources.com Website: www.petrelresources.com
AUDITORS	Deloitte & Touche Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2
BANKERS	Allied Irish Bank plc. 140 Lower Drumcondra Road Dublin 9 Commerzbank AG Gallusanlage 60329 Frankfurt
SOLICITORS	McEvoy Partners 27 Hatch Street Lower Dublin 2
NOMINATED BROKER & ADVISOR	Northland Capital Partners Limited 131 Finsbury Pavement London EC2A 1NT
REGISTRATION NUMBER	92622
AUTHORISED CAPITAL	200,000,000 €0.0125 Ordinary Shares
CURRENT ISSUED CAPITAL	99,681,992 Ordinary Shares
MARKET	AIM
NUMBER OF SHAREHOLDERS	1,612

Corporate Office:
162 Clontarf Road, Dublin 3, Ireland.
Tel: +353 (0)1 833 2833
Fax: + 353 (0)1 833 3505
Company Registration Number: 92622

www.petrelresources.com