Contents

Chairman's Statement

In a world of significant political and economic uncertainty it is good to have some positive news to report. In the recent Irish Offshore oil bid round Petrel received two awards under two-year Licencing Options comprising three blocks and two part-blocks. On our two Frontier Exploration Licences in the Irish Atlantic, where we have joint ventured with Woodside, an extensive seismic programme has commenced.

Irish offshore exploration is a two generation story starting in the Celtic Sea in the late 1960s and as technology improved exploration shifting to the Atlantic in the late 1970s. Success was hard to come by – one gas field with small satellites in the Celtic Sea, Kinsale, and one gas field in the Atlantic, Corrib, on stream in 2015.

The Atlantic Ocean is the focus of Petrel's activities. The Company was formed in 1983 to participate in groups exploring offshore Ireland, and during this period a large database of seismic and well logs was acquired. The company lay dormant for a number of years until it was revived by the present Directors who maintained an interest in Irish exploration while focusing activities in Iraq and Africa.

It is said that technology improvement means that exploration frontiers are re-established every 20 years, and so it is with the Irish offshore. The Irish Atlantic is a live exploration frontier. Despite 43 Atlantic wells over 38 years and the Corrib gas discovery, it is significantly under explored. The challenges are big, but so too the potential prize. What is known about the geology, and knowledge is growing every year, suggests the presence of large geological traps, which if they contain hydrocarbons, could be major discoveries. That's the prize but the challenges are also significant - weather, wind, waves and water depths will test the best technology and best operators in the world. Exploration is hugely expensive, seismic can cost up to $5,000 per square kilometre, and thousands of square-kilometres may be needed to define a prospect, while drilling one well can cost in excess of $100 million, and may take over 100 days. One exploration success will lead to further "proving up" expenditure and multi-billion dollar development projects if an economic resource is shown to exist.

Oil prices, costs and taxes all contribute to the economics of a physical discovery. So too do the estimates of risk and uncertainty that decide the discount rate to be applied to the financial numbers. In a new oil frontier, like the Irish Atlantic, there are significant unknowns. The very best geological, technical, scientific and engineering professionals will be used to reduce the uncertainties but risk cannot be eliminated. The people making the final decision to commit billions to a risky project must weigh the rewards against the risk. This is where the role of the State is so important. The State take and how they take it is often a critical factor in whether or not a project proceeds.

Irish Offshore exploration is a failure so far. More money has been lost than made. Twenty years ago the Irish Government recognised this and revised their tax code and their licencing procedures to entice risk takers. It had limited success though the terms were very good. A few holes were drilled and some ground licenced in the 2011 bid round but, in most years, like 2016, no holes were drilled. Remember the only true lie detector is a drill hole.

Chairman's Statement *(continued)*

High oil prices, improved technology and exploration success in the Atlantic offshore Africa, Canada and Brazil improved the Risk/Reward profile of the Irish Atlantic. Unfortunately, the one well drilled in recent years, at a rumoured cost of $200 million, the Exxon well on the Dunquin target in the south-western Porcupine offshore Ireland, failed to find commercial hydrocarbons. The fifteen year debacle over the Corrib gas development resulting in a tripling in capital cost and reputational damage to participants raised concerns among international explorers/producers. Promised wells did not get drilled. A limited amount of 3D seismic was gathered. The collapse of the oil price should have been the nail in the coffin of this generation of Atlantic oil explorers. But what could have been and may yet be the final nail was the totally inexplicable decision of the State to revise the tax code – upward. An effective 5% royalty was introduced – a tax hated by every producer as it does not allow for profitability – you pay even if you are losing money.

Under pressure from radicals the State began an examination of Irish oil licence terms in 2013 when oil prices were over $100 a barrel, but only introduced new higher taxes in 2015 when prices were circa $50 per barrel. To compound this error of judgement, the oil taxation code is now complex and difficult to understand thus breaking one of the canons of taxation.

Despite all of the above, the 2015 Second Round of Offshore Licence Options was successful with some super major oil companies obtaining blocks in the first awards in early 2016. Petrel, was among the smaller companies obtaining ground in the second phase of awards in June 2016 - but note there are options to proceed - not well commitments.

In 2013, Petrel persuaded the successful Australian gas major, Woodside, to joint venture the two Petrel Licencing Options and to convert these into full licences. Currently, Woodside is undertaking an extensive 3D seismic programme on Petrel licence 3/14 offshore Kerry in waters up to 1,000 metres deep. Should the results of the seismic be positive, then the expectation is that at least one well will be drilled. Petrel is covered for all costs up to and including one well, subject to a capped well cost which is unlikely to be reached at present cost levels.

The new ground awarded to Petrel in June 2016 totals 924 sq km including 664 sq km bordering the 1983 Connemara discovery made by BP in the north west Porcupine. The second Option covers 260 sq km in the eastern Porcupine and is covered by recent 3D seismic. We have commenced our agreed work programme which we expect will identify potential targets of significant size. We will use this work to entice partners to undertake the expensive part of exploring the Atlantic.

Other Activities

Petrel has interests in Ghana and Iraq. In 2008 a consortium in which Petrel now holds a 30% stake agreed an exploration licence over block Tano 2A in Ghana with the Ghanaian National Petroleum Company. The agreement has never been ratified, despite the expenditure by the consortium of up to $2 million on technical work, political entreaties and eventually legal proceedings. We had a favourable outcome from the legal proceedings yet procrastination continues. In a separate development we were invited to apply for acreage in a deeper part of the Tano basin. We lodged an application and we have been invited to negotiate with the authorities.

Chairman's Statement *(continued)*

Our Iraqi interests are at a standstill. We hold a 5% free carry through to production on licences held by Oryx, a Canadian company, in the Wasit province. Oryx has been unable to get permits to drill in Wasit.

Our second interest is an exploration licence over 10,000 sq km in the Western Desert between Baghdad and the Jordanian border. The area is controlled by ISIS so it is a no go area to any outsider.

Future

The immediate and near term future success of Petrel is in the Atlantic offshore Ireland. We hold good acreage, we have a good partner doing good work.

We are financed for the future. The ongoing extensive work programme in the Atlantic is fully funded by Woodside. In Iraq, if and when work starts we are fully carried by Oryx. Our new Licence Options in the Atlantic have an agree work programme over the next two years. This is funded.

John Teeling
Chairman
23 June 2016

Review of Operations

Highlights

2015 Irish Atlantic Bid Round

- Petrel was awarded 924 km^2 of prospective Irish Atlantic Porcupine Basin acreage in June 2016 by way of two Licensing Options.
- The newly awarded Licensing Option 16/24 includes 664 km^2 bordering the Connemara oil-field discovered by BP in 1983.
- Licensing Option 16/24 work programme is now underway with the acquisition of available seismic not already in Petrel's database. These North-Western Porcupine Basin blocks are our current priority, giving the best shot at a quality farm-out. We aim to achieve state-of-the-art interpretation in one phase rather than in incremental steps.

JV with Woodside in the Irish Atlantic:

- The 'Granuaile' 3D seismic acquisition of c.1,579 km^2 of state-of-the-art 3D seismic with PGS as contractor over Licence Option LO 16/14 is now underway (May-June 2016) South-West (170km) off the Cork coast, South-Western Ireland (see map).
- Immediately after the Granuaile 3D seismic acquisition (early July 2016) the PGS vessels will deploy to FEL 3/14, in which Petrel has a 15% carry from operator Woodside Energy (see map).
- This work is intended to de-risk identified Jurassic and Cretaceous plays that may lead to one or more well commitment in the phase 2017 through 2021.

Introduction

Petrel Resources plc is an Irish-based junior oil and gas Exploration Company with activities in Iraq, Ghana and Ireland. Petrel is listed on the London Stock Exchange's Alternative Investment Market (PET).

Petrel Resources plc has explored for oil & gas since 1983 (since 1997 under current management).

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 also operates 924 km^2 of 100% owned Licensing Options also in the Porcupine Basin.

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. Following a dispute with the Ghanaian authorities in 2014 we agreed to vary our coordinates and that the Ghanaian authorities will move promptly to ratify the Petroleum Agreement with the revised coordinates. Ratification had not occurred as of end June 2016. Discussions on alternative acreage is ongoing.

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. The seismic permits have not been issued as of end June 2016. Wasit is east of Baghdad in a Shia region and remains relatively unaffected by disturbances west and north of Baghdad.

Review of Operations *(continued)*

Irish Atlantic Offshore Operations:

With few Irish wells, many were impressed at the success of the 2015 Irish Atlantic Bid Round – which was powered mainly by events elsewhere.

The Irish offshore Atlantic is a play whose time has come: due to a combination of a high oil price, success of frontier plays elsewhere, dramatically improving technology and competitive fiscal terms. Threats to European gas and oil supplies, and the need for local reserves, have never been more obvious.

There have been very few wells drilled in Irish waters in recent years: in the Celtic Sea, the 2012 Barryroe oil-well exceeded expectations, though the partners have struggled to develop the discovery. In 2015, Petronas drilled the Midleton gas prospect in an effort to prolong their Kinsale infrastructure, but it was dry. In the south-west Porcupine Exxon drilled the 1,600 metre water-depth Dún Chaoin structure, on 2D seismic only and with no nearby well-control, in 2013, but it was sub-commercial. The northern Porcupine Spanish Point discovery, which is not far from Petrel's new Licensing Option 16/24, was originally due to be re-drilled in 2014, and then in 2015, but the partners postponed drilling apparently mainly due to low oil prices.

While the Celtic Sea has languished, the Porcupine Basin has become an international exploration 'hot-spot':

Following discussions with large international oil companies, Petrel realised that the 2015 bid round would be competitive, especially for the Porcupine Basin. In preparing its applications, Petrel's strategy therefore was to seek prospective acreage, in reasonable depth water (c.500 to 1,000 metres), close to existing discoveries, like Connemara, Burren and Spanish Point. Despite being named after onshore beauty-spots, all of these historic discoveries are in medium water-depth (250 to 350 metres), over 200km west of Co. Clare. Advances in technology mean that these prospects have only recently become feasible, so these are effectively new plays for explorers.

Accordingly, Petrel Resources plc applied for acreage in the northern and eastern areas of the Porcupine Basin with geological potential. Petrel bid on three packages of acreage and was awarded two new Licensing Options (the 'LOs') in the Porcupine Basin, offshore Ireland, as part of phase 2 of the 2015 Atlantic Ireland round. Petrel is the 100% Operator of these 2 year Licensing Options.

Our work programme includes the purchase, reprocessing and reinterpretation of historic seismic and other data that is not already in the Petrel database, as well as the application of innovative exploration techniques.

The award to Petrel Resources plc is in two separate Licence Options: the north-western Porcupine Licence Option abuts the Connemara oil-field found by BP in 1983, and includes Block 35/01 and the available portion of Block 35/02, which are immediately to the west of the Connemara oil-field. This licence also includes Block 26/26 and the available portion of Block 26/27, immediately to the north-west of the Connemara oil-field, with similar structures identified.

Review of Operations *(continued)*

The second Licence Option in the Eastern Porcupine includes the entirety of Block 45/27, which has been covered by a 3D seismic programme in 2013. This area was sought-after and abuts acreage awarded after aggressive work programme bids by larger companies.

The sea-bed area of LO 16/24 is 663.988 km^2.

The sea-bed area of LO 16/25 is 259.8712 km^2.

This gives a total award of 924 km^2.

Petrel has started a two year work programme on the two Licencing Options, aiming to identify prospects to attract partners to fund seismic and wells:

Licensing Option 16/24, in the North-Eastern Porcupine Basin, is a considerable grant of 664 km^2 encompassing the entirety of Blocks 26/26, and 35/01, as well as available parts of 26/27 and 35/02.

LO 16/24 is located in a strategic sector of the Porcupine Basin close to the known hydrocarbon discoveries of Burren (Lower Cretaceous), Spanish Point (Jurassic) and Connemara (Jurassic). There are few emerging exploration areas with so many potential plays as the Porcupine - an under-explored basin with up to 10km of sediment. The recent major discoveries in the Flemish Pass basin, offshore eastern Canada, have re-focussed industry attention on the Upper Jurassic, particularly in South Porcupine, while along the basin margins the exciting potential in the Lower Cretaceous, prolific in West Africa, also remains undrilled. LO 16/24 has potential for both Jurassic and Lower Cretaceous prospects.

Petrel's technical experts' interpretation of legacy traditional 2D seismic data indicated Lower Cretaceous 'pinch-out plays' in the southern section of the acreage, with the potential for up to 310 million barrels of oil equivalent gross mean un-risked indicative resources. Separate Apto-Albian plays in the northern section of the acreage awarded also have considerable potential, but need reprocessing and reinterpretation of the expanded seismic data set to give estimates with greater confidence.

Licensing Option 16/25 is in the Eastern Porcupine Basin, closer to shore, and encompasses 260 km^2 of the entirety of Block 45/27.

Block 45/27 lies within an embayment on the eastern margin of the Porcupine Basin. Sediment was fed into this area in Lower Cretaceous time from the Celtic Platform to the east, and particularly from the adjacent Túr Igneous Centre. The principal play, so far identified, is for up-dip pinch-out of Lower Cretaceous units against the basin margin. Interpretation of legacy 2D seismic data indicates potential for closure at these levels within the block. It is premature to estimate recoverable volumes but the strength of competing bids and companies operating on similar acreage nearby highlights the prospectivity of this part of the Porcupine. This area is covered by the 3D seismic programme acquired by Kosmos Energy in 2013.

Review of Operations *(continued)*

Petrel has bid and agreed a work programme on each Licensing Option. This includes the purchase of additional seismic data (not already in Petrel's database), after which we will reprocess and re-interpret the enlarged dataset. Following the completion of this work programme, Petrel will have the option to apply to convert each LO into a full Frontier Exploration Licence (FEL).

The Department of Natural Resources will shortly publish a map showing the blocks awarded and the companies obtaining the awards. Petrel has a 100% interest in the two-year Licensing Options. Following the completion of a work programme, Petrel has the option to apply to convert the licences into Frontier Exploration Licences (FELs).

The award of these Licensing Options is seen as an important vote of confidence, particularly given the strength of competing bids. The quality of our new acreage is shown by the participation of larger companies in the round, and the aggressive work programmes they bid.

When we first applied for acreage in 2011 it was a lonely path. Financial markets were sceptical and the industry unconvinced. We have persisted with our work on and our promotion of the Porcupine Basin.

There were three discoveries in the Porcupine Basin in the period 1978-1981, of which the Spanish Point discovery is due to be re-drilled by Capricorn (Cairn Energy). Recent technological advances, better understanding of geology and higher average oil and gas prices have opened up the Irish Atlantic, however. Previous oil price falls after 1986, and again after 1998, led to operator departures and a drying up of interest. But the oil price fall of 54% since mid-2014 has not diminished explorer interest. Instead, more and bigger companies are bidding larger work programmes. In the 2015 Bid Round, 43 applications were made by 17 companies but only 28 offers made. Less than half of the Porcupine Basin acreage applied for was offered.

We plan to apply new techniques and lessons learnt elsewhere to the new Licencing Options, approaching innovative partners open to different ideas, and hope to expand our Porcupine Basin presence in the future.

Licensing Option 16/24 work programme:
Our Geophysical work programme is advancing with seismic line selection for the north-western LO 16-24 blocks. We are finalising the set of seismic lines to plug various gaps in our existing database.

LO16/25 is our second priority, though its marketability may be helped by south Porcupine developments. There is far less 2D data available over Block 45/27, although we are considering acquiring part of the Kosmos 3D data from 2013. The marketability of LO16/25 may be enhanced by work currently underway by major oil companies in the southern Porcupine.

The success of the 2015 Bid Round reflect well on the authorities – as well as the transformative discoveries in Canada's Flemish Pass, which the industry believes to be a geological twin for the Porcupine Basin. Canada's Flemish Pass has already delivered over 8 discoveries for Statoil and its partners.

Review of Operations *(continued)*

These awards are an endorsement of the strong technical work of Petrel that supported our bids. Major and mid-cap oil companies have also taken acreage, which validates our long standing belief that the Porcupine Basin is underexplored and has reserve potential.

Petrel normally adds value by acquiring any existing seismic and well logs available on the market, reprocessing data, where appropriate, and reinterpreting these data to work up leads and prospects. Petrel would then normally partner with a larger company within two years. Partners are needed to fund the heavy-lifting: for well depths of 500 to 1,000m water between 100km and 200km offshore an expected exploration budget would be $120m to $200m.

Despite the commodity price correction after mid-2014, there has probably never been a better time to attract large international partners to the Porcupine.

The 17 companies who bid in the 2015 Atlantic Ireland round included majors Exxon, Statoil, ENI, and Nexen (now CNOOC). In the past we have partnered with BP, Petrobras, Repsol, CEPSA, Reliance Industries, BHP, Hunt Oil among others, so know what larger partners seek and how to close a deal.

There was a 53% overlap in the Porcupine bids, meaning that only 47% of the desired acreage was granted. Any exploration success on existing licences will transform the province and dramatically increase the value of acreage and understanding.

Many gas players are now looking at Ireland, aware that Europe is now 32% dependent on Russian exports – while efforts to diversify into North Africa and Middle Eastern LNG have been constrained by the 'Arab Spring' and supply worries.

The opening up of the Atlantic Margin has attracted in many additional players (particularly those interested in the Ghanaian-type 'Cretaceous play', as well as those interested in the pre-rift Jurassic play which has succeeded in Canada's Flemish Pass) – who would not previously have been attracted to Irish waters.

Irish tax treatment:
The recent 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.

However, the new fiscal rules do impact the new Licensing Options, awarded in 2016:

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.

Review of Operations *(continued)*

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 on Licence Options or Frontier Exploration Licences awarded as a result of the 2015 Bid Round will therefore be 55% in the event of a bonanza – which is not onerous by international standards. Proposed changes may confuse and complicate the fund-raising and partnership effort but we believe that high oil and gas prices and improving geology will compensate.

Previously Ireland had low and easily understood taxes.

Now everyone is confused (and we have yet to see how the detail work out in practice) but *the new Minimum is total tax of 29%, and new Maximum is 55%.*

The new fiscal terms are based on a Wood MacKenzie report commissioned by the Minister for Communications, Energy and Natural Resources to review the "fitness for purpose" of Ireland's oil and gas fiscal terms.

In the review Wood Mackenzie compared Ireland's fiscal terms to those of jurisdictions with a similar exploration profile: Falkland Islands; Mauritania; Morocco; Newfoundland & Labrador; New Zealand; Nova Scotia; Portugal; South Africa and Spain. The review also referenced Norway and Britain, as while they have different exploration profiles, they are regularly referred to in debate on the issue of oil and gas fiscal terms.

The key conclusions of the report, which was published in June 2013, were:

- There should be no retroactive change to the fiscal terms applying to existing exploration licences; and
- For new exploration licences, there is scope for strengthening Ireland's current fiscal terms to: provide for an increase in the overall State take, and ensure an earlier share of revenue for the State.

http://www.dcenr.gov.ie/natural-resources/en-ie/Pages/Publication/Wood-Mackenzie-Report.aspx

The recommendations are confusing and some details are to be worked out, but these are the key points:

No retrospectivity (existing licences are taxed in accordance with their contractual terms);
The corporate tax rate on oil & gas production remains at 25% (i.e. twice the general corporate rate);
In addition, there will now be an additional 5% 'effective royalty', payable up-front on production;
This additional 5% 'effective royalty' will be set against the additional profits tax ('petroleum production tax' or 'PPT');

Review of Operations *(continued)*

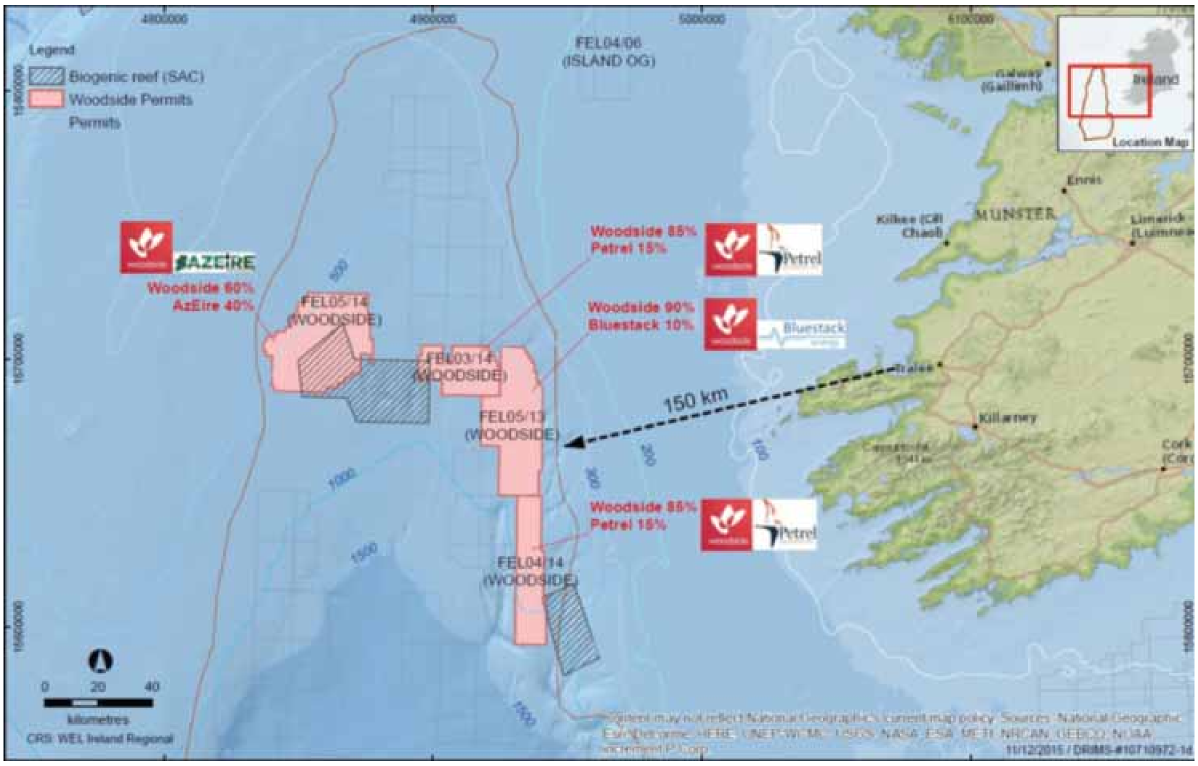
The PPT varies with the ratio of total revenue divided by total cost (both opex and capex), called the 'R Factor'. There is no PPT if the R Factor is less than 1.5x (though you still pay the 5% 'effective royalty'). After the R Factor is greater than 1.5x, there is a formula taking the tax from 10% up to a maximum of 40%:

The new Minimum is total tax of 29%, and new Maximum is 55%:

	R Factor			
	< 1.5x	1.5x	1.5-4.5x	> 4.5x
Royalty	5%	5%	5%	5%
PPT	0%	10%	pro rata	40%
Combined	5%	10%	pro rata	40%
Revenue	95%	90%	pro rata	60%
Corp tax	25%	25%	25%	25%
post-tax	71%	68%	pro rata	45%
total tax	29%	33%	pro rata	55%
	Minimum			Maximum

Woodside Joint Venture

Petrel Resources plc has an evolving and close partnership with Woodside Energy in two existing Frontier Exploration Licences (FELs 3/14 and 4/14) in the Irish Atlantic. Woodside is the leading Australian Gas & Oil Company, and a pioneer in the LNG (Liquefied Natural Gas) industry, supplying the Japanese market



Porcupine Basin offshore Ireland - Petrel Resources/Woodside Frontier Exploration Licences

Review of Operations *(continued)*

with clean, safe and reliable energy. Woodside is committed to the highest standards of safety, environment and respect for the community.

The Granuaile 3D seismic acquisition of c.1,579 km^2 of state-of-the-art 3D seismic, with PGS as contractor over Licence Option LO 16/14, is now completed and the PGS vessels is deployed to FEL 3/14, in which Petrel has a 15% carry.

The Frontier Exploration Licences held by the Joint Venture are split into logical phases under best international practice. 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, the acquisition of new, state-of-the-art 3D seismic data.

A thorough and detailed work programme started immediately and completed on time – the only forced delay being the high specification 3D seismic programme, which could not be permitted until the authorities had completed their Review of Strategic Areas of Conservation, in 2015 – too late for the 2015 weather window (May through September). All available additional Block and relevant regional 2D and 3D data has now been acquired, loaded, and reprocessed.

Required or appropriate environmental work has been completed, in cooperation with the Marine Institute and other official bodies.

Several leads have already been worked up showing structures and stratigraphic traps of commercial potential. This includes not just plays already worked by Petrel technicians but also completely new plays. The benefits of Woodside's unique experience and perspective are already clear.

If the high quality 3D seismic confirms and de-risks one or more such leads, we expect that drilling will be recommended to the licence holders. Initial targets are likely to be in up to 800 metres water depth, which is now reasonable in terms of logistics, technical challenges and cost. Petrel will be substantially carried on this work.

Already, several Leads have been worked up, Petrel is substantially carried by operator Woodside Energy through the technical work programme. Woodside is bringing to bear its world-class experience of deep-water exploration, based on thorough technical work and an impeccable safety and environmental record. Their participation is already proving transformative not just for Petrel shareholders, but also for Ireland exploration prospects in this emerging province. The Irish Atlantic is almost unknown, with only 52 wells in total drilled. Nearly all of the 31 Porcupine Basin wells so far were drilled in relatively shallow water. We believe that the largest and most promising exploration plays on our acreage will be in water between 600m and circa 1,200m. This is not ultra-deep water by 2016 standards, but so far there is no North Atlantic development in over 500m of water.

Review of Operations *(continued)*

Petrel is 100% carried through phase one of the work programme, which covers the three years from 2014 to 2017.

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.

It is important to reiterate that 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.

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.

Progress has continued to be slow in Ghana, where there were further delays to oil & gas projects and production at the world-class Jubilee field was again interrupted. 2016 is an election year and bureaucracy continues to be slow. It is hard to be confident about the system's ability to function properly but we are protecting our interests.

Petrel Resources believes that the only way for an international investor to operate is by strict adherence to local and international rules. Accordingly we have steadfastly defended the fiscal and terms incorporated in our signed Petroleum Agreement on Tano 2A Block, though we are prepared to be flexible on operational details and block coordinates so long as stakeholder interests are protected. Nearly all of the revised acreage applied for, in July 2014, is still listed on official maps as 'open' (unsigned) acreage but is 'under negotiation'. As often in Ghana, there is confusion and secrecy over the state of applications/negotiations. This confusion may be exacerbated by the election campaign which will shortly be underway for a poll in November 2016.

Experience with other Ghanaian projects over the past year reinforce this belief in the need to play strictly and verifiably by the rules:

Industry interest in Ghana's Tano Basin had soared with the world-class Jubilee discovery in 2007. Appraisal and development speed were impressive for a relatively deep-water discovery (1,100m) in a new oil province. However, development timing contributed to a relatively high capital cost while government policy contributed to lower than planned production, as well as repeated project interruptions. Together with long ratification delays (Ghana requires time-consuming Cabinet and Parliamentary ratification) and controversy over a limited number of swift approvals has undermined confidence and snarled Ghanaian oil & gas project development. A Public International Law dispute with neighbouring Côte d'Ivoire introduced further confusion and delays to neighbouring projects.

Review of Operations *(continued)*

Nonetheless Ghana's geological potential and reasonable fiscal terms makes Ghana remains one of the most attractive under-explored petroleum provinces worldwide. Though government changes and uncertain policy have delayed progress, and the political and legal processes lack transparency, there is a functioning bureaucracy and the rule of law. It is a game we can play – though one requiring resilience and patience.

The Jubilee experience shows that patience is required to overcome Ghanaian challenges:

After a 2007 discovery, the Ghanaian Minister of Energy approved the Phase 1 Plan of Development in July 2009, which included the use of an FPSO with a facility capacity of 120,000 bopd. In December 2010, the Jubilee field came on-stream and production ramped up. During the 2015 average production was 102,600 bopd. This was a relatively fast ramp-up, though oil was new to Ghana.

Iraq

The Iraqi oil industry has experienced an extended period of insecurity and legal uncertainty since 2003. Production from southern Iraq remains resilient, but total output has recently slipped to c. 4.27 million barrels daily (May 2016).

Given the delays and difficulties of dealing with the Federal authorities, Petrel Resources plc broadened its Iraqi investment in 2013 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 2016, these required permits had not yet been granted. Accordingly, our partner has reduced its estimated Wasit project expenditure, and rolled the planned seismic campaign forward.

So far, the Wasit Governate has not been materially impacted by disturbances west and north of Baghdad. However, delays forming a National Government (which was finally formed in September 2014) and the ongoing civil conflict has delayed necessary permitting and consequently the Oryx work programme so nothing has happened.

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. Anbar Governate is effectively under the control of radical Sunni militia opposed to western involvement.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the financial year ended 31 December 2015.

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 financial year and its future prospects is contained in the Chairman's Statement and Review of Operations.

RESULTS FOR THE FINANCIAL YEAR

The consolidated loss after taxation for the financial year, transferred to reserves, amounted to €227,234 (2014: loss of €2,959,492). The total exchange difference transferred to reserves is €305,752 (2014: €500,887). This includes a translation reserve comprising foreign exchange movement on translation from US Dollars (functional currency) to Euro (presentation currency).

The directors do not recommend that a dividend be declared for the financial year ended 31 December 2015 (2014: €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)*

RISKS AND UNCERTAINTIES *(continued)*

Risk	Nature of risk and mitigation
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. 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.

DIRECTORS' REPORT *(continued)*

RISKS AND UNCERTAINTIES *(continued)*

Risk	Nature of risk and mitigation
Financial risk management	Details of the Group's financial risk management policies are set out in Note 18.

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.

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary holding office at 31 December 2015 held the following beneficial interests in the shares of the company:

	31/12/2015 Ordinary Shares of €0.0125 Number	**31/12/2015 Options - Ordinary Shares of €0.0125 Number**	1/1/2015 Ordinary Shares of €0.0125 Number	1/1/2015 Options - Ordinary Shares of €0.0125 Number
J. Teeling	**5,415,000**	**100,000**	5,415,000	100,000
D. Horgan	**4,215,384**	**150,000**	4,215,384	150,000
J. Finn (Secretary)	**1,785,384**	**100,000**	1,785,385	100,000
A. Kayablian ***	**-**	**-**	-	-

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

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

DIRECTORS' REPORT *(continued)*

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 13 June 2016 and 31 December 2015:

	13 June 2016 Number of Ordinary Shares	%	31 December 2015 Number of Ordinary Shares	%
Amira International Holdings Limited	16,147,368	16.20%	16,147,368	16.20%
Citibank Nominees (Ireland) Limited (CLRLUX)	9,551,837	9.58%	9,667,114	9.70%
TD Direct Investing Nominee (Europe) Limited	4,387,482	4.40%	4,520,372	4.53%
HSDL Nominees Limited	3,551,142	3.56%	3,349,983	3.36%
Barclayshare Nominees Limited	3,196,091	3.21%	3,325,730	3.34%

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 18 to the financial statements.

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.

DIRECTORS' REPORT *(continued)*

SUBSIDIARIES

Details of the company's significant subsidiaries are set out in Note 13 to the financial statements.

CHARITABLE AND POLITICAL DONATIONS

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

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, the directors have involved appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at 162 Clontarf Road, Dublin 3.

SUBSEQUENT EVENTS

Details of significant subsequent events are outlined in Note 23.

AUDITORS

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by:

John Teeling
Director

David Horgan
Director

23 June 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the Parent Company and the Group Financial Statements and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETREL RESOURCES PLC

We have audited the financial statements of Petrel Resources Plc for the financial year ended 31 December 2015 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 24. The relevant financial reporting framework that has been applied in the preparation of the group and the parent company financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("relevant financial reporting framework").

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 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 financial year ended 31 December 2015 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 and parent company financial statements give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2015 and of the loss of the group for the financial year then ended; and
- the group and parent company financial statements have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Independent Auditor's Report to the Members of Petrel Resources Plc *(continued)*

Opinion on financial statements (continued)

Emphasis of matter – Realisation of intangible assets

In forming our opinion on the financial statements, which is not modified, we draw your attention to:

- Notes 11, 12, 13 and 14 to the financial statements concerning the realisation of intangible assets, the financial assets, investment in subsidiaries and amounts due from subsidiaries. The realisation of financial assets of €4,211,123 and intangible assets of €1,871,288 included in the consolidated balance sheets and intangible assets of €1,860,051, 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 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 Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 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
Chartered Accountants and Statutory Audit Firm
Dublin

23 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

	Notes	2015 €	2014 €
CONTINUING OPERATIONS			
Administrative expenses	4	(228,393)	(430,903)
Impairment of evaluation and exploration assets	4	-	(2,528,975)
OPERATING LOSS		(228,393)	(2,959,878)
Investment revenue	3	1,159	386
LOSS BEFORE TAXATION	4	(227,234)	(2,959,492)
Income tax expense	9	-	-
LOSS FOR THE FINANCIAL YEAR		(227,234)	(2,959,492)
Other comprehensive income		-	-
Exchange differences		305,752	500,887
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		78,518	(2,458,605)
Loss per share – basic and diluted	10	(0.23c)	(2.97c)

Consolidated Balance Sheet

as at 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
Non-Current Assets			
Financial asset	11	4,211,123	4,211,123
Intangible assets	12	1,871,288	1,539,277
		6,082,411	5,750,400
Current Assets			
Trade and other receivables	14	19,203	44,408
Cash and cash equivalents	15	1,111,257	1,330,766
		1,130,460	1,375,174
Total Assets		7,212,871	7,125,574
Current Liabilities			
Trade and other payables	16	(315,610)	(306,831)
Net Current Assets		814,850	1,068,343
NET ASSETS		6,897,261	6,818,743
Equity			
Called-up share capital	19	1,246,025	1,246,025
Capital conversion reserve fund		7,694	7,694
Share premium	19	21,416,085	21,416,085
Share based payment reserve	20	26,871	26,871
Translation reserve		654,489	348,737
Retained deficit		(16,453,903)	(16,226,669)
TOTAL EQUITY		6,897,261	6,818,743

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2016 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Company Balance Sheet

as at 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
Non-Current Assets			
Intangible assets	12	1,860,051	1,528,040
Investment in subsidiaries	13	15,019	15,019
		1,875,070	1,543,059
Current Assets			
Trade and other receivables	14	4,226,544	4,251,749
Cash and cash equivalents	15	1,111,257	1,330,766
		5,337,801	5,582,515
Total Assets		7,212,871	7,125,574
Current Liabilities			
Trade and other payables	16	(315,610)	(306,831)
Net Current Assets		5,022,191	5,275,684
NET ASSETS		6,897,261	6,818,743
Equity			
Called-up share capital	19	1,246,025	1,246,025
Capital conversion reserve fund		7,694	7,694
Share premium	19	21,416,085	21,416,085
Share based payment reserve	20	26,871	26,871
Translation reserve		564,489	348,737
Retained deficit		(16,453,903)	(16,226,669)
TOTAL EQUITY		6,897,261	6,818,743

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2016 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

Group and company	Share Capital €	Share Premium €	Capital Conversion Reserve fund €	Share Based Payment Reserve €	Translation Reserve €	Retained Deficit €	Total €
At 1 January 2014	1,246,025	21,416,085	7,694	26,871	(152,150)	(13,267,177)	9,277,348
Total comprehensive income for the financial year	-	-	-	-	500,887	(2,959,492)	(2,458,605)
At 31 December 2014	1,246,025	21,416,085	7,694	26,871	348,737	(16,226,669)	6,818,743
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**305,752**	**(227,234)**	**78,518**
At 31 December 2015	**1,246,025**	**21,416,085**	**7,694**	**26,871**	**654,489**	**(16,453,903)**	**6,897,261**

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 and prior financial years.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2015

	Notes	2015 €	2014 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		**(227,234)**	(2,959,492)
Impairment charge		**-**	2,528,975
Investment revenue recognised in loss		**(1,159)**	(386)
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(228,393)**	(430,903)
Movements in working capital:			
Decrease in trade and other payables		**(36,221)**	(216,495)
Decrease/(Increase) in trade and other receivables		**25,205**	(10,364)
CASH USED IN OPERATIONS		**(239,409)**	(657,762)
Investment revenue		**1,159**	386
NET CASH USED IN OPERATING ACTIVITIES		**(238,250)**	(657,376)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(110,837)**	(575,303)
Receipts in respect of farm out of exploration assets		**-**	945,214
NET CASH USED IN INVESTING ACTIVITIES		**(110,837)**	369,911
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(349,087)**	(287,465)
Cash and cash equivalents at beginning of financial year		**1,330,766**	1,425,025
Effect of exchange rate changes on cash held in foreign currencies		**129,578**	193,206
Cash and cash equivalents at end of financial year	15	**1,111,257**	1,330,766

Company Cash Flow Statement

for the financial year ended 31 December 2015

	Notes	2015 €	2014 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		(227,234)	(2,959,492)
Impairment charge		-	2,528,975
Investment revenue recognised in loss		(1,159)	(386)
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		(228,393)	(430,903)
Movements in working capital:			
Decrease in trade and other payables		(36,221)	(216,495)
Decrease/(Increase) in trade and other receivables		25,205	(10,364)
CASH USED IN OPERATIONS		(239,409)	(657,762)
Investment revenue		1,159	386
NET CASH USED IN OPERATING ACTIVITIES		(238,250)	(657,376)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		(110,837)	(575,303)
Receipts in respect of farm out of exploration assets		-	945,214
NET CASH USED IN INVESTING ACTIVITIES		(110,837)	369,911
NET DECREASE IN CASH AND CASH EQUIVALENTS		(349,087)	(287,465)
Cash and cash equivalents at beginning of financial year		1,330,766	1,425,025
Effect of exchange rate changes on cash held in foreign currencies		129,578	193,206
Cash and cash equivalents at end of financial year	15	1,111,257	1,330,766

Notes To The Financial Statements

for the financial year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The financial statements are prepared under the historical cost conventionand in accordance with the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements are presented in Euro.

(i) 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.

(ii) 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.

(iii) Investment in subsidiaries

Investment in subsidiaries is stated at cost less any allowance for impairment.

(iv) Intangible assets

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

The costs of exploration properties and leases, 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.

Notes To The Financial Statements

for the financial year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(iv) 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.

(v) 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.

Notes To The Financial Statements

for the financial year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(vi) 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 financial 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 financial 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.

(vii) 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 f 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.

Notes To The Financial Statements

for the financial year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(viii) 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.

(ix) 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
n 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):

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.

Notes To The Financial Statements

for the financial year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

Exploration and evaluation (continued)
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;
- Exchange note risk;
- Political risk;
- Financial risk management;
- 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.

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 financial 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.

Notes To The Financial Statements

for the financial year ended 31 December 2015

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

Impairment of Intangible Assets

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.

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 9	Financial Instruments	1 January 2018
IFRS 10 (amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 (amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 12 (amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 10 (amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 12 (amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 1 (amendment)	Disclosure Initiative	1 January 2016
IAS 27 (amendment)	Equity Method in Separate Financial Statements	1 January 2016
IAS 28 (amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IAS 16 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 12 (amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 16	Leases	1 January 2019
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements to IFRSs: 2012-2014 Cycle		1 January 2016

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.

Notes To The Financial Statements

for the financial year ended 31 December 2015

3. INVESTMENT REVENUE

	2015 €	2014 €
Interest on bank deposits	**1,159**	386

4. LOSS BEFORE TAXATION

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

	2015 €	2014 €
Administrative expenses:		
Professional fees	**112,972**	230,148
Staff costs - salaries	**85,540**	150,158
- payroll taxes	**-**	10,032
Other administration expenses	**29,881**	40,565
Impairment of exploration and evaluation expenditure	**-**	2,528,975
	228,393	2,959,878

Details of auditors' and directors' remuneration are set out in Notes 5 and 6 respectively.

5. AUDITOR'S REMUNERATION

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

	2015 €	2014 €
Group		
Audit of Group accounts	**18,000**	19,000
Other assurance services	**1,000**	1,000
Tax advisory services	**1,000**	1,000
Other non-audit services	**-**	-
Total	**20,000**	21,000
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

Notes To The Financial Statements

for the financial year ended 31 December 2015

6. RELATED PARTY AND OTHER TRANSACTIONS

Group and Company

Directors' remuneration

The remuneration of the directors is as follows:

	2015 Fees – services as directors €	2015 Fees – other services €	2015 Total €	2014 Fees – services as directors €	20114 Fees – other services €	2014 Total €
John Teeling	5,000	25,000	30,000	5,000	95,000	100,000
David Horgan	5,000	25,000	30,000	5,000	145,000	150,000
Total	10,000	50,000	60,000	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. Details of directors' interests in the shares of the company are set out in the Directors' Report.

Directors' remuneration accrued at financial year end 31 December 2015 was €213,419 (2014: €162,500).

Directors' remuneration of €30,000 (2014: €175,000) was capitalised as exploration and evaluation expenditure as set out in Note 12.

Key management compensation

Key management personnel are deemed to be John Teeling (Chairman), David Horgan (Managing 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:

	2015 €	2014 €
Short-term employee benefits	90,000	350,000

Key management compensation accrued at financial year end 31 December 2015 was €293,419 (2014: €212,500).

Notes To The Financial Statements

for the financial year ended 31 December 2015

6. 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 financial year are set out below:

	Botswana Diamonds plc €	Clontarf Energy plc €	Connemara Mining plc €	Total €
Balance at 1 January 2014	-	-	-	-
Office and overhead costs recharged	(6,302)	-	(81,938)	(88,240)
Repayments	6,302	-	81,938	88,240
Balance at 31 December 2014	-	-	-	-
Balance at 1 January 2015	**-**	**-**	**-**	**-**
Office and overhead costs recharged	**(10,517)**	**5,778**	**(40,818)**	**(45,557)**
Repayments	**10,517**	**(5,778)**	**40,818**	**45,557**
Balance at 31 December 2015	**-**	**-**	**-**	**-**

Company

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

	2015 €	2014 €
Amounts due from Petrel Resources (TCI Limited)	**4,207,341**	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).

Notes To The Financial Statements

for the financial year ended 31 December 2015

7. STAFF NUMBERS

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

	2015 Number	2014 Number
Management and administration	4	5

Staff costs for the above persons were:	€	€
Wages and salaries	130,540	440,658
Social welfare costs	-	10,032
Pension costs	-	-
	130,540	450,690

8. 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.

	2015 €	2014 €
8A. Segment Results		
Continuing Operations		
Iraq	-	(2,470,320)
Ghana	-	(58,655)
Ireland	-	-
Total for continuing operations	-	2,528,975)
Unallocated head office	(227,234)	(430,517)
	(227,234)	(2,959,492)

There was no revenue earned during the financial year (2014: €Nil).

Notes To The Financial Statements

for the financial year ended 31 December 2015

8. SEGMENTAL ANALYSIS *(continued)*

8B. Segment Assets and Liabilities

	Assets		Liabilities	
	2015	2014	2015	2014
	€	€	€	€
Iraq	4,214,904	4,214,904	-	-
Africa	911,425	801,834	-	(9,224)
Ireland	959,863	737,443	-	(4,792)
Total for continuing operations	6,086,192	5,754,181	-	(14,016)
Unallocated Head Office	1,126,679	1,371,393	(315,610)	(292,815)
	7,212,871	7,125,574	(315,610)	(306,831)

Additions to non-current assets (Group and Company)

	2015	2014
	€	€
Iraq	-	88,135
Ghana	17,819	197,546
Ireland	138,018	709,803
Total for continuing operations	155,837	995,484
Unallocated head office	-	-
	155,837	995,484

9. INCOME TAX EXPENSE

	2015	2014
	€	€
Factors affecting the tax expense:		
Loss on ordinary activities before tax	(277,234)	(2,959,492)
Income tax calculated @ 12.5%	(34,654)	(369,937)
Effects of:		
Expenses not allowable	-	340,936
Tax losses carried forward	34,367	24,954
Income taxed at higher rate	289	4,047
Tax charge	-	-

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

At the balance sheet date, the Group had unused tax losses of €5,638,899 (2014: €5,361,665) which equates to a deferred tax asset of €704,862 (2014: €670,208). No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Losses may be carried forward indefinitely.

Notes To The Financial Statements

for the financial year ended 31 December 2015

10. LOSS PER SHARE

	2015	2014
	€	€
Loss per share - basic and diluted	**(0.23c)**	(2.97c)

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:

	2015	2014
	€	€
Loss for the financial year attributable to equity holders	**(227,234)**	(2,959,492)

	2015	2014
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**99,681,992**	99,681,992

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

11. FINANCIAL ASSET

	2015	2014
	€	€
Investment		
Group		
At the beginning of the financial year	**4,211,123**	4,211,123
Additions	**-**	-
At the end of the financial year	**4,211,123**	4,211,123

The Company's investment in financial assets, through its wholly owned subsidiary Petrel Resources (TCI) Limited, consists of a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V.("Amira") which was acquired from Amira Petroleum N.V. on 14 August 2013. 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.

Notes To The Financial Statements

for the financial year ended 31 December 2015

11. FINANCIAL ASSET *(continued)*

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.

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 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 is 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).

12. INTANGIBLE ASSETS

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Exploration and evaluation assets:				
Cost:				
Opening balance	**1,539,277**	4,017,982	**1,528,040**	4,006,745
Additions	**155,837**	687,803	**155,837**	687,803
Impairment charge	**-**	(2,528,975)	**-**	(2,528,975)
Exchange translation adjustment	**176,174**	307,681	**176,174**	307,681
Receipt from farm out of exploration assets	**-**	(945,214)	**-**	(945,214)
Closing balance	**1,871,288**	1,539,277	**1,860,051**	1,528,040

Notes To The Financial Statements

for the financial year ended 31 December 2015

12. INTANGIBLE ASSETS *(continued)*

Segmental Analysis

	Group 2015 €	Group 2014 €
Ghana	**911,425**	801,834
Ireland	**959,863**	737,443
	1,871,288	1,539,277

Exploration and evaluation assets at 31 December 2015 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.

In the financial year ended 31 December 2014, due to the political and legal uncertainty in Iraq, the directors impaired in full the exploration and evaluation assets in Iraq to Nil, resulting in an impairment charge of €2,470,320. In addition expenditure of €58,655 on various projects in Cameroon and Mozambique was also impaired, an impairment charge of €58,655 was written off against the exploration and evaluation assets in Africa. The directors conducted an impairment review during the year and no impairment was deemed necessary.

On 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 licencing option 11/6 (comprising offshore Blocks 45/6, 45/11 and 45/16) and licencing option 11/4 (comprising offshore Blocks 35/23, 35/24 and western half of 35/25). Woodside will be operator of the licencing blocks. Petrel Resources received USD$1,300,000 (€945,214) from Woodside for the 85% farm-out.

Relating to the remaining exploration and evaluation assets at the financial 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).

Directors' remuneration of €30,000 (2014: €175,000) and salaries of €15,000 (2014: €115,000) were capitalised as exploration and evaluation expenditure during the financial year.

13. INVESTMENT IN SUBSIDIARIES

	2015 €	2014 €
Company		
At beginning of the financial year	**15,019**	15,019
Additions	**-**	-
At end of the financial year	**15,019**	15,019

Notes To The Financial Statements

for the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES *(continued)*

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 11 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 resources and is subject to a number of significant potential risks, set out in Note 1 (xi).

The Group consisted of the parent company and the following wholly owned subsidiaries as at 31 December 2015:

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.

14. TRADE AND OTHER RECEIVABLES

	Group 2015 €	Group 2014 €	Company 2015 €	Company 2014 €
VAT refund due	14,546	12,729	14,546	12,729
Other receivables	4,657	31,679	4,657	31,679
Due by group undertakings (Note 6)	-	-	4,207,341	4,207,341
	19,203	44,408	4,226,544	4,251,749

The carrying value of trade and other receivables approximates to their fair value. 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).

15. CASH AND CASH EQUIVALENTS

	Group 2015 €	Group 2014 €	Company 2015 €	Company 2014 €
Cash and cash equivalents	1,111,257	1,330,766	1,111,257	1,330,766

Cash at bank earns interest at floating rates on daily bank rates. The fair value for cash and cash equivalents is €1,111,257 (2014: €1,330,766) for Group and €1,111,257 (2014: €1,330,766) for Company. The Group and Company only deposits cash surpluses with major banks.

Notes To The Financial Statements

for the financial year ended 31 December 2015

16. TRADE AND OTHER PAYABLES

	Group 2015 €	Group 2014 €	Company 2015 €	Company 2014 €
Accruals	311,419	232,500	311,419	232,500
Other payables	4,191	74,331	4,191	74,331
	315,610	306,831	315,610	306,831

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.

17. 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

	Group 2015 €	Group 2014 €	Company 2015 €	Company 2014 €
Sterling	10,026	4,292	-	40,479
US Dollar	1,076,666	1,276,667	-	14,554

Notes To The Financial Statements

for the financial year ended 31 December 2015

18. 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.

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. The only interest rate exposure relates to risk of short term interest bearing deposits of cash and cash equivalents.

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 utilising 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 17.

Credit risk
The maximum credit exposure of the group and company at 31 December 2015 amounted to €5,337,801 and €1,130,460 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 financial years ended 31 December 2014 and 31 December 2015.

Notes To The Financial Statements

for the financial year ended 31 December 2015

19. SHARE CAPITAL

	Group and Company 2015 €	Group and Company 2014 €
Authorised:		
200,000,000 ordinary shares of €0.0125	**2,500,000**	2,500,000

Allotted, Called-Up and Fully Paid:

	Number	Share Capital €	Share Premium €
At 1 January 2014	99,681,992	1,246,025	21,416,085
At 31 December 2014	99,681,992	1,246,025	21,416,085
At 31 December 2015	**99,681,992**	**1,246,025**	**21,416,085**

Movements in share capital

There was no movement in share capital in the current financial year

20. SHARE BASED PAYMENTS

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.

	Financial year ended 31/12/2015 Options	Financial year ended 31/12/2015 Weighted average exercise price in cent	Financial year ended 31/12/2014 Options	Financial year ended 31/12/2014 Weighted average exercise price in cent
Outstanding at beginning of financial year	**500,000**	**10.50**	500,000	10.50
Granted during the financial year	**-**	**-**	-	-
Outstanding and exercisable at the end of financial year	**500,000**	**10.50**	500,000	10.50

The options outstanding at 31 December 2015 had a weighted average exercise price of 10.50p, and a weighted average remaining contractual life of 4.97 years.

Notes To The Financial Statements

for the financial year ended 31 December 2015

21. PROFIT ATTRIBUTABLE TO PETREL RESOURCES PLC

In accordance with Section 304 of the Companies Act 2014, the company is availing of the exemption from presenting its individual profit and loss account in the annual report and from filing it with the Registrar of Companies. The total comprehensive loss for the financial year in the parent company was €227,234 (2014: loss €2,959,492).

22. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

23. POST BALANCE SHEET EVENTS

On 3 June 2016, Petrel Resources plc announced that the Company was awarded two new Licencing Options in the Porcupine Basin, offshore Ireland, as part of phase 2 of the 2015 Atlantic Ireland round. Further information is detailed in the Review of Operations.

24. CONTINGENT LIABILITIES

There are no contingent liabilities (2014: €Nil) other than those disclosed in Note 11.

Notice of Annual General Meeting
Petrel Resources Plc

Notice is hereby given that an Annual General Meeting of Petrel Resources plc will be held on 28 July 2016 at the Westbury Hotel, Grafton Street, Dublin 2 at 12.00 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Director's Report, Audited Accounts and Auditor's Report for the year ended 31st December, 2015.

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

3. To re-appoint Deloitte as auditors and to authorise the Directors to fix their remuneration.

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

SPECIAL BUSINESS

Special Resolutions

5. That the memorandum of association of the Company be amended as follows:

   (a) the words "registered for the purpose of Part 17 of the Companies Act 2014" be inserted at the end of Clause 2.

6. That the Articles of Association produced to the meeting (a copy of which regulations marked "X" for identification), be adopted in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By order of the Board:

James Finn
Secretary

Registered Office: 162 Clontarf Road, Dublin 3.

23 June 2016

Notes:

a. Any shareholder of the Company entitled to attend and vote may appoint another person (whether a member or not) as his/her proxy to attend, speak and on his/her behalf. For this purpose a form of proxy is enclosed with this Notice. A proxy need not be a shareholder of the Company. Lodgement of the form of proxy will not prevent the shareholder from attending and voting at the meeting.
b. Only shareholders, proxies and authorised representatives of corporations, which are shareholders, are entitled to attend the meeting.
c. To be valid, the form of proxy and, if relevant, the power of attorney under which it is signed, or a certified copy of that power of attorney, must be received by the Company's share registrar, Computershare Investor Services (Ireland), Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 at not less than 48 hours prior to the time appointed for the meeting.
d. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of member of the Company in respect of the joint holding.
e. The Company, pursuant to Section 1095 of the Companies Act 2014 and regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulation 1996 (as amended) specifies that only those shareholders registered in the Register of Member of the Company (the "Register") at the close of business on the day which is two days before the date of the Meeting, (or in the case of an adjournment at the close of business on the day which is two days prior to the adjourned Meeting), shall be entitled to attend and vote at the Meeting or any adjournment thereof in respect only of the number of shares registered in their name at that time. Changes to entries in the Register after that time will be disregarded in determining the rights of any person to attend and/or vote at the Meeting.

Appendix

Explanation of proposed amendments to the Memorandum and Articles of Association

1. Introduction

The Companies Act 2014 of Ireland ("**2014 Act**") became effective on 1 June 2015. Instead of providing, as the previous Irish Companies Acts had, for a model set of articles of association that apply unless otherwise provided for, the 2014 Act includes optional statutory provisions that apply to regulate a company unless its articles of association provide otherwise.

The purpose of Special Resolutions 5 and 6 is to make amendments to the Memorandum of Association of the Company and to adopt revised Articles of Association for the Company to reflect the new statutory context and to ensure that the changes to Irish company law will not have an unintended effect on the Company's Memorandum and Articles of Association by altering how the provisions in the Memorandum and Articles of Association are to be applied.

As all of the changes described below are intended, so far as practicable, to preserve the status quo, it is therefore not considered necessary to vote separately on each amendment to the Memorandum and Articles of Association.

2. Special Resolution 5

This special resolution is being proposed in order make amendments to Clause 2 of the Memorandum of Association so as to update the statutory references in that Clause in order to be consistent with the 2014 Act.

3. Special Resolution 6

Under this special resolution, it is proposed to make the following amendments to the Articles of Association:

(a) Articles 2, 7(b), 7(c), 9, 11, 13, 47(b), 51, 52(a), 84, 85, 94, 102, 118, 121, 133, 134, 135 and 141 contain references to Sections in the previous Irish Companies Acts. This resolution will amend these statutory references in order to ensure that they refer to the corresponding provisions in the 2014 Act.

(b) The 2014 Act adopts a new approach with respect to the articles of association of all companies. Instead of making provision for an optional, model set of articles of association as was provided under Table A of the First Schedule to the Companies Act 1963 ("**Table A**"), the 2014 Act now contains specific statutory provisions that apply to all companies unless the company's articles of association specifically exclude them. As those provisions deal with matters that are already specified in the Company's existing Articles of Association (which also disapply the model set of articles of association provided in Table A), it is proposed that a new provision will be included in the introduction to the revised Articles of Association to disapply those optional sections of the 2014 Act. As Table A is no longer relevant, its disapplication in the introduction to the Articles of Association is no longer necessary. A summary of the main provisions of the 2014 Act which are being specifically excluded by the new introduction to the Articles of Association is set out below:

(i) Section 43(2) deals with use of a company's seal. This section is being disapplied as provision for use of the Company's seal is made in Article 118;

(ii) Sections 77 to 81 deal with the making of calls in respect of unpaid amounts due on shares issued by a company. These sections are being disapplied as the matter is already provided for in Articles 18 to 24;

Appendix *(continued)*

(iii) Section 95(1)(a) is being disapplied as the Directors discretion to decline a transfer of shares is dealt with in Articles 27 and 28;

(iv) Sections 96(2) to (11) deal with the transmission of shares in a company. These sections are being disapplied as the matter is already provided for in Articles 31 to 34;

(v) Sections 124 and 125 deal with the declaration and payment of dividends by a company. These sections are being disapplied as the relevant subject matter is already provided for in Articles 119 to 127;

(vi) Sections 144(3) and 144(4) deal with the appointment of directors of a company. These sections are being disapplied as the matter is already provided for in Articles 100 to 101;

(vii) Section 148(2) deals with how the office of a director of a company may be vacated early. This section is being disapplied as the matter is already provided for in Articles 94 and 102;

(viii) Section 158(3) deals with the borrowing powers of the directors of a company. This section is being disapplied as the matter is already provided for in Article 81;

(ix) Section 158(4) deals with the delegation power by directors to committees. This section is being disapplied as the matter is already provided for in Article 108

(x) Sections 159 to 165 deal with the appointment of a managing director, the establishment of board committees, matters relating to board procedure and the appointment of alternate directors. These sections are being disapplied as these matters are already provided for in Articles 104 to 117 and 93;

(xi) Sections 181(1) deals with the notice period required to convene a general meeting of a company. This section is being disapplied as the matter is already provided for in Article 52;

(xii) Sections 182(2) and (5) deal with the quorum required for a general meeting of a company. These sections are being disapplied as the matter is already provided for in Article 55;

(xiii) Section 187 deals with the conduct of general meetings of a company. This section is being disapplied as the matter is already provided for in Articles 49 to 75;

(xiv) Section 188 deals with voting at general meetings of a company. This section is being disapplied as the matter is already provided for in Articles 49 to 75;

(xv) Sections 218(3), (4) and (5) deal with the service of notice on members of a company. These sections are being disapplied as detailed provision in this regard is made in respect of the Company by Articles 136to 139;

(xvi) Sections 229, 230 and 1113 deal with the interests of directors of a company. These sections are being disapplied as the matter is already provided for in Article 86;

(xvii) Sections 338(5) and 338(6) deal with the delivery of the financial statements of the company. These sections are being disapplied as delivery methods are already dealt with in Articles 128 to 132;

(xviii) Section 618(1)(b) deals with the distribution of property on a winding up of a company. This section is being disapplied as the matter is already provided for in Article 140;

Appendix *(continued)*

(xix) Section 1090 deals with the rotation of directors of a company. This section is being disapplied as the matter is already provided for in Articles 95 to 103; and

(xx) Section 1092 deals with the remuneration of the Directors of a Company. This section is being disapplied as the matter is already provided for in Articles 77 to 80 and 87.

(c) In various places in the Articles of Association, references to "stock exchange nominee" are being deleted as this term is no longer in use following the repeal of the Companies (Amendment) Act 1977.

(d) In various places in the Articles of Association, the expression "undenominated capital" is being inserted as this expression is now used in the 2014 Act to refer to that part of a company's issued share capital that is not represented by the nominal value paid up on issued shares.

(e) In various places in the Articles of Association, the expression "statutory financial statements" is being inserted as this expression is now used in the 2014 Act and replaces the term "accounts" – the new expression includes a balance sheet, a profit and loss account and other statements and notes.

(f) Articles 128 to 132 are being amended in order to reflect the new requirements regarding the maintenance of accounting records set out in Chapter 2 of Part 6 of the 2014 Act. In particular, Articles 128 to 132 have been amended to permit the Directors to use the power provided for in the 2014 Act to send shareholders summary financial statements in lieu of the full statutory financial statements of the Company. Articles 128 to 132 have been further amended to provide that, where the Directors elect to do so, any shareholder may request a full copy of the financial statements of the Company to be sent to him or her.

(g) Section 228(1)(d) of the 2014 Act is an entirely new restriction regarding the use of company property by directors. Article 77 is being amended in order to ensure that Directors can continue to use Company property, subject to such conditions as may be approved or delegated by the Board.

(h) Sections 228(1)(e) and 228(2) of the 2014 Act are entirely new. It is proposed therefore to include a new Article 86(6) in order to make it clear that Section 228(1)(e) will not restrict anything that may be done by any Director in accordance with the authorisation of the Board or a Board committee.

(i) The expression "accounting records" is being inserted in Articles 128 to 132 as this expression is now used in the 2014 Act.

Documents available for inspection

A copy of the amended Memorandum of Association together with the Articles of Association, showing the changes proposed by Special Resolutions 5 and 6 is available on the Company's website www.petrelresources.com and will also be available for inspection at the registered office of the Company during business hours on any business day up to any including the date of the Annual General Meeting as well as being available at the Annual General Meeting on 28 July 2016. Members can also request a hard copy of the amended Memorandum of Association together with the Articles of Association by sending a written request for same marked for the attention of James Finn, 162 Clontarf Road, Dublin 3 or jim@petrelresources.com