PETREL RESOURCES PLC

Annual Report and Accounts

Year ended 31 December 2016

PETREL

RESOURCES

Petrel Resources Plc
Contents

Petrel Resources Plc
Chairman's Statement

Petrel is an oil explorer focused on offshore Ireland and offshore Ghana with legacy interests in Iraq.

After a fallow period there is renewed interest and activity in the Irish Atlantic – particularly the Porcupine Basin. For the first time in recent years a well will be drilled. It is scheduled for July 2017. The past year has seen a number of 3D seismic acquisition programmes including one by our joint venture partner, Woodside Energy of Australia.

The Irish Government in 2015 ran a very successful bid round for new licences. Some 46 were applied for by 17 companies. Petrel was awarded two licences covering 924 km² in the Porcupine Basin.

Why has this happened at a time of relatively low oil prices? The boom preceding the crash of 2008 had resulted in massive cost increases in offshore exploration. Wells were costing up to $200 million each. Rig rates were millions of dollars a day. The economic crash and subsequent financial crisis in many overleveraged oil companies led to a shuddering halt. Atlantic Ireland is frontier exploration. Deep water, harsh conditions, few wells drilled with no commercial oil discovered. The subsequent two thirds oil price collapse exacerbated the gloom.

What has changed? World oil demand has continued to creep up. The oil price has recovered somewhat. Exploration costs have fallen dramatically as rig supply and services supply are greater than current demand. Technology, particularly seismic and its interpretation continues to improve. Boards of directors looking to a future ten to twenty years out, see the potential of elephant discoveries in the Atlantic. The risk return equation has moved and the Irish Atlantic is once more attractive to some – not many, but some. But note, only one well is being drilled this year and there are only vague plans for wells next year. If the Druid well is successful this year in 2,200 metres of water it will provide a huge boost to the industry. If it fails, and it is a wildcat, then the risk reward equation will be looked at again.

Petrel first had an interest in Irish offshore exploration in 1982. That failed. A watching brief was maintained until the restructured company applied for acreage in 2011. The company was awarded two blocks in the Atlantic. These were farmed out to Woodside Energy in 2013 and converted into two Frontier Exploration Licences FEL3/14 and FEL 4/14 in January 2014. Petrel maintained a 15% interest in each licence and was carried through initial work, seismic and one well.

Woodside has conducted 3D seismic over FEL 3/14 and results are awaited.

Following an analysis of data relating to FEL 4/14 Woodside decided to drop this licence without completing a seismic programme. Petrel believed this to be a breach of an agreement to conduct 900 km² of seismic over the area. Both sides have been unable to reach agreement over the seismic issue. Arbitration is underway in London. At the same time Woodside announced they were not proceeding with FEL 4/14, they offered Petrel a carry on new ground obtained by Woodside in the 2015 licencing round. Petrel believe they had an agreement but Woodside felt unable to complete. This too will be part of the arbitration proceedings.

We hope for a favourable outcome of arbitration. Woodside are a good partner with excellent technical skills but the board of Petrel have a responsibility to almost 2,000 shareholders

LO 16/24 and LO 16/25

In June 2016 Petrel was successful in obtaining two Porcupine Basin Licencing blocks over 924 km². These are prospective blocks. Work is underway on seismic and well data using Petrel's database. We are acquiring additional relevant seismic. The focus of the work is on LO 16/24 particularly the area covering block 35/1. There is known source rock and good reservoir sands. The main risk is seal. Our personnel have evaluated available data on LO 16/25. The main target identified so far is on Block 45/27 within the licence option.

Ghana

Petrel in joint venture with Clontarf Energy (60%) and local interest (10%) holds the 30% balance in a signed Petroleum Agreement covering 1,532 km² offshore and shallow offshore in the Tano Basin area of Ghana. The licence was first agreed in 2008, clarified in 2010, and subject to a successful court case in 2014.

Subsequent to the court agreement the various parties agreed on revised co-ordinates and an expedited ratification process. Ratification has not taken place.

A change of government in early 2017 brought fresh faces and new thinking to the table. There is now clear leadership on the government side. With goodwill outstanding issues will be clarified and solved. Despite the fall in oil prices we believe that the targets we have identified on the block are attractive.

Iraq

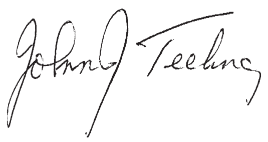
Petrel has been in Iraq since 1997. By 2003 we had negotiated an agreement with the federal authorities over a 10,000 km² block in the Western Desert of Iraq – an area now controlled by militants. It is not possible to work there. Iraq is so prospective that we were very reluctant to walk away so in 2013 we negotiated a 5% carry through to production on exploration work to be undertaken by Oryx, then a Canadian controlled company, now a Kurdish controlled venture, in the Wasit province of Iraq – a relatively stable Shia controlled province. The expectation was that the Iraqi provinces would proceed to develop their own oil/gas resources as has Kurdistan. To date this has not happened.

Future

Petrel as an exploration venture has been around for 35 years, starting in the Atlantic, lying dormant for years, being revived to obtain interests in Uganda and offshore Namibia, deposing of these to enter Iraq in 1997. We were successful in Iraq obtaining ground, conducting details studies on potential oil field and obtaining a $200 million E&P contract in 2005 in Subba and Luhais. The chaos that followed the US invasion of 2003 made it impossible to continue to work. We sold out of the Subba and Luhais project in 2007. We reinvented ourselves once again in 2008 in Ghana and went back to the future in 2011 by obtaining licences in the Irish Atlantic. We took an interest in Iraq once again in 2013.

What does the above demonstrate – resilience, adaptability and persistence. Petrel has seen highs and lows with a market cap ranging from under £1 million to over £100 million. Our projects are risky and fail but over decades we have persisted through wars, political disruptions, legal challenges and geological failures.

So it is with our present projects. Some have problems but all have great potential. We are very hopeful that the revived interest in offshore Ireland will be rewarded with a successful discovery. The money we received from selling our Iraqi interest has sustained Petrel in recent years. Shareholders have not had to provide fresh capital. We have sufficient funds for the near future.



John Teeling
Chairman
23 June 2017

Highlights

Petrel's main focus was in the Irish Atlantic Porcupine Basin:

In contrast to the industry worldwide, there is increased petroleum industry activity in the Irish Atlantic Porcupine Basin:

- A number of 3D seismic acquisition programmes have been conducted during 2016, with more scheduled for 2017.
- The Druid/Dombeg deep water wildcat well (in 2,200 metres water depth) in the south-west of the Porcupine Basin is scheduled for summer 2017. This is operated by Providence, with Sosina and Cairn Energy as partners. It aims to test plays at two or more rock depths.
- As with any frontier province, a major discovery in this basin will transform industry perceptions and the farm-out market.

Joint Venture with Woodside Energy in the Irish Atlantic Porcupine Basin:

- Contractor PGS acquired state-of-the-art 3D seismic data across FEL 3/14, a 475km^2 block in which Petrel has a 15% carry from operator Woodside Energy (see map). Circa 1,400km^2 of the 3D seismic acquired is directly over or around FEL 3/14.
- The 'Bréanann' 3D seismic acquisition programme was successfully completed, over 40 days, over a total c. 2,392km^2 of the northern Porcupine Basin, 150km west off the Kerry coast, south-western Ireland. Water depth of the survey was 500m to 1,300m, but likely water depth for Petrel's targets is 600 to 800m.
- Processing of the (Pre-Stacked Depth Migration) 3D seismic data is now being completed at the DownUnder GeoSolutions (DUG) operation in Australia. Quality is reported to be excellent. We expect data availability by 3rd quarter 2017.
- 3D seismic interpretation of pre-rift and syn-rift unconformities will be conducted by the operator, Woodside Energy.

  This work is intended to de-risk identified Jurassic and Cretaceous plays that may lead to one or more well commitment in the 2nd work phase 2017 through 2021.
- Operator Woodside Energy opted not to continue into the 2nd phase on FEL 4/14, and the block was relinquished without seismic having been acquired. This is now subject to arbitration in London.

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.
- Licensing Option 16/24 includes 664 km^2 bordering the Connemara oil-field discovered by BP in 1983.
- Licensing Option 16/24 work programme includes the acquisition, reprocessing and re-interpretation of historic seismic not already in Petrel's database. These North-Western Porcupine Basin blocks constitute a well-located holding offering majors a tempting farm-in at a time of renewed interest.

Ghanaian Tano Basin Petroleum Agreement

- The new Ghanaian NPP Government is reviewing historic Petroleum Agreements, with stated focus on early development.
- In May 2017 Petrel had constructive discussions with the Ghanaian Ministry of Energy, with a mutual desire to resolve all outstanding issues and complete the ratification process.

Introduction

Petrel Resources plc is an Irish-based junior oil and gas Exploration Company with assets in Ireland, Ghana, and Iraq. Petrel is listed on the London Stock Exchange's Alternative Investment Market (AIM: PET). Visit www.petrelresources.com for more information.

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

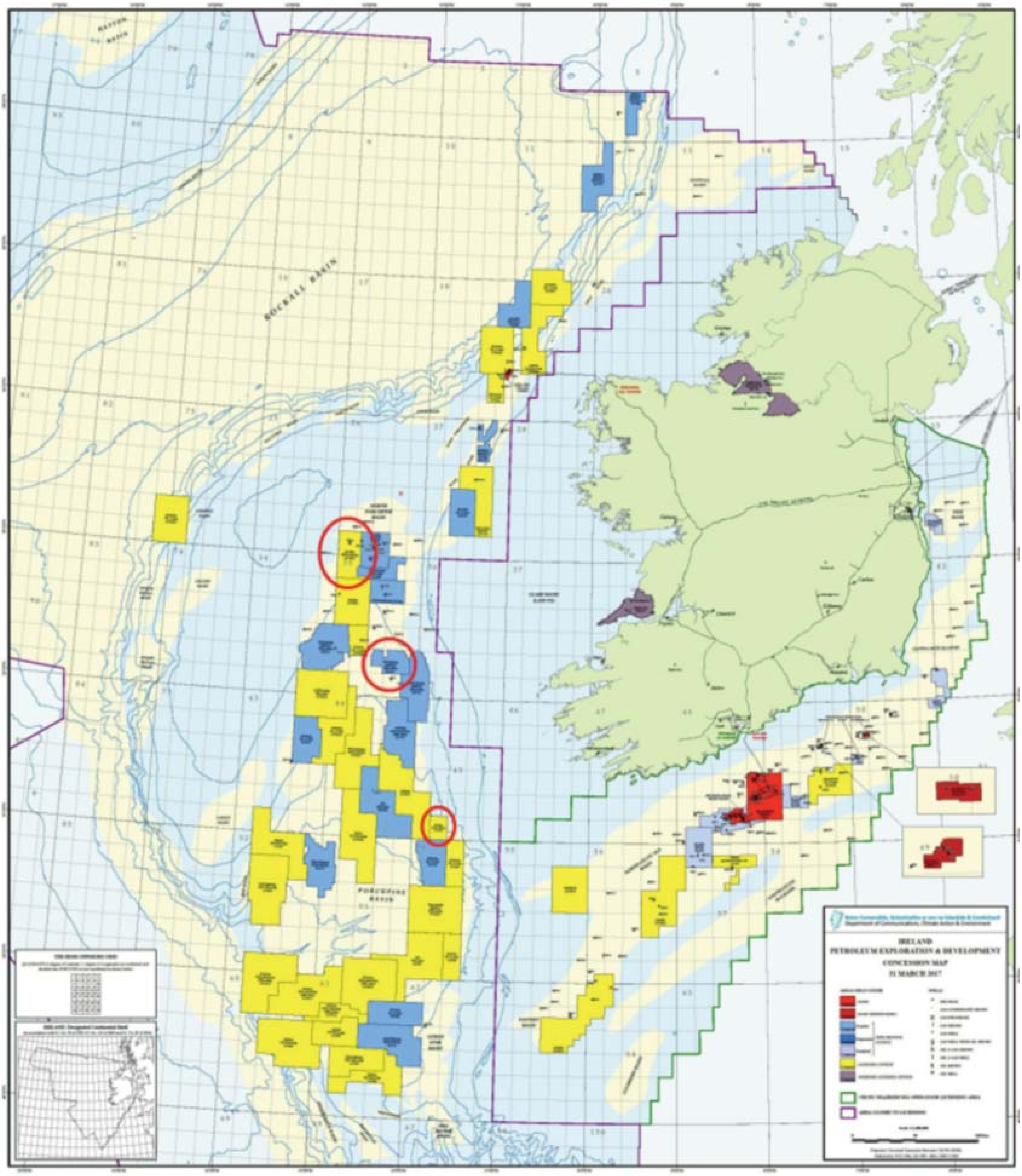


Figure 1: Offshore Ireland Map (March 2017)

Petrel holds a 15% interest in 475km² of prospective acreage in the Porcupine Basin of the Irish offshore (FEL 3/14). Petrel is substantially carried by operator Woodside Energy through the technical work programme.

Petrel also holds 924 km² of prospective Irish Atlantic Porcupine Basin acreage by way of Licensing Options. The newly awarded Licensing Option 16/24 includes 664 km² bordering the Connemara oil-field discovered by BP in 1983.

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, in an out-of-court settlement, 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 2017. Ghana held a general election in December 2016, after which the pro-business NPP returned to power. In May 2017 we met with the Minister of Energy team to resolve outstanding issues, and put the ratification process back on track.

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 2017. Wasit is east of Baghdad in a Shia region and remains relatively unaffected by disturbances west and north of Baghdad. The geology is excellent, but ongoing constitutional and security challenges make it hard to estimate the timing of oil & gas exploration.

Irish Atlantic Offshore Operations

The main focus of Petrel in the period under review was on activity in the Irish Atlantic Porcupine Basin. Petrel's technical team has studied Irish offshore opportunities since 1982, concentrating on the Porcupine Basin, approximately 100km to 200km South-West of the Cork/Kerry coast. Petrel has a 15% carried interest on Frontier Exploration Licence FEL 3/14 of 475km², which is operated by 85% holder Woodside Energy.

FEL 3/14:
Two industry breakthroughs elsewhere have transformed the Irish Atlantic Margin: success of the Ghanaian Atlantic Margin Cretaceous play offshore West Africa, and development of the pre-rift Jurassic play offshore Eastern Canada, which most experts believe once bordered the current Porcupine Basin.

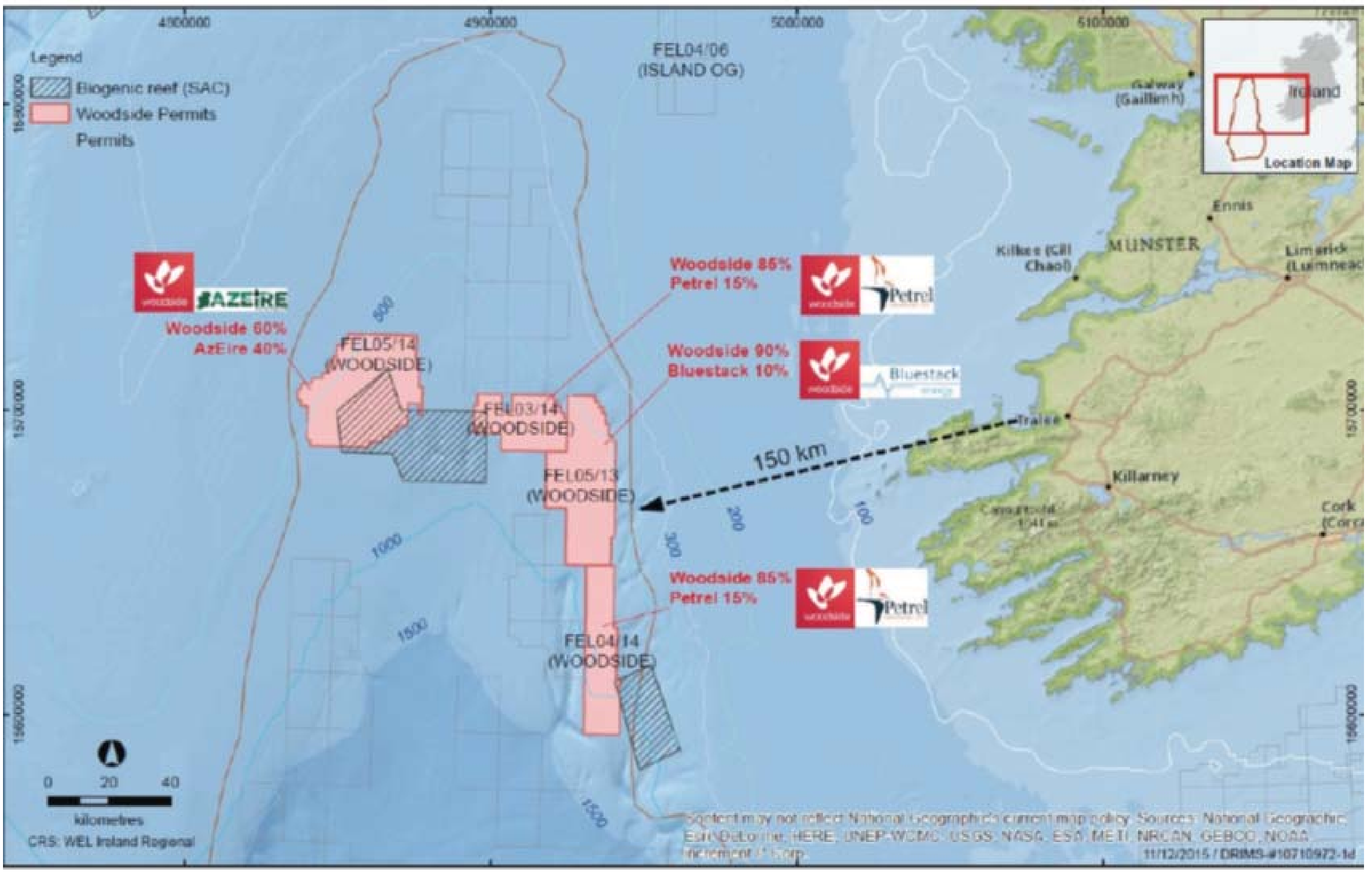


Figure 2: Petrel-Woodside Blocks

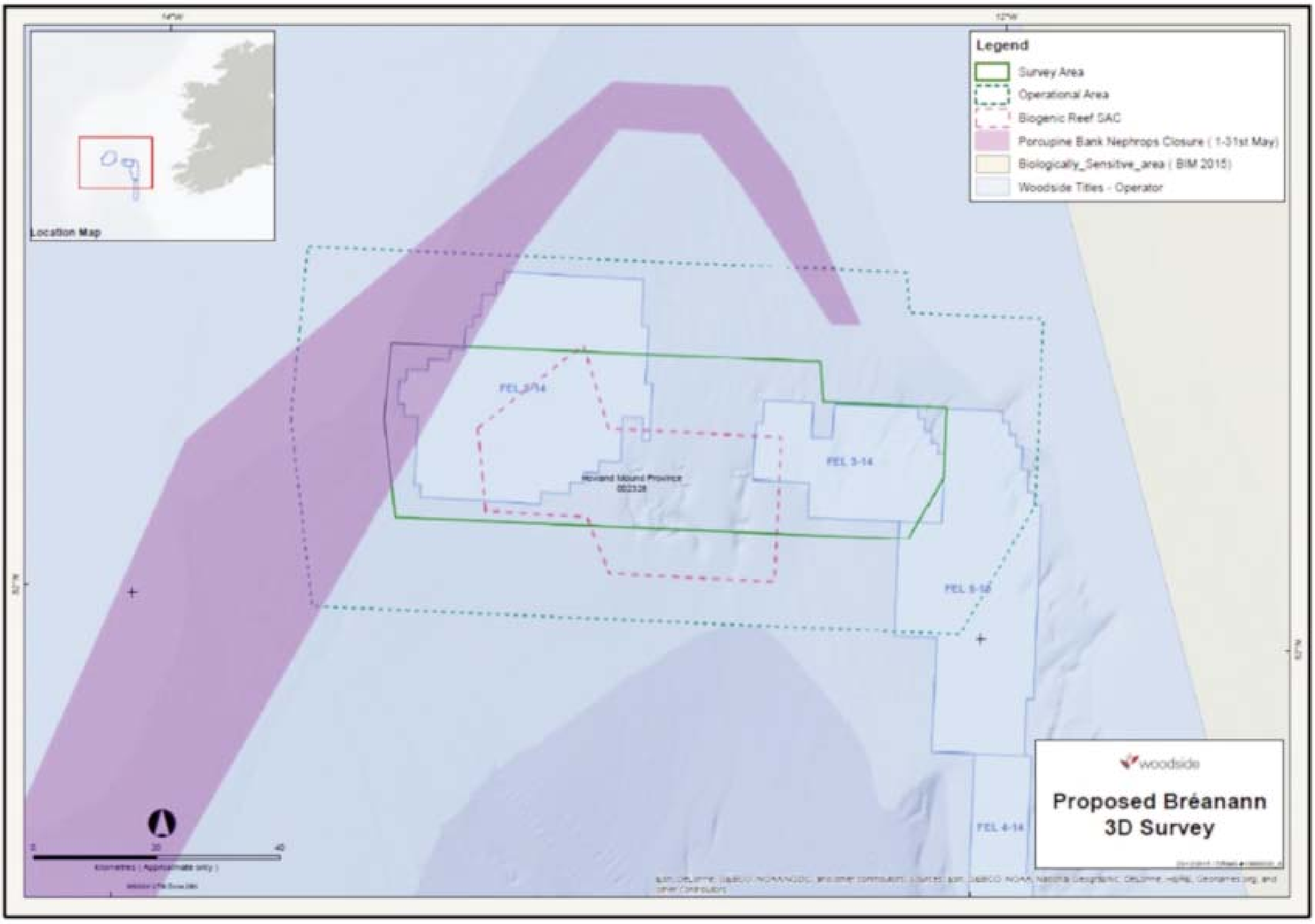


Figure 3: Bréanann 3D Seismic Survey 2016

Petrel reacted to these breakthroughs by applying for prospective Irish acreage in the 2011 Bid Round. Petrel was awarded circa 1,350km^2 of Licence Options in 2011, which were farmed out to Woodside Energy in 2013 and converted, after the compulsory 25% relinquishment, to two Frontier Exploration Licences (FEL 3/14 and FEL 4/14) in January 2014.

Extensive environmental work was conducted and the partners played a full role in the implementation of European Environmental Directives, including the comprehensive IOSEA5 consultative process in 2014/15. This confirmed the applicable regulations over Strategic Areas of Conservation, opening the way to field exploration work in the “weather window” of summer 2016.

The ‘Bréanann’ 3D seismic acquisition programme was successfully completed over c. 2,392km^2 of the northern Porcupine Basin, 150km west off the Kerry coast, south-western Ireland. Water depth of the survey was 500m to 1,300m, but likely water depth for Petrel’s targets is likely to be 600 to 800 metres water depth.

The state-of-the-art 3D seismic was acquired over 40 days with PGS as contractor. Circa 1,400km^2 is directly over or around FEL 3/14, in which Petrel has a 15% carried interest.

Processing of the (Pre-Stacked Depth Migration) seismic data is now being completed at the DownUnder GeoSolutions (DUG) operation in Australia. Early feedback has been encouraging, with interpretation expected to be complete by 3rd quarter 2017.

This work is intended to de-risk the identified primary targets of Upper Jurassic to Lower Cretaceous age, which may lead to one or more well commitments in the phase 2017 through 2021. Petrel is fully carried on the expenditure.

The work was conducted to excellent standards of safety (no incidents observed or recorded) and quality, as well as on schedule. The 3D data quality was excellent, with only one faulty hydrophone issue subsequently identified by the seismic acquisition Contractor PGS, and satisfactorily resolved without significant net impact on data quality, and a modest delay.

In August 2016, the partners awarded the processing contract to leading company DownUnder GeoSolutions (DUG) - the lowest cost tenderer that met all our demanding technical and time constraints. We are delighted with the 3D data recorded and the processing work now being completed by DUG.

The 3D seismic interpretation is mainly designed to de-risk and perfect identified leads of pre-rift and syn-rift unconformities. All frontier exploration is odds-against, but state-of-the-art science can half the odds of an initial wildcat well from circa 10 to 1 to 5 to 1 or better.

FEL 4/14:

The initial farm-in offers on our Licensing Option 6/11 (which later became, after relinquishment FEL 4/14), included a commitment to extensive 3D seismic, as a normal part of the 1st phase of normal 'Frontier Exploration Licence' work programmes. This was subject to normal approvals, and documentation which is dealt with in Farm-in Agreements, and Joint Operating Agreements.

In June 2013, Petrel received a strong offer, on what became FEL 4/14, from a prominent independent oil company to farm-in with an immediate field programme of quality 3D seismic data acquisition, processing and interpretation.

Petrel declined this strong proposal after receiving an attractive offer from Woodside Energy on both FEL 3/14 and FEL 4/14. We were aware of Woodside Energy's excellent safety and environmental record, as well as strong technical skills and impressive LNG developments, and concluded that this partnership would be in the best long-term interests of Petrel shareholders and the host country, Ireland.

Due to the Irish Government's failure to fully or properly implement the EU Environmental Directive (which became apparent in 2012/13) the authorities opted to postpone permitting any seismic or other field-work over all 'Strategic Areas of Conservation' until extensive additional environmental and consultative community work could be conducted. This 'IOSEA5' programme was originally due to be completed by December 2014 (which would have permitted seismic acquisition during summer 2015), but was not finally completed to the satisfaction of all stakeholders until August 2015.

Given (1) that seismic permit applications would not be processed until this programme was satisfactorily completed, and (2) that top-flight seismic contractors do not mobilise until all permits are in place, as well as (3) the permitting approval time and contractor insurance requirements, it was unfortunately impossible to conduct a seismic acquisition campaign to acceptable standards of safety and quality before the "weather window" closed in early October 2015. This delayed our planned 3D seismic programme until summer 2016. The authorities, recognising the SEA uncertainty, did not require a formal seismic commitment by the partners as a condition of granting a FEL in 2014.

The partners played a full role in the implementation of European Environmental Directives, including the comprehensive IOSEA5 consultative process in 2014/15, which confirmed the applicable regulations over Strategic Areas of Conservation, opening the way to field exploration work in the weather window of summer 2016. Unfortunately, for corporate and technical reasons our partners opted not to conduct a seismic survey over FEL 4/14, and instead relinquished the licence, which the authorities accepted. This meant that the original work commitment made to Petrel (regarding what became FEL 4/14) in 2013 was never honoured. Petrel believes that by way of compensation we were to be provided with a carry on comparable or better acreage on similar terms. Having failed to receive such an arrangement, Petrel was obliged to resort to arbitration, under standard industry rules laid out in the Joint Operating Agreement, in 2017.

2015 Irish Atlantic Bid Round: Licensing Options LO 16/24 and LO 16/25.

Petrel applied under the 2015 Bid Round and was awarded an additional two Licensing Options, LO 16/24 and LO 16/25 in the 2nd phase of awards in June 2016.

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 operates and owns these Licensing Options 100%. The work programme is underway, with available historic seismic and well log data tracked down and acquired where appropriate. Data has been re-processed and re-interpretation is now underway.

During the 2015 Irish Atlantic Bid Round, 17 companies applied for 46 Licensing Options – easily the most successful Irish Bid Round yet, and arguably the most successful of any frontier province since 2014. Among the successful companies were Exxon-Mobil, Statoil, ENI, Nexen-CNOOC and Woodside.

Licensing Option 16/24:
The Licensing Option 16/24 work programme is now underway, with the acquisition of relevant available seismic and well data not already in Petrel's database. These North-Western Porcupine Basin blocks are a priority, giving us the best opportunity at a quality farm-out in a challenging environment. We are particularly encouraged at pinch-outs being mapped in our priority 35/1 area which extend into 35/2. The source rock is already established, as is the presence of good to excellent reservoir sands. The main risk is seal.

We first acquired a large data-base over the LO 16/24 blocks - both seismic lines and maps. Some of the maps are in draft form, although only minor adjustments were necessary. The main framework maps were soon in place and we selected and mapped the best horizons to illustrate the prospects, and to select key lines for reprocessing and inversion.

Licensing Option 16/25:
Our technical team has worked through all the interpreted lines available, and also looked at interesting or anomalous features. The interpretation to date appears to be broadly in line with our concepts at the time of application for the acreage. However, the important issue on these pinch-out plays is seal, and this will become clearer when we have applied inversion to selected lines. To get good control on this we need to re-process seismic lines using the original field data. We have prioritised the key seismic lines and are now going to acquiring the available data.

There are c. 45 historic seismic lines crossing Block 45/27. Many are long regional lines that terminate close-by.

As often with historic data, the re-processing was complicated. Some material was held by oil companies (or contractors) that had been acquired – in some instances multiple times.

This reflects the changes and take-overs that have taken place in the oil industry. To give examples from our list of lines. The 1993-13 survey was a 'spec-shoot' for general sale shot by HGS. HGS was a Halliburton company made up of the international (non-Canadian) part of GSI and Petty-Ray, both of which Halliburton had acquired. Halliburton later sold HGS to Schlumberger, and large contractors are not always keen to search their archives for a small amount of 1990s data. The 1975-09 lines, for instance, were shot by GSI before the Halliburton takeover, for Mobil, who were themselves acquired by Exxon. Easier to track down are the 1980-05 survey lines, because although these were acquired by GSI they were shot for Chevron, who still exist. Similarly the 1977-04 survey was a 'spec-shoot' by French contractor CGG, which remains active.

These turned out to be the most useful lines to re-process:

Survey
1979-10: Western Geo (Schlumberger) for Shell. 1 line

1980-05: GSI (now Schlumberger/Western via HGS) for Chevron. 3 lines

1993-13: HGS (now Schlumberger/Western) spec. shoot. 3 lines

1974 (5)-09: GSI (now Schlumberger/Western via HGS) for Mobil (now ExxonMobil). 2 lines

1977-04: 1977-04: C.G.G. spec shoot. 1 line

1973-09: Western Geo spec shoot. 1 line

We will feed well-control into the inversion and attribute work.

Ghanaian Tano Acreage

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, in an out-of-court settlement, 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 2017. Ghana held a general election in December 2016, after which the pro-business NPP returned to power. In May 2017 we met with the Ministry of Energy team to resolve outstanding issues, and put the ratification process back on track.

Our group has been coordinating with the Ministry, GNPC and other relevant authorities for some years on the revised Open Tano Basin acreage. We are keen to complete the ratification process, so as to start field-work and drive forward with this important project.

The ratification process had been delayed by the Ghanaian General and Presidential Election at end 2016 (originally scheduled for November, but finally occurring in December 2016), with officials and parliamentarians reluctant to sign-off shortly before a democratic change of government. The new, more business-friendly NPP administration took charge in January 2017, with parliamentary committees formed by end February 2017. It was an earlier NPP administration which had signed the original Memorandum of Understanding and Heads of Agreement with our group shortly before the end 2008 Ghanaian General and Presidential Election.

The Tano 2A saga has been ongoing for nine years. There are numerous legacy issues which are being addressed. Progress is being made. The newly elected government is pro-development and committed to improved standards. We are committed to helping find and develop Ghana's natural resources. With continued good-will and common sense we hope that any outstanding issues will be satisfactorily and promptly resolved.

The newly elected government, and especially the Deputy Minister is now providing clear and positive leadership. With continued good-will and common sense any outstanding issues will be satisfactorily and promptly resolved.

Pan Andean Resources (Ghana) Limited, in which Petrel has a 30% holding, signed its Petroleum Agreement on Tano 2a in 2008, and the revised Petroleum Agreement in March 2010. Since then we have conducted extensive work, including seismic acquisition, re-processing and re-interpretation in good faith – while simultaneously we sought ratification continuously since 2010.

The 2014 over-lapping award to 'Camac Energy' (now 'Erin Energy') was acknowledged to be a "political decision", rather than the result of a normal technocratic process. Had the overlapping 529 km^2 of our original Tano 2a acreage not been excised in 2014, our Petroleum Agreement would long since have been ratified.

Iraq

Petrel is indirectly carried, by operator Oryx, on a petroleum contract in the Wasit Governate. As of June 2017, the necessary seismic and other permits had not been approved by the Federal Government in Baghdad, and little field-work has therefore been conducted.

The Iraqi oil industry has experienced an extended period of insecurity and legal uncertainty since 2003. Production from southern Iraq remains resilient, at c. 4.45 million barrels daily (May 2017). This is 0.1 million barrels daily above Iraq's OPEC quota, and only 0.2 million barrels daily below Iraq's production in November 2016, immediately before the OPEC + non-OPEC agreement to cut production by 1.8 million barrels daily. Overall compliance has been impressive so far, (at 1.45 million barrels daily cut by May 2017), but Iraq - like Iran and Nigeria - has benefited from higher prices without losing much volume sales.

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.

So far, the Wasit Governate has not been materially impacted by disturbances west and north of Baghdad. However, political stasis and the ongoing civil conflict has delayed necessary permitting and consequently the Oryx work programme.

Petrel's exposure is essentially a US$500,000 option price paid in 2013 if no wells are drilled and discoveries made. The shares granted revert to Petrel after 5 years (i.e. by Q3 2018) if drilling has not occurred.

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.

Since 2014 much of the Iraqi western desert has been threatened or controlled by extremist insurgents opposed to western involvement.

The directors present their annual report and the audited financial statements for the financial year ended 31 December 2016.

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 €256,505 (2015: loss of €227,234). The total exchange difference transferred to translation reserves is €66,830 (2015: €305,752). The translation reserve comprises 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 2016 (2015: €Nil).

PERFORMANCE REVIEW

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

RISKS AND UNCERTAINTIES (CONTINUED)

Risk	Nature of risk and mitigation
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.
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:

John Teeling (Chairman)
David Horgan
Arman Kayablian

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary holding office at 31 December 2016 held the following beneficial interests in the shares of the company:

	31/12/2016 Ordinary Shares of €0.0125 Number	**31/12/2016 Options - Ordinary Shares of €0.0125 Number**	1/1/2016 Ordinary Shares of €0.0125 Number	1/1/2016 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**	1,785,384	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.

SUBSTANTIAL SHAREHOLDINGS

The share register records that, in addition to the directors, the following shareholders held 3% or more of the issued share capital as at 31 December 2016 and 19 June 2017:

	19 June 2017 Number of Ordinary Shares	**%**	31 December 2016 Number of Ordinary Shares	%
Amira International Holdings Limited	**16,147,368**	**16.20%**	16,147,368	16.20%
Citibank Nominees (Ireland) Limited (CLRLUX)	**9,114,363**	**9.14%**	9,254,286	9.28%
TD Direct Investing Nominee (Europe) Limited	**3,851,721**	**3.86%**	3,777,605	3.79%
HSDL Nominees Limited	**3,476,128**	**3.49%**	3,479,228	3.49%
Barclayshare Nominees Limited	**3,292,719**	**3.30%**	3,137,334	3.15%

FINANCIAL RISK MANAGEMENT

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

CONTRIBUTIONS

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

DIRECTORS COMPLIANCE STATEMENT

The directors, in accordance with Section 225(2)(a) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations." "Relevant obligations", in the context of the Company, are the Company's obligations under:

(a) the Act, where a breach of the obligations would be a category 1 or category 2 offence;
(b) the Act, where a breach of the obligation would be a serious Market Abuse or Prospectus offence; and
(c) tax law.

Pursuant to Section 225(2)(b) of the Act, the directors confirm that:

- The company has drawn up a statement setting out the Company's policies that are in the opinion of the directors appropriate with respect to the Company complying with its relevant obligations;
- There are appropriate arrangements and structures in place designed to secure material compliance with the Company's relevant obligations.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

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

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

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

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

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

SUBSIDIARIES

Details of the company's significant subsidiaries are set out in Note 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 22.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 2017

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 2016 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 2016 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 2016 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.

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 financial assets, investment in subsidiaries and amounts due from subsidiaries. The realisation of intangible assets of €2,138,159 and financial assets of €4,211,123 included in the consolidated balance sheets and intangible assets of €2,126,922, 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 statement of financial position 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.

Sinéad McHugh
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

23 June 2017

Petrel Resources Plc
Consolidated Statement Of Comprehensive Income
For The Financial Year Ended 31 December 2016

	Notes	2016 €	2015 €
CONTINUING OPERATIONS			
Administrative expenses	4	**(257,675)**	(228,393)
OPERATING LOSS		**(257,675)**	(228,393)
Interest revenue	3	**1,170**	1,159
LOSS BEFORE TAXATION	4	**(256,505)**	(227,234)
Income tax expense	9	**-**	-
LOSS FOR THE FINANCIAL YEAR: all attributable to equity holders of the parent		**(256,505)**	(227,234)
Other comprehensive (expense)/income		**-**	-
Items that may be reclassified subsequently to profit or loss		**-**	-
Exchange differences		**66,830**	305,752
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		**(189,675)**	78,518
Loss per share – basic and diluted	10	**(0.26c)**	(0.23c)

Petrel Resources Plc
Consolidated Balance Sheet
As At 31 December 2016

	Notes	2016 €	2015 €
ASSETS			
FIXED ASSETS			
Intangible assets	12	**2,138,159**	1,871,288
Financial asset	11	**4,211,123**	4,211,123
		6,349,282	6,082,411
CURRENT ASSETS			
Trade and other receivables	14	**23,003**	19,203
Cash and cash equivalents	15	**745,195**	1,111,257
		768,198	1,130,460
TOTAL ASSETS		**7,117,480**	7,212,871
CURRENT LIABILITIES			
Trade and other payables	16	**(409,894)**	(315,610)
NET CURRENT ASSETS		**358,304**	814,850
NET ASSETS		**6,707,586**	6,897,261
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		**721,319**	654,489
Retained deficit		**(16,710,408)**	(16,453,903)
TOTAL EQUITY		**6,707,586**	6,897,261

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2017 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Petrel Resources Plc
Company Balance Sheet
As At 31 December 2016

	Notes	2016 €	2015 €
ASSETS			
FIXED ASSETS			
Intangible assets	12	**2,126,922**	1,860,051
Investment in subsidiaries	13	**15,019**	15,019
		2,141,941	1,875,070
CURRENT ASSETS			
Trade and other receivables	14	**4,230,344**	4,226,544
Cash and cash equivalents	15	**745,195**	1,111,257
		4,975,539	5,337,801
TOTAL ASSETS		**7,117,480**	7,212,871
CURRENT LIABILITIES			
Trade and other payables	16	**(409,894)**	(315,610)
NET CURRENT ASSETS		**4,565,645**	5,022,191
NET ASSETS		**6,707,586**	6,897,261
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		**721,319**	654,489
Retained deficit		**(16,710,408)**	(16,453,903)
TOTAL EQUITY		**6,707,586**	6,897,261

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2017 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Petrel Resources Plc
Consolidated And Company Statements Of Changes In Equity
For The Financial Year Ended 31 December 2016

Group and company

	Share Capital €	Share Premium €	Capital Conversion Reserve fund €	Share Based Payment Reserve €	Translation Reserve €	Retained Deficit €	Total €
At 1 January 2015	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
Total comprehensive income for the financial year	-	-	-	-	**66,830**	**(256,505)**	**(189,675)**
At 31 December 2016	**1,246,025**	**21,416,085**	**7,694**	**26,871**	**721,319**	**(16,710,408)**	**6,707,586**

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.

Petrel Resources Plc
Consolidated Cash Flow Statement
For The Financial Year Ended 31 December 2016

	Notes	2016 €	2015 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		**(256,505)**	(227,234)
Investment revenue recognised in loss		**(1,170)**	(1,159)
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(257,675)**	(228,393)
Movements in working capital:			
Increase/(Decrease) in trade and other payables		**49,285**	(36,221)
(Increase)/Decrease in trade and other receivables		**(3,800)**	25,205
CASH USED IN OPERATIONS		**(212,190)**	(239,409)
Investment revenue		**1,170**	1,159
NET CASH USED IN OPERATING ACTIVITIES		**(211,020)**	(238,250)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(160,699)**	(110,837)
NET CASH USED IN INVESTING ACTIVITIES		**(160,699)**	(110,837)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(371,719)**	(349,087)
Cash and cash equivalents at beginning of financial year		**1,111,257**	1,330,766
Effect of exchange rate changes on cash held in foreign currencies		**5,657**	129,578
Cash and cash equivalents at end of financial year	15	**745,195**	1,111,257

Petrel Resources Plc
Company Cash Flow Statement
For The Financial Year Ended 31 December 2016

	Notes	2016 €	2015 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		**(256,505)**	(227,234)
Investment revenue recognised in loss		**(1,170)**	(1,159)
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(257,675)**	(228,393)
Movements in working capital:			
Increase/(Decrease in trade and other payables		**49,285**	(36,221)
(Increase)/Decrease in trade and other receivables		**(3,800)**	25,205
CASH USED IN OPERATIONS		**(212,290)**	(239,409)
Investment revenue		**1,170**	1,159
NET CASH USED IN OPERATING ACTIVITIES		**(211,020)**	(238,250)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(160,699)**	(110,837)
NET CASH USED IN INVESTING ACTIVITIES		**(160,699)**	(110,837)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(371,719)**	(349,087)
Cash and cash equivalents at beginning of financial year		**1,111,257**	1,330,766
Effect of exchange rate changes on cash held in foreign currencies		**5,657**	129,578
Cash and cash equivalents at end of financial year	16	**745,195**	1,111,257

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 convention and 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

Investments in subsidiaries are 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.

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:

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Intangible assets (continued)

Impairment of intangible assets (continued)

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.

(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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(vi) Taxation (continued)

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

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

(vii) 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 recognized 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 recognized. 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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ix) Financial instruments (continued)

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, after direct issue costs.

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

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

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Critical judgments in applying the Group and Company accounting policies (continued)

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.

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

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

		Effective date
Amendments to IAS 1 (Dec 2015)	Disclosure Initiative	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 (Dec 2015)	Investment Entities Applying the Consolidation Exception	1 January 2016
Annual Improvements to IFRSs:	2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11 (May 2014)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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

		Effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	1 January 2017
Amendments to IFRS 2	Classification and Measurement of Share- based payments	1 January 2018

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

3. INTEREST REVENUE

	2016	2015
	€	€
Interest on bank deposits	**1,170**	1,159

4. LOSS BEFORE TAXATION

	2016	2015
	€	€
The loss before taxation is stated after charging the following items:		
Administrative expenses:		
Professional fees	**158,366**	156,677
Staff costs - salaries	**71,337**	85,540
- payroll taxes	**-**	-
Other administration expenses	**27,972**	29,881
Impairment expenditure recovered	**-**	(43,705)
	257,675	228,393

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

5. AUDITORS' REMUNERATION

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

	2016	2015
	€	€
Group		
Audit of Group financial statements	**18,000**	18,000
Other assurance services	**1,000**	1,000
Tax advisory services	**1,000**	1,000
Total	**20,000**	20,000

5. AUDITORS' REMUNERATION (CONTINUED)

	2016 €	2015 €
Company		
Audit of individual company financial statements	**9,500**	9,500
Other assurance services	**9,500**	9,500
Tax advisory services	**1,000**	1,000
Total	**20,000**	20,000

6. RELATED PARTY AND OTHER TRANSACTIONS

Group and Company

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

	2016 Fees – services as directors €	2016 Fees – other services €	2016 Total €	2015 Fees – services as directors €	2015 Fees – other services €	2015 Total €
John Teeling	**5,000**	**25,000**	**30,000**	5,000	25,000	30,000
David Horgan	**5,000**	**25,000**	**30,000**	5,000	25,000	30,000
Total	**10,000**	**50,000**	**60,000**	10,000	50,000	60,000

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 of €30,000 (2015: €30,000) 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:

	2016 €	2015 €
Short-term employee benefits	**90,000**	90,000

Key management compensation accrued at financial year end 31 December 2016 was €377,019 (2015: €293,419).

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 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	-	-	-	-
Balance at 1 January 2016	-	-	-	-
Office and overhead costs recharged	**(13,642)**	**5,283**	**(27,780)**	**(36,139)**
Repayments	**13,642**	**(5,283)**	**27,780**	**36,139**
Balance at 31 December 2016	**-**	**-**	**-**	**-**

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

	2016 €	2015 €
Amounts due from Petrel Resources (TCI Limited) (Note 14)	**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).

7. STAFF NUMBERS

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

	2016 Number	2015 Number
Management and administration	**4**	4

Staff costs for the above persons were:	€	€
Wages and salaries	**116,337**	130,540
Social welfare costs	**-**	-
Pension costs	**-**	-
	116,337	130,540

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.

	2016	2015
	€	€
8A. Segment Results		
Continuing Operations		
Iraq	**-**	-
Africa	**-**	-
Ireland	**-**	-
Total for continuing operations	**-**	-
Unallocated head office	**(256,505)**	(227,234)
	(256,505)	(227,234)

There was no revenue earned during the financial year (2015: €Nil).

8B. Segment Assets and Liabilities

	Assets		**Liabilities**	
	2016	2015	**2016**	2015
	€	€	**€**	€
Iraq	**4,214,904**	4,214,904	**-**	-
Africa	**962,378**	911,425	**-**	-
Ireland	**1,175,781**	959,863	**-**	-
Total for continuing operations	**6,353,063**	6,086,192	**-**	-
Unallocated Head Office	**764,417**	1,126,679	**(409,894)**	(315,610)
	7,117,480	7,212,871	**(409,894)**	(315,610)

	2016	2015
	€	€
Iraq	**-**	-
Africa	**21,159**	17,819
Ireland	**184,540**	138,018
Total for continuing operations	**205,699**	155,837
Unallocated head office	**-**	-
	205,699	155,837

9. INCOME TAX EXPENSE

	2016 €	2015 €
Factors affecting the tax expense:		
Loss on ordinary activities before tax	(256,505)	(277,234)
Income tax calculated @ 12.5%	(32,063)	(34,654)
Effects of:		
Expenses not allowable	-	-
Tax losses carried forward	31,795	34,367
Income taxed at higher rate	268	289
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 €5,616,024 (2015: €5,361,665) which equates to a deferred tax asset of €702,003 (2015: €670,208). No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Losses may be carried forward indefinitely.

10. LOSS PER SHARE

	2016 €	2015 €
Loss per share - basic and diluted	**(0.26c)**	(0.23c)

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:

	2016 €	2015 €
Loss for the financial year attributable to equity holders	**(256,505)**	(227,234)

	2016 Number	2015 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

Investment	**2016** €	2015 €
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

11. FINANCIAL ASSET (CONTINUED)

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.

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 amortised cost. Fair value cannot be reliably measured as the investment is held in a private company. The company's equity instruments do not have a quoted price 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	
	2016	2015	**2016**	2015
	€	€	**€**	€
Exploration and evaluation assets:				
Cost:				
Opening balance	**1,871,288**	1,539,277	**1,860,051**	1,528,040
Additions	**205,699**	155,837	**205,699**	155,837
Exchange translation adjustment	**61,172**	176,174	**61,172**	176,174
Closing balance	**2,138,159**	1,871,288	**2,126,922**	1,860,051

Segmental Analysis	**Group**	Group
	2016	2015
	€	€
Ghana	**962,377**	911,425
Ireland	**1,175,782**	959,863
	2,138,159	1,871,288

12. INTANGIBLE ASSETS (CONTINUED)

Exploration and evaluation assets at 31 December 2016 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.

On 4 March 2014, the company announced that it had finalised an 85% farm-out agreement with Woodside, Australia on its offshore Ireland acreage. The agreement covers all of Petrel's participating interest in 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 (xii).

Directors' remuneration of €30,000 (2015: €30,000) and salaries of €15,000 (2015: €15,000) were capitalised as exploration and evaluation expenditure during the financial year.

13. INVESTMENT IN SUBSIDIARIES

	2016	2015
	€	€
Company		
At beginning of the financial year	**15,019**	11,237
Additions	**-**	3,782
At end of the financial year	**15,019**	15,019

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

The directors are satisfied that the carrying value of the investment, is not impaired.

The realisation of the investment in subsidiaries is dependent on the discovery and successful development of economic 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 2016:

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 2016 €	Group 2015 €	**Company 2016 €**	Company 2015 €
VAT refund due	**18,959**	14,546	**18,959**	14,546
Other receivables	**4,044**	4,657	**4,044**	4,657
Due by group undertakings (Note 6)	**-**	-	**4,207,341**	4,207,341
	23,003	19,203	**4,230,344**	4,226,544

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 2016 €	Group 2015 €	**Company 2016 €**	Company 2015 €
Cash and cash equivalents	**745,195**	1,111,257	**745,195**	1,111,257

Cash at bank earns interest at floating rates on daily bank rates. The fair value for cash and cash equivalents is €745,195 (2015: €1,111,257) for Group and €745,195 (2015: €1,111,257) for Company. The Group and Company only deposits cash surpluses with banks.

16. TRADE AND OTHER PAYABLES

	Group 2016 €	Group 2015 €	**Company 2016 €**	Company 2015 €
Accruals	**395,019**	311,419	**395,019**	311,419
Other payables	**14,875**	4,191	**14,875**	4,191
	409,894	315,610	**409,894**	315,610

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.

17. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

GROUP AND COMPANY

	Assets 2016 €	Assets 2015 €	**Liabilities 2016 €**	Liabilities 2015 €
Sterling	**32,330**	10,026	**-**	-
US Dollar	**686,327**	1,076	**-**	-

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, and had no exposure to interest rate agreements at the financial year end date.

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

Foreign Currency Risk
The Group has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates, and maintaining a level of cash in foreign denominated currencies sufficient to meet planned expenditure in that currency. Foreign currency denominated assets and liabilities are set out in Note 17.

Credit risk
The maximum credit exposure of the group and company at 31 December 2016 amounted to €745,195 and €4,230,344 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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Management
The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group does not hold any external debt and is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2016.

19. SHARE CAPITAL

	Group and Company	
	2016	2015
	€	€
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 2015	99,681,992	1,246,025	21,416,085
Issued during the financial year	-	-	-
At 31 December 2015	99,681,992	1,246,025	21,416,085
At 1 January 2016	99,681,992	1,246,025	21,416,085
Issued during the financial year	-	-	-
At 31 December 2016	**99,681,992**	**1,246,025**	**21,416,085**

Movements in share capital
There was no movement in share capital in the current 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.

	Year ended 31/12/2016 Options	**Year ended 31/12/2016 Weighted average exercise price in pence**	Year ended 31/12/2015 Options	Year ended 31/12/2015 Weighted average exercise price in pence
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 2016 had a weighted average exercise price of 10.50p, and a weighted average remaining contractual life of 3.97 years.

21. PARENT COMPANY INCOME STATEMENT

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 to the Annual General Meeting and from filing it with the Registrar of Companies. The total comprehensive loss for the financial year in the parent company was €256,505 (2015: €227,234).

22. CAPITAL COMMITMENTS

There were no capital commitments authorised or contracted at the balance sheet date.

23. POST BALANCE SHEET EVENTS

There were no material post balance sheet events affecting the company or group.

24. CONTINGENT LIABILITIES

There are no contingent liabilities (2015: €Nil) other than those disclosed in Note 11.

Petrel Resources Plc
Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Petrel Resources plc will be held on 24 July 2017 at the Shelbourne Hotel, 27 St. Stephens Green, Dublin 2 at 11 a.m. 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 31 December, 2016.
2. To re-elect Director: Arman Kayablian 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

Ordinary Resolution

5. The Directors be and are hereby generally and unconditionally authorised pursuant to Section 1021 of the Companies Act 2014 ("2014 Act"), in substitution for all existing such authorities, to exercise all powers of the Company to allot relevant securities (within the meaning of Section 1021 of the 2014 Act) provided that such power shall be limited to the allotment of relevant securities up to an amount equal to aggregate nominal value the authorised but unissued ordinary share capital of the Company from time to time. The authority hereby conferred shall expire on 24 July 2022, unless previously revoked, renewed or varied by the Company in General Meeting, save that the Company may before such expiry date make an offer or agreement which would or might require relevant securities to be allotted after such authority has expired and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

Special Resolution

6. Subject to the passing of Resolution 5 above that the Directors be and are hereby empowered pursuant to Section 1023 of the Companies Act 2014 ("2014 Act"), in substitution for all existing such authorities, to allot equity securities (within the meaning of Section 1023 of the 2014 Act) for cash pursuant to the authority conferred by resolution number 5 above as if Section 1022(1) of the 2014 Act, did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities (including, without limitation, any shares purchased by the Company pursuant to the provisions of the 2014 Act and held as treasury shares) up to an amount equal to the aggregate nominal value of the authorised but unissued ordinary share capital of the Company from time to time.The authority hereby conferred shall expire on 24 July 2022, save that the Company may before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such authority has expired and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the power hereby conferred had not expired. The authority hereby conferred may be renewed, revoked or varied by special resolution of the Company.

By order of the Board:

James Finn
Secretary

Registered Office: 162 Clontarf Road, Dublin 3.

23 June 2017

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 tow day 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

Directors and Other Information

CURRENT DIRECTORS	John Teeling (Chairman) David Horgan Arman Kayablian
SECRETARY	James Finn
REGISTERED OFFICE	162 Clontarf Road Dublin 3 Ireland Telephone: 353-1-833 2833 Fax: 353-1-833 3505 E-Mail: info@petrelresources.com Website: www.petrelresources.com
AUDITORS	Deloitte Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
BANKERS	Barclays Bank Ireland plc. Two Park Place Hatch Street Upper Dublin 2 Ireland Commerzbank AG Gallusanlage 60329 Frankfurt Germany
SOLICITORS	McEvoy Corporate Law 22 Fitzwilliam Place Dublin 2 Ireland
NOMINATED BROKER & ADVISOR	Northland Capital Partners Limited 60 Gresham Street, 4th Floor London, EC2V 7BB United Kingdom
REGISTRARS	Computershare Investor Services (Ireland) Limited Heron House, Corrig Road Sandyford Industrial Estate Dublin 18 Ireland
REGISTRATION NUMBER	92622
AUTHORISED CAPITAL	200,000,000 ?0.0125 Ordinary Shares
CURRENT ISSUED CAPITAL	99,681,992 Ordinary Shares
MARKET	Alternative Investment Market

PETREL

RESOURCES

Corporate Office:
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Company Registration Number: 92622

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