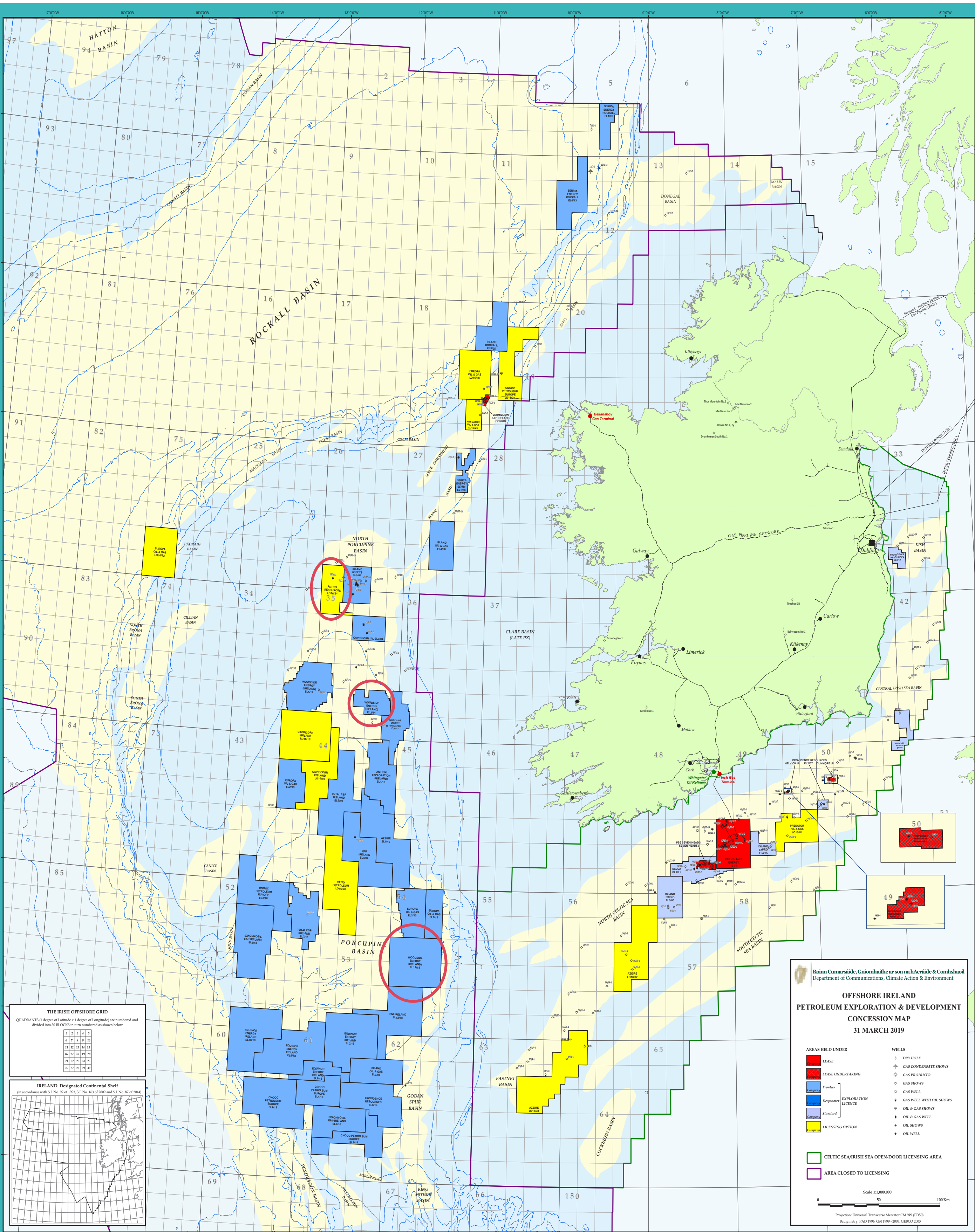
PETREL RESOURCES PLC

Annual Report and Accounts

Year ended 31 December 2018



Contents

for the financial year ended 31 December 2018

Chairman's Statement

for the financial year ended 31 December 2018

Petrel is a grassroots exploration company. That means we pursue high risk high potential projects. But high risk means there is a high risk of total loss. The only true lie detector in exploration is a drill hole. The most sophisticated and best informed analyses and evaluation of a prospect comes with high risk. No better example that the well currently being drilled in the Atlantic Porcupine offshore Ireland. From surface to target depth is over 8,000 metres – 8 kilometres! 2,162 metres of water and 6,310 metre of rock. And there is a good probability of finding nothing of value.

Petrel was first founded in the early 1980's to participate in offshore Irish exploration. It failed. Revived in the 1990's with new management and new risk capital we entered Iraq, then offshore Ireland and offshore Ghana.

When choosing places to explore there are three overriding considerations – the probability of finding something, the potential size of the discovery and can we develop and profit from. There are two main risks, Geological and Political. Our strategy has been to go where the best chances are of finding something. Often this is in areas where the political rules change. So we accept higher political risk for lower geological risk.

How has this worked out? Not well. The big surprise is that Ireland where we assumed low political risk and higher geological risk and turning out to have high political risk while the geological has not improved.

Petrel and the partners it attracted to Ireland saw a stable environment, clear terms and rights to develop. This is not what has happened.

- The Corrib debacle lasting 20 years has done serious damage to our international reputation. It now is taken for granted that there will be objections to any natural resource developments. Delays of years are common thus destroying the present value of the project.

- The state changed the taxation laws applying to petroleum projects. There is absolutely no logic for doing this. Exploration has found almost nothing. There are no profits to tax. Ireland has one of the highest failure rates in oil exploration in the world. We should be increasing incentives not diminishing them.

- There is an active political movement to outlaw all offshore exploration. This in a country which is dependent on Siberian gas!!! What began as a fanciful proposition from a tiny left wing party got support from mainstream parties. The recent proposition before parliament has lapsed but damage has been done and a precedent established. Foreign investors can spend their money in over 200 countries, it does not have to be Ireland.

- Finally, companies who obtained exploration licences are being frustrated in getting drilling permits and are having permits overturned on technicalities. The state has allowed explorers to spend tens of millions on early stage prospecting only to frustrate and delay the granting of drilling licences.

Trying to be positive. Should the current well be a hit and should the long delayed work commence on the Barryroe prospect then sentiment may change.

Where is Petrel in all of this? We have applied to assume 100% operatorship of Frontier Exploration License 3/14 and to extend the first phase by one year. It has taken almost the full year to get approval. We have worked up the extensive data on the block and believe that we have a good package with which to attract a major but we have no time.

We have applied to transfer our 100% owned Licence Option 16 / 24 to a Frontier Exploration Licence. Here again we believe the geology holds potential. We will pitch the opportunities to majors.

Finally we hold a 10% working interest in Frontier Exploration Licence 11 / 18, Woodside holds the remaining 90%. We have met commitments until now. When we receive proposed budgets for the coming year we will evaluate whether to stay in or not.

Overall the Irish offshore is a sorry scene.

Chairman's Statement *(continued)*

for the financial year ended 31 December 2018

Ghana

After ten years in Ghana, Petrel (30%) and partners Clontarf (60%) local Ghanaian interests (10%) await ratification of the Tano 2A Petroleum Agreement negotiated with the Ghana National Petroleum Corporation. It needs cabinet and parliamentary approval. Relationships in Ghana have improved in the last two years, particularly with the Ghana National Petroleum Corporation, but there is little evidence that political promises are being delivered on.

In the ten years we have been waiting for ratification Ghana has become a significant oil producer, not without difficulty with both the geology and with government. The change in government has renewed a focus on oil development. This should assist Petrel and partners. I hesitate to give any guidance.

Iraq

We had high hopes of commercial success in Iraq. It has the best oil geology on the planet with drilling success over 90% and a $2 to 4 a barrel production cost. But the political risk offsets all of this.

Petrel first entered Iraq in 1997 and had initial success in obtaining a large exploration block in the Western Desert between Baghdad and Amman Jordan. We were seeking development rights to any one of the many proven but undeveloped oil fields but we needed to establish our credentials. We undertook exploration work but were frustrated by sanctions which stopped us from drilling.

We continued involvement with the Iraqi Oil Ministry and undertook extensive technical work, with Itochu of Japan on the Merjan oil field.

Post 2003 we were awarded a development contract on the Subba and Luhais oil fields. Bureaucratic interference and payment problems forced Petrel to sell out in 2010.

We maintained our interest and appointed an Iraqi Armin Kayablian to work in Iraq. We purchased a 20% stake in Amira Hydrocarbon which had joint operations with Oryx Petroleum, in the Wasit province. The joint venture failed to obtain a licence. In 2018 the agreement was dissolved and some 20 million Petrel shares returned to the company.

We have recently appointed Riadh Mahmoud Hameed to the Petrel board. Riadh worked as project co-ordinator for six years for Petrel in Iraq.

Activities are normalising in Iraq. There are many oil projects in Iraq which need to be developed. Petrel will be making a case to be part of the development.

Future

Oil and gas grassroots exploration has proven to be an expensive experience for Petrel shareholders. There is little interest in the sector.

Petrel has had a loyal following for decades but as the downward cycle in exploration share prices continues and intensifies even the loyalists lose hope. We continue to press of ratification in Ghana and continue to seek farm in partners for our offshore Ireland interests.

Interest is reviving in Iraq. We now have the people to seek out operations on the ground.

As a board we are awake to other opportunities both in our sector and in different industries. Because we are a small, tightly held company with a big shareholder base we are an attractive vehicle for a new project. Nothing presented to the board has yet been deemed good enough for shareholders.

John Teeling
Chairman
18 June 2019

Operations Review

for the financial year ended 31 December 2018

Highlights

- The Iolar well, being drilled by CNOOC / ExxonMobil during mid-2019, is a key test of ultra-deep-rock (6,310 metres below sea-bed), deep-water plays in the Irish Atlantic Porcupine.
- A major discovery in this frontier basin will transform industry perceptions and the farm-out market.
- Petrel has applied to assume operatorship and extend the 1st phase of FEL 3/14, and to convert LO 16/24 to a Frontier Exploration Licence.
- However, threatened legislative measures added to permitting issues, undermine farm-out efforts, and delay drilling plans.
- Meanwhile, the higher oil price, driven by fundamentals, and supply problems elsewhere, improve the economics of Irish Atlantic plays. This will feed through to the sluggish farm-out market, and boost depressed exploration shares.
- The reforming Ghanaian NPP Government is expediting Petroleum development. A systematic review of historic Petroleum Agreements is underway, which includes Tano 2A Block.
- Revised coordinates for Tano offshore acreage are under consideration by the Ghanaian authorities. Most of the original 1,532km^2 is immediately available, though part awaits relinquishment.
- Riadh Hameed has re-joined Petrel Resources plc as a Non-Executive Director, and is helping re-establish Petrel's Baghdad operations.

Petrel Resources plc Interests (as of June 2019).

<u>Ireland Atlantic Offshore</u>
FEL 3/14 : 15% carried, transitioning to 100% Petrel Working Interest. Expiry 31/8/2030.

FEL 11/18 : 10% Petrel Working Interest (90% Woodside Operating Interest). Expiry 28/2/2033.

LO 16/24 : 100% Petrel Working Interest (transitioning to FEL phase, following Ministerial signature). Grant expected shortly, with initial exploration phase of 3 years. Original LO Expiry 30/6/2018, with follow-on application received by DCCAE.

<u>Ghana</u>
Tano 2A Petroleum Agreement: 30% Petrel Working Interest. Awaiting ratification, then exploration periods of 3 years initial term + 2 extension periods of 3.5 years.

<u>Iraq</u>
Western Desert Block 6: 100% Petrel Working Interest. Awaiting ratification. 30 year term, or until early pay-out.

<u>Petrel's main focus was in the Irish Atlantic Porcupine Basin during 2018/19</u>
The Porcupine Basin is a thick (10km) sedimentary basin, though with only 33 wells to date, and until recent years only 2D seismic surveys and a limited database of modern 3D seismic data.

During 2018/19, Petrel and its partners were mainly working on the reprocessing and re-interpretation of 3D seismic data, especially those acquired in mid-2016. Various technical factors required extensive reprocessing of these data.

Several exploration wells will be needed to test recent years' 3D seismic work. So far, the Irish Atlantic is relatively unexplored. Only 3 deep-water Atlantic Porcupine wells have been drilled since 2001, all by other companies: the 2013 Dunquin well in 1,600 metres water depth, and The Druid / Drombeg deep-water wildcat well (in 2,200 metres water depth) on FEL 2/14 in the south-west of the Porcupine Basin during 2017. Though not commercial, these wells proved that deep-water Atlantic wells can be safely operated – even by juniors - at a reasonable cost. The deep-water (2,162m), deep-rock (6,310m) Iolar well is being drilled during mid-2019, and will be the first test of 'ultra-deep' target zones in these waters. Until now, the predominant industry view was that the economics of discoveries at such depths would be prohibitive, with squeezed porosity and permeability. But recent developments in drilling technology, reservoir stimulation, better understanding of regional geology and improved project economics are opening minds to the enhanced potential.

Operations Review *(continued)*

for the financial year ended 31 December 2018

Petrel has participated in two major 3D seismic acquisition & processing programmes since 2016, covering the eastern Porcupine FEL 3/14 and FEL 11/18. Extensive processing has been completed to a high standard. Interpretation has been complicated by a relative lack of nearby well control, and consequent uncertainty over target depths.

Our partners, Woodside Energy, have indicated their intention to withdraw from FEL 3/14 due to their modelled outcomes from the 3D seismic data interpretation, and a preference for mid-depth targets. Woodside remain the 90% Operating Partner in FEL 11/18, and entered with Petrel into the Frontier Exploration Licence phase in 2018.

Recovering industry context

The context was a strongly recovering oil price after 2016, to over \$60 by June 2019, despite trade war concerns. The drivers were sharply falling crude oil stocks, deliberately been squeezed by the OPEC + Russia output cuts of end 2016. Re-tightened US sanctions on Iran, ongoing sanctions on Russian investment since 2014 and new 2019 sanctions on Venezuela accelerated this supply squeeze.

Meanwhile, global oil demand growth was strong at 2.3% during 2018, and remains above long-term trends at 1.4% for 2019. While investors remained negative about fossil fuels, there is no evidence of any fall in oil demand. As a result, industry majors are cautiously re-opening exploration and development budgets. Emerging but non-producing basins, like the Porcupine Basin, tend to benefit most from price rises and resulting budgetary allocations. The Irish Atlantic Porcupine Basin has been the focus of increased petroleum industry study since 2011, with several seismic surveys, though only 3 wells in that period. These were Dunquin (2013), Druid / Drombeg (2017) and Iolar during 2019. Drilling gun-shyness contrasts with strong investment in 3D and 2D seismic programmes and other work. Technical challenges, and high cost of deep-water wells contribute to the reluctance, which has been aggravated, since 2017, by threatened legislative and permitting issues.

The Iolar well is a key test of deep plays in the Porcupine Basin

The "Iolar" prospect, targeted by the 54/2-A well, tests a deep rock west Porcupine Basin play (on the opposite side from our FEL 11/18). Iolar is being drilled by the drill-ship ICEMax, in FEL 3/18 by CNOOC and ExxonMobil, and was reported spudded by *Upstream* on 28.5.2019. The well site is challenging at 232.4km west of the Irish coast (Co. Kerry), 218km from the Skelligs, and 224km from the Blasket islands. It is in deep water (2,162 metre water depth) over which the drill-ship ICEMax will maintain its position via a dynamic positioning system. Drill equipment is installed on the deck, with the derrick amidships. The well is drilled through a 'moon pool' below the derrick.

The plan is a single, deviated well, which if successful, might include a short deviation to acquire cores, over a planned 100 to 150 days (the entire normal weather window through end September). If successful, it will be drilled to 6,310 metres below the mud-line.

Safety and environmental standards are especially high, given the deep water and rock depth (an impressive total of 8,472m below sea-level). A Remotely Operated Vehicle will closely monitor spudding so as to minimise cement use. The deep well is made possible by decreasing diameter from 26" to 8.5". Drilling fluid is being circulated back to the drill ship. After the first 2 sections, a riser will be installed for control of drilling fluids, muds, rock cuttings and cement returns. After completion, the well will be plugged mechanically and with cement at all hydrocarbon intersections, thus isolating them from surface. The wellhead itself will be cemented at least 3 metres below surface. Deep-water drilling is part of the future.

Why are more wells not drilled?

Regulatory delays and doubts since 2017 were a severe brake on renewals, conversions and extensions – which in turn depressed the already jittery farm-out market, and therefore the share prices of junior resource shares. Businesses dislike uncertainty, and the political calculus can be unpredictable when much of the debate is based on emotion and wishful thinking rather than hard evidence and rational discussion.

A 'hung parliament' (albeit with a stable 'confidence and supply' arrangement in place) means that a minority Dublin government must juggle practical needs with the populist siren calls to be seeing to 'do something' about climate change. The most practical ways to slash carbon emissions would be to build state-of-the-art 5th generation, modular safe nuclear plants of circa 440MW each, similar to successful energy policy in Sweden and France. Up to 20% of carbon emissions could be eliminated by curtailing the anyway unprofitable beef herd (the dairy herd accounts for an additional 12% of carbon emissions but dairy is profitable) – yet these practical steps are deemed politically unacceptable.

So, instead of clear leadership on energy resilience, Ireland has allowed various populist 'private members bills' to gain traction in the legislature and public mind - which might inadvertently undermine Ireland's energy security. The Friends of the Earth initiative to 'keep fossil fuels in the ground' is not unique to Ireland, but Ireland is heavily dependent on fossil fuel imports, and thus particularly vulnerable to supply interruptions. Ireland gets only 1.1% of its primary energy from hydro-power, and has limited additional hydro or geothermal power potential. Ireland's growing renewables industry of intermittent wind generation requires gas-fired generation back-up, so does not materially reduce fossil fuel

Operations Review *(continued)*

for the financial year ended 31 December 2018

dependence. In such circumstances, policy should be to achieve multiple sources of energy and multiple routes to market in order to maximise energy resilience. Instead, both official policy and opposition measures tend to undermine Ireland's energy security.

About 89% of Ireland's primary energy mix is fossil fuels (despite lobbyist claims, only 10% of primary energy is renewables and 1% hydro power). All Ireland's oil is imported and circa 45% of gas consumption). The imported gas comes via 2 Scottish gas interconnectors, but Britain itself is now over 62% gas import dependent – including from Norway, Russia (via various pipelines) and North Africa, as well as limited LNG. Ireland currently has no LNG facilities.

Ireland's energy mix is not unusual: 88% of the world's primary energy mix is fossil fuels – which is slightly up over the last 15 years due to the relative decline in market share of nuclear and hydro power. The rise of dirty coal in China and India call into question the costly measures taken in Europe to control the rise of carbon emissions. A small, albeit prosperous economy has negligible impact on the world's carbon balance.

You would think, therefore that it would be a national priority to reduce import dependence. But for many virtue-signalling has become more important than practical measures.

The initiative to 'keep fossil fuels in the ground', would effectively lead to importing gas from distant suppliers, with an increase in cost, risk and emissions, as the gas must be compressed and pumped through the lengthy pipeline system – at a emission penalty of circa 33%. This is additional to the enhanced political and logistics risks, given issues with Russia's western neighbours, North Africa and the Middle East.

Liquefied Natural Gas (LNG) is a pure fuel that releases 65% more energy per carbon atom than coal. However, LNG has a high *overall* carbon footprint because LNG must be transported to the sea-port, purified to over 99% methane, compressed to c.600 atmospheres and a temperature of -161° C, after which the LNG must be shipped in pressurised containers, then re-gasified at the receiving terminal. The overall LNG emissions increase would be 10 to 20 times that of locally produced gas. So locally produced natural gas is the lowest emission option.

Opponents of exploration are thus effectively encouraging the increase of greenhouse emissions by at least 33%, and possibly up to 20x. It is a policy like discouraging consumption of locally-produced red meat and substituting avocados flown in from Mexico – a purely virtue-signalling exercise through which any cattle emissions savings would be cancelled by the extra transport burden.

Intermittent renewables need 100% reliable immediately available back-up. In Ireland this effectively means gas-fired generators. Thus limiting the gas supply undermines the viability of wind and solar energy. In a sense, the industries are complements rather than alternatives.

Inconsistently, hydrocarbons' opponents simultaneously argue that the State has 'given away' the resources to oil companies – only for citizens to have to buy petroleum products back at market rates. So they're against finding or exploiting new hydrocarbons but want the State to own hydrocarbons, and sell them at below market rates.

Most doubt that such environmentalist initiatives could make it into law, but in June 2017 Dáil Éireann passed a blanket prohibition on onshore hydraulic fracturing, even though nobody proposed fracking wells at depths shallower than 1,000 metres. In Ireland no water well taps aquifers below 290m. No vertical fractures extend more than 300m, so limiting fracking depth to below 1,000m, with normal environmental protection, eliminates any danger.

Meanwhile policy-makers ignore profound changes in the energy market. While the oil price see-sawed during 2019 – driven by political and trade worries – the OPEC + Russia oil output cut compliance is almost 100%. Exploration expenditure has been slashed, projects delayed, and there is now only c.1% global spare capacity.

Oil stocks, which were at record highs in 2016, are now returning to normal levels – following the OPEC + Russia output cuts. Unexpectedly, the Saudi-Russian marriage of convenience has survived, with the Saudi Crown Prince now committed to a 20-year arrangement. For the first time, this effectively co-opts Russia into OPEC.

The world economy is growing, while several oil producers struggle

A 2002 Venezuelan Oil workers' strike ignited the last major price surge. Another such strike looms, as Venezuela suffers hyper-inflation, chaos and malnutrition – aggravated by recent US sanctions. Venezuela's melt-down effectively eliminates the global safety reserve.

Operations Review *(continued)*
for the financial year ended 31 December 2018

Venezuelan output collapsed from 3.35 million barrels daily when Chávez came to power in 1999 to under 1.2 in 2019. This is due to ideological myopia, corruption and mismanagement, purging staff from the National Oil Company.

Yet policy makers act as if stocks remain high and there is surplus capacity sloshing around the system.

The only available capacity is in Saudi Arabia, Kuwait and the UAE. Iran is struggling to maintain output – due to a sanctions hangover from Trump's election and poor fiscal terms worsening investor worries. Iraq faces infrastructure problems that will take a decade to resolve after nearly 40 years of conflict and sanctions. Nigeria and Libya remain embroiled in conflict in which oil assets are fought over and output stolen. Angola is declining with problems at its major fields.

Therefore, Ireland needs the energy security that comes from developing its own energy resources, and cultivating relations with existing suppliers.

Accordingly, Petrel and its partners have proceeded with exploration work:

FEL 3/14, Northern Porcupine
FEL 3/14 covers 480km^2, and expires at end August 2030. The extended first (seismic) phase ended August 2018, but prior to that date Petrel applied for an extension to fine-tune the drill targets based on enhanced 3D seismic interpretation.

Phase 2 of a FEL ordinarily includes an exploration well.

Background
FEL 3/14 was created out of the original LO 11/6, which was awarded to Petrel in the 2011 Irish Atlantic Bid Round. Initially Petrel's main targets had been mainly Tertiary, but when these failed to be confirmed by the work conducted during the Licensing Option period, Petrel worked up a number of Cretaceous and Jurassic targets.

Petrel generated industry interest in these plays, and received two formal farm-in offers as well as considerable interest from an oil major before we hit our decision deadline. Accordingly Petrel farmed out to Woodside Energy, which was Woodside's first acreage in Irish waters.

The FEL 3/14 was granted in January 2014. During Woodside's operatorship, Petrel had limited technical input. The planned 3D Seismic acquisition programme tentatively scheduled for summer 2014, had to be deferred first to 2015, and then 2016, due to delays necessitated by the comprehensive IOSEA5 consultative process – which Petrel fully understood and supported.

The Bréanann 3D seismic was acquired to a high standard under near-ideal circumstances in June/July 2016 by contractor PGS. There were some delays, however, with the processing of these 3D data by Down Under Geosolutions (DUG). The results were not available for our scheduled TCM of October 2017, and little satisfactory interpretation could be done until these data were largely re-processed. These data were finally delivered to the operator by end January 2018.

The operator's model, having incorporated the Bréanann 3D seismic data as well as average reservoir criteria drawn from the Woodside international database, conservatively downgraded the identified target structures: specifically, the updated targets were now modelled as both deeper and more steeply dipping. The combined effect of these factors was both to reduce the estimated volume of reservoir rock, as well as to feed anxieties over reservoir effectiveness – and, of course, to therefore greatly reduce the estimated recoverable resource, particularly in the oil case.

These assumptions are highly conservative, and can be sharpened with more time and work, hopefully attracting additional partners.

Progressing FEL 3/14
Petrel has proposed to continue as a 100% Operator. To facilitate a conversion into the 2nd phase of the FEL including a drilling commitment, Petrel proposed a 12 month extension to the 1st phase to facilitate a farm-out process.

Petrel has already acquired, loaded and is now completing its interpretation of the Bréanann 3D seismic and other data. Based on past experience, as well as recent interest, by several majors, in the Porcupine Basin, we believe that given reasonable time, we can again generate major oil company interest to fund or farm into this acreage.

Operations Review *(continued)*

for the financial year ended 31 December 2018

Proposed Outline Work Programme: FEL 3/14

- Load and validate the FEL 3/14 the Bréanann PSDM (3D seismic) dataset.
- Evaluate the operator's seismic interpretation, with particular focus on depth conversion.
- Re-interpret the key stratigraphic markers, emphasising the Base Cretaceous marker and related sedimentary units.
- Detailed mapping of seismic anomalies and features.
- Attribute analysis, including inversion, using the latest pre-stack and post-stack data. The sedimentary packages associated with the Late Cimmerian unconformity and the overlying mounded features will be a particular target for this work.
- Petrophysical validation and critical analysis of the depth/porosity relationship used in the Woodside assessment. Integrate the detailed petrophysical well analysis and CPIs with the 3D seismic well intersections.
- Evaluate the full prospective section of the full prospective section of the entire FEL 3/14 licence, including an evaluation of Lower Cretaceous moulded fans and Palaeogene prospectivity.
- Integrate all Geology and Geophysics work, into an updated play and prospect assessment for the full prospective section of the entire FEL area to include prospect descriptions, volumetrics, risks and appropriate economics feasibility studies.
- Work by Petrel contained in the report to the PAD at the end of the Licence Option period on this acreage (Petrel 2013) identified other potential targets, notably within the Lower Cretaceous mounded fans and in the Palaeogene, and these will be re-examined with the 3D dataset.

FEL 11/18

FEL 11/18 was bid for by Woodside during the 2015 bid round, and awarded in 2016.

A comprehensive 3D seismic campaign was conducted during summer 2016, under ideal conditions. The data processing was completed in 2018, and the acreage converted from a Licensing Option to a FEL effective April 2018.

During 2018 Petrel acquired, at no cost, a 10% working interest in the strategic, new FEL 11/18, about 150km south-west of Kerry/Cork. FEL 11/18 covers circa 1,579km^2 of acreage on the south-eastern flank of the Porcupine Basin, combining a number of play types in reasonable water and rock depths.

Our 10% stake brought access to all historic data, as well as the circa 1,600km^2 of state-of-the-art 3D seismic Granuaile programme acquired (during the Licensing Option 16/14 phase) under ideal conditions during summer 2016, and has been interpreted, following thorough processing at Down Under Geosolutions. This much-sought FEL 11/18 offers a number of play types, especially of late Jurassic / early Cretaceous age.

There are some similar issues to FEL 3/14, particularly distance from well control. Work continues, and is covered by confidentiality agreements.

2015 Irish Atlantic Bid Round Licensing Options

Petrel Resources plc had applied for acreage in the Irish 2015 Atlantic Licensing Round based on a re-appraisal of the Porcupine Basin that used a large legacy seismic and well database supplemented by newly acquired data.

In June 2016 Petrel was awarded 924km^2 of prospective Irish Atlantic Porcupine Basin acreage by way of two Licensing Options in the 2015 Bid Round. This broke down into the north-western LO 16/24 and south-eastern LO 16/25. Work conducted upgraded LO 16/24's prospectivity but downgraded the fewer and smaller plays in south-eastern LO 16/25.

Operations Review *(continued)*

for the financial year ended 31 December 2018

Licensing Option 16/24

Petrel Resources plc applied to convert LO 16/24 to the FEL phase. To focus resources on LO 16/24, Petrel did not propose to convert the much smaller and less attractive LO 16/25 to the FEL phase.

- Petrel had been attracted to the northwest of the basin by a number of promising geological and operational features, and was granted Licensing Option 16/24 covering Blocks 26/26, 26/27 (part), 35/1 and 35/2 (part). An attraction was proximity to mobile oil at the Connemara oil discovery by BP.

- Since the initial award Petrel purchased additional 2D seismic lines (no 3D data are available in this area), and now holds a seismic dataset on the Option blocks and immediate contiguous area of 182 2D lines from 22 surveys comprising about 2,500 line km. Many of the lines are of early vintage.

- Further seismic re-interpretation, selected line re-processing and inversion, integrated with well analysis, have been conducted since the 2016 award.

- The Late Cimmerian erosion surface forms a northward-shallowing funnel shape across LO 16/24, with the possibility of pinch-out plays in the overlying Lower Cretaceous sequence.

- Water depths are relatively shallow (~500 metres) and drill depths to the recognized targets are <2,500m sub-mudline, and often considerably less.

- The best hydrocarbon flows on test within the basin were achieved in the contiguous blocks immediately to the east (Connemara, Spanish Point and Burren discoveries).

- Closed pinch-outs and mounded features have been mapped within the Lower Cretaceous sequence up to the Aptian that are capable individually of containing commercial recoverable volumes of oil in the range 190 to 380 million barrels.

- Inversion studies have revealed porous zone associated with the main mapped prospects.

- Licensing Option 16/24 includes 664km^2 bordering the Connemara oil-field discovered by BP in 1983. Though BP, and later Statoil (now known as ‘Equinor’), did not flow enough oil from the discovery to be commercial, the proximity to mobile oil enhances our acreage.

- Petrel’s LO 16/24 work confirmed that this acreage has good potential. Our technical staff hope to upgrade it sufficiently to tempt someone in to carry out a seismic survey in the initial 3-year period of a FEL - an easier task than getting a company to give a well commitment.

- Petrel has proposed a work programme to the authorities in order to move into the FEL phase.

LO 16/24 comprises blocks with a number of promising exploration features. The eroded Late Cimmerian surface forms a southward-sloping funnel able to act as a channel for sediment entering the basin, but also to provide a conduit for northward migrating hydrocarbons. The presence of oil on the adjoining blocks demonstrates the existence of active hydrocarbon systems. The problem of defining adequate hydrocarbon migration pathways to facilitate the charging of younger reservoir sections remains a significant risk in the Porcupine Basin. However, the LO 16/24 acreage has a range of stratigraphic prospects from basal fill deposits, closed pinch-outs, and distinctive Barremian mounds, all on or close to the Late Cimmerian surface and possible source rocks. The exploration programme is designed to give better definition of potential targets, particularly in the Berriassian to Barremian section.

There were important ongoing discussions during late 2018 with the Ghanaian authorities.

Ghanaian Tano 2A Petroleum Agreement

Ghana currently produces circa 200,000 barrels of oil per day, from the Jubilee, and TEN oil-fields. But potential output could increase dramatically with more pro-business policies. The latest discovery in just the 3rd year of ENI’s work programme shows what is possible.

Operations Review *(continued)*

for the financial year ended 31 December 2018

The current NPP has been in power since January 2017. We have had cordial and frank discussions leading, Petrel Resources plc believes, to a meeting of minds.

The Ghanaian authorities are now keen to resolve outstanding issues, and drive forward with the professional and prompt development of Ghana's oil & gas potential.

Two official bodies are reviewing dormant and pending petroleum agreements in Ghana: the Ministry of Energy and the National Petroleum Commission.

Any intended abrogation of Licenses refers to already ratified (rather than merely signed) Petroleum Agreements. 14 oil blocks were awarded between January 2009 and December 2016, under previous NDP administrations. Not all oil licences had achieved their initial exploration requirements or discovered commercial oil.

One offshore Block, operated initially by Tap, has been relinquished, while five were impacted by the International Tribunal of the Law of the Seas (ITLOS) ruling on the maritime dispute with Côte d'Ivoire. Delays, and work programme extensions, have delayed Ghana's oil & gas development.

According to the Deputy Minister in Parliament, "none of the remaining 13 companies had fulfilled their minimum obligations within the initial exploration period and no discoveries had been made." Work done included seismic data reprocessing, and in some cases acquisition of new 3D seismic data, and exploratory well preparation.

Accordingly, the authorities are reviewing existing Petroleum Agreements, and conducting a new bid round. The Ministry of Energy inaugurated the LRBEN Committee for the first ever oil and gas licensing round for six offshore oil blocks in the Western Cape Three Points enclave in August 2018. This fulfilled Section 10 of the new Petroleum Exploration and Production Act, 2016 (Act 919) requiring enforcement of a transparency regime to better manage Ghanaian petroleum resources.

The likely timeline for completion of this bid-round is by end 2019 for bids, and announcement of allocations. Clontarf Energy plc, and its partners may be working along with GNPC regarding the current 'Block 1' (subject to parliamentary ratification).

Separately, we understand that Erin Energy Inc., a US company currently in Chapter 11, may soon relinquish or have abrogated that portion of the original Tano 2A acreage that Camac Energy Inc. (Erin Energy Inc.), was awarded in 2014 – which led to legal action by Clontarf Energy plc. This would open a path for Petrel Resources plc to recover all of the original 1,532km^2 acreage.

Ghana's prospectivity highlighted

Meanwhile, Ghana's prospectivity has been highlighted by another, recent oil discovery, subject to two confirmatory appraisal wells, of potentially 1 billion barrels, which could double Ghana's production by 2021. In January 2019, Aker Energy ASA estimated gross contingent resources (2C) of 450 to 550 million barrels of oil equivalent (mmboe), based on seismic, wells and analysis of the Pecan-4A well. This dramatically upgrades the original Hess estimates of 230 million barrels of oil equivalent in 2006.

What transformed such projects was lower appraisal and development costs, a recovering oil price, development of the gas market, but especially the Ghanaian government's openness to practical development approaches.

Each such discovery yields multiple additional well targets which can be subsequently drilled. In turn, each development spreads and lowers infrastructure costs.

The success was delivered by the Ghanaian Ministries of Energy and Finance, as well as the National Petroleum Commission, and GNPC working closely with the partners to make the discovery economic. The partners were able to develop the discovery on economic terms, while significant value added will accrue to Ghana.

The attractiveness of Ghanaian exploration was further reinforced by the progress of the 2018/19 bid-round. Following launch of the Licensing Round Bid Evaluation and Negotiation (LRBEN) Committee in October 2018, 60 applications were received from 16 companies for the five oil blocks on offer. 58 valid applications were received, of which, 43 were for competitive bids and 15 applied for direct negotiation. Applications for the reserved Block One were invalidated, as this has been reserved for the Ghana National Petroleum Corporation (GNPC).

Operations Review *(continued)*

for the financial year ended 31 December 2018

The Energy Minister recently promised that modalities for direct negotiations for oil blocks would soon be announced, and encouraged Ghanaian companies to take advantage of this opportunity, adding that some companies might start work on the oil blocks before the end of 2019, after the ratification of the contracts by Parliament.

The government committed itself to high levels of accountability and transparency in the allocation of the oil blocks to ensure that petroleum resources are well managed.

Next steps

All outstanding issues have now been resolved with GNPC on our Tano 2A Block. The signed Petroleum Agreement is now being sent to the Cabinet. All legal proceedings have been dropped and all issues resolved to our satisfaction.

After a period of slow progress, Ghana's current NPP Government has galvanised the licensing effort. The administration is pro-development, and actively reviewing historic Petroleum Agreements, with stated focus on early exploration, discoveries and output. During 2018 the Ghanaian Ministry of Energy and the Ghanaian National Petroleum Commission considered the current re-application by Pan Andean Resources Ltd (30% Petrel Resources plc, 60% Clontarf, 10% local interests) over the original Tano 2A licence block acreage in the prospective Tano Basin, West Africa.

There is a mutual desire to complete the ratification process. Our strong preference is to honour as far as possible the terms of the existing signed Petroleum Agreement, adjusting the revised coordinates and any other fine-tuning necessary.

Iraq's doors are opening again

Iraq is emerging from conflict and again open for responsible business. Baghdad has re-established its authority, by defeating insurgents and recovering Kirkuk. Pro-business parties won the 2018 elections, and prospects are now more encouraging than at any time since 2010.

Riadh Hameed has joined the Petrel board as Non-Executive Director.

Riadh Hameed is the much-respected son of Petrel's original Iraqi Country Manager, Mahmoud Hameed Ahmed Al-Ani, and has inherited much of the goodwill that previously was associated with Mahmoud.

Mahmoud is an oil industry legend, having drilled over 1,000 wells, of which only about a dozen were deemed 'non-commercial' (including some small oil producers).

Riadh has been well known to us since 1999, and worked with Petrel Resources plc since 2002 (full time from 2004). He has excellent relationships in the Iraqi Ministry of Oil, and is keen to play a part in Iraq's oil & gas future.

Directors' Report

for the financial year ended 31 December 2018

The directors present their annual report and the audited financial statements for the financial year ended 31 December 2018.

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 Operations Review.

RESULTS FOR THE FINANCIAL YEAR

The consolidated loss after taxation for the financial year, transferred to reserves, amounted to €239,042 (2017: loss of €4,392,185). The total exchange difference transferred to reserves is a gain of €95,741 (2017: loss (€321,858)). 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 2018 (2017: €Nil) and no interim payments were made during the financial year (2017: €Nil).

PERFORMANCE REVIEW

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

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;
- review of these structures has been performed during the year.

The directors confirm that the above sections have been complied with during the financial year.

RISKS AND UNCERTAINTIES

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

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

Directors' Report *(continued)*

for the financial year ended 31 December 2018

RISKS AND UNCERTAINTIES ***(continued)***

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

Directors' Report *(continued)*

for the financial year ended 31 December 2018

KEY PERFORMANCE INDICATORS

The two main KPIs for the Group are as follows. These allow the Group to monitor costs and plan future exploration and development activities:

	2018	2017
	€	€
KPI		
Exploration and evaluation costs capitalised during the year	**240,671**	304,159
Ability to raise finance on the alternative investment market	**457,195**	nil

In addition the group reviews ongoing operating costs which relate to the Group's ability to run the corporate function. As detailed in Note 3, the directors expect that adequate resources will be available to meet the Group's committed obligations as they fall due. Further details are set out in the Operations Review and Chairman's Statement.

DIRECTORS

The directors, who served at any time during the financial year except as noted, were as follows:

John Teeling
David Horgan
Arman Kayablian

The current directors are:

John Teeling (Chairman)
David Horgan (Managing Director)
Arman Kayablian (Non-executive Director)
Riadh Mahmoud Hameed (Non-executive Director appointed 14 June 2019)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary holding office at 31 December 2018 held the following beneficial interests in the shares of the company:

	31/12/2018 Ordinary Shares of €0.0125 Number	31/12/2018 Options - Ordinary Shares of €0.0125 Number	1/1/2018 Ordinary Shares of €0.0125 Number	1/1/2018 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)	**1,785,385**	**100,000**	1,785,385	100,000
A. Kayablian***	**-**	**-**	-	-

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

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

Directors' Report *(continued)*

for the financial year ended 31 December 2018

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 2018 and 07 June 2019:

	07 June 2019 Number of Ordinary Shares	**%**	31 December 2018 Number of Ordinary Shares	%
Citibank Nominees (Ireland) Limited (CLRLUX)	**9,171,613**	**8.77%**	9,282,303	8.88%
SVS (Nominees) Limited (POOL)	**6,591,000**	**6.30%**	8,205,000	7.85%
Interactive Investor Services Nominees Limited (SMKTNOMS)	**5,198,003**	**4.97%**	4,864,831	4.65%
HSBC Global Custody Nominees (UK) Limited	**5,155,384**	**4.93%**	5,155,384	4.93%
HSDL Nominees Limited	**4,271,525**	**4.09%**	4,035,228	3.86%
Barclays Direct Investing Nominees Limited	**3,285,219**	**3.14%**	3,743,665	3.58%
Hargreaves Lansdown (Nominees) Limited	**3,159,517**	**3.02%**	2,173,851	2.08%
SVS Securities (Nominees) Limited (ISA)	**3,140,000**	**3.00%**	3,470,000	3.32%
SVS Securities (Nominees) Limited (ONL)	**3,130,919**	**2.99%**	3,645,919	3.49%

FINANCIAL RISK MANAGEMENT

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

GOING CONCERN

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

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Company's securities are traded on the AIM Market of the London Stock Exchange ("AIM"). In line with recent amendments to the AIM Rules for Companies which came into effect from 28 September 2018 the Company has adopted the QCA Corporate Governance Code to ensure compliance with the new AIM rules. Information is available on the company's website and in the Corporate Governance Report from pages 17 to 20.

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 Audit Committee, which has been set up in accordance with Section 167 of the Companies Act 2014, meets at least twice a year and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls. The Audit Committee also keeps under review the scope and results of the audit.

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

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

Directors' Report *(continued)*

for the financial year ended 31 December 2018

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 charitable or political donations 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.

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 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.

SUBSEQUENT EVENTS

As stated in Note 23, there were no material subsequent events.

AUDITORS

The auditors, Deloitte Ireland LLP, 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

Date: 18 June 2019

Corporate Governance Report

for the financial year ended 31 December 2018

The directors of Petrel Resources plc (“Petrel” or the “Company”) recognise the importance of sound corporate governance. As a company whose shares are traded on AIM, the Board has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (“the QCA” Code) for small and mid-sized quoted companies.

In addition, the Company has an established code of conduct for dealings in the shares of the Company by directors.

John Teeling, in his capacity as Chairman, has assumed responsibility for ensuring that the Company has appropriate corporate governance standards in place and that these requirements are communicated and applied.

The Board currently consists of 4 directors: the Chairman; the Managing Director and two Non-Executive Directors. The Company also has a Chief Financial Officer who also acts as the Company Secretary.

The 10 principles set out in the QCA Code are listed below, with an explanation of how Petrel applies each of the principles and the reason for any aspect of non-compliance. Where reference is made to the Annual Report, it is a reference to the latest Annual Report which can be viewed at the following link http://www.petrelresources.com/investors/financial-reports.

1. Establish a strategy and business model which promote long-term value for shareholders
The Company has a clearly defined strategy and business model that has been adopted by the Board.

The Company strategy is the appraisal and exploitation of the assets currently owned. Concurrent with this process, management will continue to use its expertise to acquire additional licence interests for oil and gas exploration to generate long term value for shareholders. The key challenges in executing this are referred to in paragraph 4 below.

2. Seek to understand and meet shareholder needs and expectations
All shareholders are encouraged to attend the Company’s Annual General Meetings where they can meet and directly communicate with the Board. After the close of business at the Annual General Meeting, the Chairman makes an up to date corporate presentation and opens the floor to questions from shareholders.

Shareholders are also welcome to contact the Company via email at info@petrelresources.com with any specific queries.

The Company also provides regulatory, financial and business news updates through the Regulatory News Service (RNS) and various media channels. Shareholders also have access to information through the Company’s website http://www.petrelresources.com/, which is updated on a regular basis and which includes the latest corporate presentation on the Group. Contact details are also provided on the website.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
The Board is committed to having the highest degree possible of Corporate Social Responsibility in how the Company undertakes its activities.

We aim to have an uncompromising stance on health, safety, environment and community relations. The Company policy is that all Company activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount. The Company will ensure an appropriate level of contact and negotiation with all stakeholders including landowners, community groups and regional and national authorities and will seek to obtain feedback from such stakeholders. This is carried out by David Horgan and local management in Ghana and Ireland.

Corporate Governance Report *(continued)*

for the financial year ended 31 December 2018

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Board regularly reviews the risks to which the Company is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible whilst recognising that its business opportunities carry an inherently high level of risk. The principal risks and uncertainties facing the Company at this stage in this development and in the foreseeable future are detailed in on pages 12 and 13 of the Annual Report, together with risk mitigation strategies employed by the Board.

5. Maintain the board as a well-functioning, balanced team led by the chair
The Board's role is to agree the Company's long-term direction and strategy and monitor achievement its business objectives. The Board meets formally at least four times a year for these purposes and holds additional meetings when necessary to transact other business. The Board receives reports for consideration on all significant strategic, operational and financial matters.

The Board is supported by the audit and remuneration and the nomination committees, detailed below.

The Board comprises the Chairman, John Teeling, the Managing Director David Horgan, Arman Kayablian, an independent Non-Executive Director and Riadh Mahmoud Hameed, an independent Non-executive Director appointed on 14 June 2019.

All directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting one-third of the Directors who are subject to retirement by rotation, shall retire from office. They can then offer themselves for re-election.

On appointment, each director receives a letter of appointment from the Company. The Non- Executive Directors will receive a fee for their services as a director which is approved by the Board, being mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. The non-executive Directors are reimbursed for travelling and other incidental expenses incurred on Company business.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
The Board considers the current balance of sector, financial and public market skills and experience which it embodies is appropriate for the size and stage of development of the Company and that the Board has the skills and requisite experience necessary to execute the Company's strategy and discharge its fiduciary duties effectively.

Details of the current Board of Directors' biographies are as follows:

John Teeling, Executive Chairman
John Teeling is executive chairman of Petrel Resources. He has 40 years' resources experience. John Teeling is also involved in a number of other AIM exploration companies. He is a founder of a number of companies in the resource sector including African Diamonds, Pan Andean Resources, Minco, African Gold, Persian Gold and West African Diamonds, all listed on AIM. John Teeling holds degrees in Economics and Business from University College Dublin, an MBA from Wharton and a Doctorate in Business Administration from Harvard. He lectured for 20 years in business and finance at University College Dublin.

David Horgan, Managing Director
David Horgan has over 20 years' experience in oil and gas and resources projects in Latin America, Africa and the Middle East through a number of AIM listed companies including Clontarf Energy, Petrel Resources and Pan Andean Resources. He previously worked at Kenmare where he raised finance, captured the premium graphite worldwide market and evaluated investment opportunities. Prior to that he worked with Boston Consulting Group internationally for seven years. He holds a first class law degree from Cambridge and an MBA with distinction from the Harvard Business School.

Arman Kayablian, Non-executive Director
Arman Kayablian was appointed as a non-executive director of Petrel in August 2013 following Petrel's acquisition of a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V. Mr Kayablian is the COO of Amira Industries N.V. and has more than 10 years' experience in project finance and development operations in the energy, utilities and telecommunications industries. He holds a B.B.A. in International Business from The George Washington University.

Riadh Maymoud Hameed, Non-executive Director
Riadh Mahmoud Hameed was appointed as a non-executive director of Petrel on 14 June 2019. Riadh is a quality control engineer working for an aerospace component company based in the USA. Prior experience has included over a decade of working in the oil and gas sector, to include six years working for Petrel as a co-ordinator for its projects in Iraq.

Corporate Governance Report *(continued)*

for the financial year ended 31 December 2018

Directors and Management
All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed.

The Board as a whole considers the Non-Executive Director to be independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgement.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
Review of the Company's progress against the long term strategy and aims of the business provides a means to measure the effectiveness of the Board. This progress is reviewed in Board meetings held at least four times a year. The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance. The Managing Director performance is reviewed once a year by the rest of the Board and measured against a definitive list of short, medium and long-term strategic targets set by the Board.

8. Promote a corporate culture that is based on ethical values and behaviours
The corporate culture of the Company is promoted throughout its contractors and is underpinned by compliance with local regulations and the implementation and regular review and enforcement of various policies: Health and Safety Policy; Share Dealing Policy; Code of Conduct and Privacy Policy. The Company policy is that all Company activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount. The Company will ensure an appropriate level of contact and negotiation with all stakeholders including strategic partners, landowners, community groups and regional and national authorities.

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company and that this will impact performance. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company and the way that contractors behave. The exploration for and development of oil and gas resources can have significant impact in the areas where the Company and its contractors are active and it is important that the communities in which we operate view Company's activities positively. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this is reflected in all the Company does.

The Company also has an established code for Directors' dealings in securities which is appropriate for a company whose securities are traded on AIM, and is in accordance with Rule 21 of the AIM rules and the Market Abuse Regulation.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
The Board has overall responsibility for all aspects of the business. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making. The Chairman has overall responsibility for corporate governance matters in the Company and chairs the Nomination Committee. The Managing Director has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Company. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Nomination Committee comprises the Chairman, the Managing Director, the Company Secretary and the Non-Executive Director and meets at least once per year to examine Board appointments and to make recommendations to the Board in accordance with best practice and other applicable rules and regulations.

The Audit Committee, which is chaired by Managing Director, David Horgan, and also includes Arman Kayablian meets at least twice a year and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls. The Audit Committee also keeps under review the scope and results of the audit. It also considers the cost-effectiveness, independence and objectivity of the Auditors taking account of any non-audit services provided by them.

The Remuneration Committee is comprised of David Horgan and John Teeling. The Remuneration Committee meets at least once a year to determine the appropriate remuneration for the Company's executive directors, ensuring that this reflects their performance and that of the Company. The Company has a share option scheme for directors.

Corporate Governance Report *(continued)*

for the financial year ended 31 December 2018

The Audit Committee and Remuneration Committee were formed during 2018 but did not hold any meetings during the year. As a result, separate reports for both the Audit and Remuneration Committees have not been included in the annual report. This is a departure from the QCA Code and the board has resolved to hold the required meetings of the Committees during 2019 and will include the relevant reporting within the 2019 annual report.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company.

Investors also have access to current information on the Company though its website http://www.petrelresources.com/ and through David Horgan, Managing Director, who is available to answer investor relations enquiries. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting and any other General Meetings that are held throughout the year.

The Company's financial reports can be found here: http://www.petrelresources.com/investors/financial-reports.

Directors' Responsibility Statement

for the financial year ended 31 December 2018

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

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. Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Petrel Resources Plc

for the financial year ended 31 December 2018

Report on the audit of the financial statements

Opinion on the financial statements of Petrel Resources plc (the 'company')

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 2018 and of the loss of the group and parent company for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance Sheet;
- the consolidated and parent company statement of changes in equity;
- the consolidated and parent company cash flow statement; and
- the related notes 1 to 24, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting frameworks that have been applied in their preparation are the Companies Act 2014, International Financial Reporting Standards (IFRS) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, we draw your attention to:
Note 3 to the group's consolidated financial statements concerning the group's ability to continue as a going concern. As at 31 December 2018, the group incurred a loss for the financial year of €143,301 and had net current liabilities of €245,096 at the balance sheet date.

Cash flow projections prepared by the Directors indicate that the funds available are sufficient to meet the obligations of the group for a period of at least twelve months from the date of approval of the financial statements.

The Directors have prepared the financial statements of the group and company on the basis that the group is a going concern.

In response to this, we:

- obtained an understanding of the group's controls over the development and approval of the projections and assumptions used in the cash flow forecasts to support the going concern assumption and assessed the design and determined the implementation of these controls;
- challenged the key assumptions used in the cash flow forecasts by agreement to expenditure commitments and other supporting documentation;
- performed sensitivity analysis on the cash flow forecasts to assess the amount of headroom;
- tested the clerical accuracy of the cash flow forecast model; and
- assessed the adequacy of the disclosures in the financial statements.

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

for the financial year ended 31 December 2018

As stated in Note 3, these events and conditions, along with the other matters as set forth in Note 3 to the financial statements, indicate the existence of a material uncertainty on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year were: • *Realisation of Assets- group and parent* • *Going concern (see material uncertainty relating to going concern section)* Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was €76,000 for group and €68,000 for the parent company. Both were determined on the basis of carrying value of intangible assets.
Scoping	We identified one significant component, which was the holding company Petrel Resources Plc, and a full audit was carried out on this component.
Significant changes in our approach	No significant change to our audit approach

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty relating to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report.

Realisation of Assets- group and parent	
Key audit matter description	As at 31 December 2018, the carrying value of intangible assets included in the consolidated balance sheet amounted to €2,523,279 (2017: €2,179,283) (parent company €2,512,042 (2017: €2,168,046)). No impairment was recognised during the year. As disclosed in note 12 to the financial statements, the realisation of these assets is dependent on the discovery and the successful development of economic reserves. Refer to the accounting policies included within note 1 to the financial statements and the disclosures included within note 12
How the scope of our audit responded to the key audit matter	We inspected the documentation around the licences, we tested an annual impairment control in place to determine whether it was appropriate to address the risk of impairment in accordance with IFRS 6 and considered and challenged the directors' assessment of indicators of impairment and assumptions made in relation to these exploration and evaluation assets, which could impact the realisation of the remaining intangible assets. We performed a review of the board of directors' minutes of meetings and press releases in relation to the status of the exploration activities and funding strategies, including a review of the budgeted expenditure for the next 12 months. We also considered the adequacy of the disclosures included in the financial statements.

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

for the financial year ended 31 December 2018

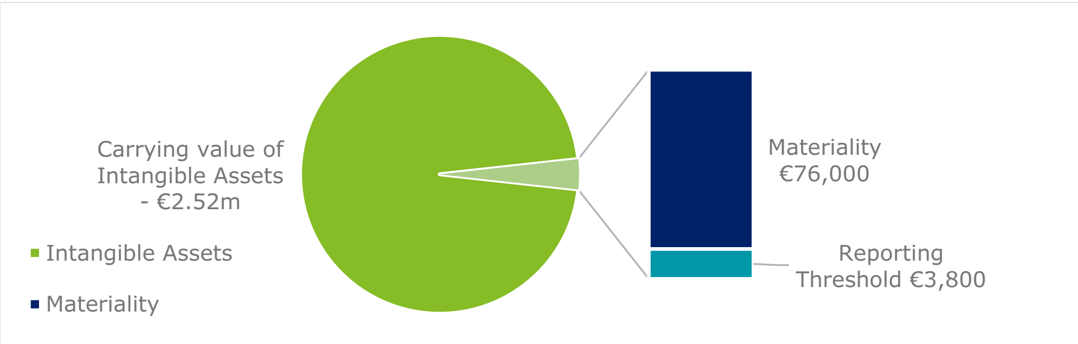
Key observations	An inherent uncertainty exists in relation to the ability of the group to realise the exploration and evaluation assets capitalised as intangible assets. As noted above, the realisation of these assets is dependent on the discovery and the successful development of economic reserves and the ability of the group to raise sufficient finance to develop the projects. The financial statements do not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined. Our opinion is not modified in respect of this matter.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be €76,000 which is approximately 3% of the carrying value of intangible assets. We have considered the carrying value of intangible assets to be the critical component for determining materiality because intangible assets equate to 85% of the group's total assets. We determined materiality for the parent company to be €68,000 which is approximately 90% of the value of group materiality and represents approximately 3% of the carrying value of intangible assets. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the company and the reliability of the control environment.



We agreed with the Board of Directors that we would report to them any audit differences in excess of €3,800, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

In approaching the audit, we considered how the group is organised and managed. We identified one significant component, which was the holding company Petrel Resources Plc, and a full audit was carried out on this component.
Component materiality levels applicable to the component was lower than group materiality. The component was audited as part of the group audit by the group auditors.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Reports and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

for the financial year ended 31 December 2018

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and parent company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group

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

for the financial year ended 31 December 2018

auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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 Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 18 June 2019

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2018

	Notes	2018 €	2017 €
CONTINUING OPERATIONS			
Administrative expenses	4	**(239,042)**	(297,381)
Impairment of investments	11	**-**	(4,094,804)
OPERATING LOSS		**(239,042)**	(4,392,185)
LOSS BEFORE TAXATION	4	**(239,042)**	(4,392,185)
Income tax expense	9	**-**	-
LOSS FOR THE FINANCIAL YEAR: all attributable to equity holders of the parent		**(239,042)**	(4,392,185)
Other comprehensive income		**-**	-
Items that may be reclassified subsequently to profit or loss		**-**	-
Exchange differences		**95,741**	(321,858)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		**(143,301)**	(4,714,043)
Loss per share – basic and diluted	10	**(0.27c)**	(4.40c)

Consolidated Balance Sheet
as at 31 December 2018

	Notes	2018 €	2017 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	**2,523,279**	2,179,283
		2,523,279	2,179,283
CURRENT ASSETS			
Trade and other receivables	14	**58,016**	27,573
Cash and cash equivalents	15	**329,503**	371,380
		387,519	398,953
TOTAL ASSETS		**2,910,798**	2,578,236
CURRENT LIABILITIES			
Trade and other payables	16	**(632,615)**	(584,693)
NET CURRENT LIABILITIES		**(245,096)**	(185,740)
NET ASSETS		**2,278,183**	1,993,543
EQUITY			
Called-up share capital	19	**1,306,966**	1,246,025
Capital conversion reserve fund		**7,694**	7,694
Capital redemption reserve	19	**209,342**	-
Share premium	19	**21,601,057**	21,416,085
Share based payment reserve	20	**26,871**	26,871
Translation reserve		**495,202**	399,461
Retained deficit		**(21,368,949)**	(21,102,593)
TOTAL EQUITY		**2,278,183**	1,993,543

The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2019 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Company Balance Sheet

as at 31 December 2018

	Notes	2018 €	2017 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	**2,512,042**	2,168,046
Investment in subsidiaries	13	**15,019**	15,019
		2,527,061	2,183,065
CURRENT ASSETS			
Trade and other receivables	14	**54,234**	23,791
Cash and cash equivalents	15	**329,503**	371,380
		383,737	395,171
TOTAL ASSETS		**2,910,798**	2,578,236
CURRENT LIABILITIES			
Trade and other payables	16	**(632,615)**	(584,693)
NET CURRENT LIABILITIES		**(248,878)**	(189,522)
NET ASSETS		**2,278,183**	1,993,543
EQUITY			
Called-up share capital	19	**1,306,966**	1,246,025
Capital conversion reserve fund		**7,694**	7,694
Capital redemption reserve	19	**209,342**	-
Share premium	19	**21,601,057**	21,416,085
Share based payment reserve	20	**26,871**	26,871
Translation reserve		**495,202**	399,461
Retained deficit		**(21,368,949)**	(21,102,593
TOTAL EQUITY		**2,278,183**	1,993,543

The loss for the financial year ended 31 December 2018 was €239,042 (2017: €297,381). The financial statements were approved and authorised for issue by the Board of Directors on 18 June 2019 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Consolidated and Company Statements of Changes in Equity

for the financial year ended 31 December 2018

Group and company

	Share Capital €	Share Premium €	Capital Redemption Reserve €	Capital Conversion Reserve Fund €	Share Based Retained Deficit €	Translation Reserve €	Retained Deficit €	Total €
At 1 January 2017	1,246,025	21,416,085	-	7,694	26,871	721,319	(16,710,408)	6,707,586
Total comprehensive income for the financial year	-	-	-	-	-	(321,858)	(4,392,185)	(4,714,043)
At 31 December 2017	1,246,025	21,416,085	-	7,694	26,871	399,461	(21,102,593)	1,993,543
Shares issued	**270,283**	**184,972**	**-**	**-**	**-**	**-**	**-**	**455,255**
Share issue expenses	**-**	**-**	**-**	**-**	**-**	**-**	**(27,314)**	**(27,314)**
Shares cancelled	**(209,342)**	**-**	**209,342**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**-**	**95,741**	**(239,042)**	**(143,301)**
At 31 December 2018	**1,306,966**	**21,601,057**	**209,342**	**7,694**	**26,871**	**495,202**	**(21,368,949)**	**2,278,183**

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 redemption reserve

On 25 July 2018 the shareholders approved the buy back and cancellation of 16,747,368 shares for nominal consideration from Amira Petroleum N.V., Amira International Holdings Limited and their advisors. These shares were immediately cancelled upon their repurchase and the cost of these shares were transferred into the Capital redemption reserve.

Capital conversion reserve fund

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

Share based payment reserve

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

Translation Reserve

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

Retained deficit

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2018

	Notes	2018 €	2017 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		**(239,042)**	(4,392,185)
Write off of financial asset		**-**	4,094,804
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(239,042)**	(297,381
Movements in working capital:			
Increase in trade and other payables		**2,922**	129,799
Increase in trade and other receivables		**(30,443)**	(4,570)
CASH USED IN OPERATIONS		**(266,563)**	(172,152)
NET CASH USED IN OPERATING ACTIVITIES		**(266,563)**	(172,152)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(195,671)**	(259,161)
Funds on disposal of financial assets		**-**	116,319
NET CASH USED IN INVESTING ACTIVITIES		**(195,671)**	(142,842)
FINANCING ACTIVITIES			
Shares issued		**455,255**	-
Share issue expenses		**(27,314)**	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		**427,941**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(34,293)**	(314,994)
Cash and cash equivalents at beginning of financial year		**371,380**	745,195
Effect of exchange rate changes on cash held in foreign currencies		**(7,584)**	(58,821)
Cash and cash equivalents at end of financial year	15	**329,503**	371,380

Company Cash Flow Statement

for the financial year ended 31 December 2018

	Notes	2018 €	2017 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		**(239,042)**	(4,392,185)
Provision against loan Petrel (TCI)		**-**	4,094,804
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(239,042)**	(297,381)
Movements in working capital:			
Increase in trade and other payables		**2,922**	129,799
(Increase)/Decrease in trade and other receivables		**(30,443)**	111,749
CASH USED IN OPERATIONS		**(266,563)**	(55,833)
NET CASH USED IN OPERATING ACTIVITIES		**(266,563)**	(55,833)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(195,671)**	(259,161)
NET CASH USED IN INVESTING ACTIVITIES		**(195,671)**	(259,161)
FINANCING ACTIVITIES			
Shares issued		**455,255**	-
Share issue expenses		**(27,314)**	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		**427,941**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(34,293)**	(314,994)
Cash and cash equivalents at beginning of financial year		**371,380**	745,195
Effect of exchange rate changes on cash held in foreign currencies		**(7,584)**	(58,821)
Cash and cash equivalents at end of financial year	15	**329,503**	371,380

Notes to the Financial Statements
for the financial year ended 31 December 2018

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 basis.

The consolidated financial statements are presented in Euro.

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

The financial statements are prepared in accordance with Companies Act 2014.

The company is a public limited company incorporated and domiciled in Ireland, the number under which it is registered is 92622. The address of its registered office is 162 Clontarf Road, Dublin 3.

(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.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

1. PRINCIPAL ACCOUNTING POLICIES ***(continued)***

Impairment of intangible assets

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

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

(v) Foreign currencies

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

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

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

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

(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.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

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

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.

(viii) Operating loss

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

(ix) Financial instruments

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

Financial Assets

All financial assets are initially recognized at fair value and are subsequently measured at either amortised cost or fair value, depending on the classification of the financial assets. At each balance sheet date gains or losses arising from a change in fair value are recognized in the statement of comprehensive income as other gains and losses.

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Trade payables

Trade payables are classified as financial liabilities, are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(ix) Financial instruments *(continued)*

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

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

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.

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

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

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

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

1. **PRINCIPAL ACCOUNTING POLICIES** ***(continued)***

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

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

2. **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Group did not adopt any new International Financial Reporting Standards (IFRS) or Interpretations in the year that had a material impact on the Group's Financial Statements. The principal accounting policies adopted are set out below.

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments
In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

The Group's accounting policies for financial instruments are disclosed below. IFRS 9 has not resulted in changes in the carrying amounts of the Group's financial instruments due to changes in measurement categories. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be measured at amortised cost. Financial liabilities continue to be classified as amortised cost and measured at amortised cost.

Standards in issue but not yet effective
As at 31 December 2018, the following standards, amendments to the existing standards and a new interpretation, were not endorsed for use in EU and cannot be therefore applied by the entities preparing their financial statements in accordance with IFRS as adopted by EU.

- IFRS 17 Insurance Contracts
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The following standards have been adopted by the EU but are not yet mandatorily effective and have not been early adopted by the company.

- IFRS 16 Leases (1 January 2019)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments

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

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

3. GOING CONCERN

The Group and Company incurred a loss for the financial year of €239,042 (2017: loss of €4,392,185) and had a retained earnings deficit of €21,341,635 (2017 deficit of €21,102,593), at the balance sheet date leading to doubt about the Group and Company's ability to continue as a going concern.

Cashflow projections prepared by the directors indicate that the funds available are sufficient to meet the obligations of the group and company for at least 12 months from the date of approval of the financial statements.

The Group and Company had a cash balance of €329,503 (2017: €371,380) at the balance sheet date. Accordingly the directors are satisfied that it is appropriate to continue to prepare the financial statements of the Group and Company on the going concern basis, as the group has sufficient cash resources that can be used to develop exploration projects along with funding the day to day running of the Group. The financial statements do not include any adjustment to the carrying amount, or classification of assets and liabilities, which would be required if the Group or Company was unable to continue as a going concern.

4. LOSS BEFORE TAXATION

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

	2018	2017
	€	€
Administrative expenses:		
Professional fees	**147,554**	207,128
Staff costs - salaries	**67,477**	67,848
Other administration expenses	**24,011**	22,405
	239,042	297,381

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

Directors and employees' remuneration for the year comprises of:

The average monthly number of employees was:

	2018	2017
	Number	Number
Executive Directors	**3**	3
Their aggregate remuneration comprised:	**€**	€
Wages and salaries	90,000	90,000
Social security costs	**-**	-
Other pension costs	**-**	-
	90,000	90,000

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

5. AUDITORS' REMUNERATION

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

	2018	2017
	€	€
Group		
Audit of Group accounts	**18,000**	18,000
Other assurance services	**1,000**	1,000
Tax advisory services	**1,000**	1,000
Other non-audit services	**-**	-
Total	**20,000**	20,000

	2018	2017
	€	€
Company		
Audit of individual company accounts	**9,500**	9,500
Other assurance services	**9,500**	9,500
Tax advisory services	**1,000**	1,000
Other non-audit services	**-**	-
Total	**20,000**	20,000

6. RELATED PARTY AND OTHER TRANSACTIONS

Group and Company

Directors' remuneration

The remuneration of the directors is as follows:

	2018 Fees – services as directors	**2018 Fees – other services**	**2018 Total**	2017 Fees – services as directors	2017 Fees – other services	2017 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
Arman Kayablian	**-**	**-**	**-**	-	-	-
	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 accrued at financial year end 31 December 2018 was €391,519 (2017: €331,519).

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

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

Directors' remuneration of €30,000 (2017: €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:

	2018 €	2017 €
Short-term employee benefits	**90,000**	90,000

Key management compensation accrued at financial year end 31 December 2018 was €557,019 (2017: €467,019).

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 €	Great Northern Distillery Limited €	Total €
Balance at 1 January 2017	-	-	-	-	-
Office and overhead costs recharged	(15,618)	9,854	(28,729)	-	(34,493)
Repayments	15,618	(9,854)	28,729	-	34,493
Balance at 31 December 2017	-	-	-	-	-
Balance at 1 January 2018	**-**	**-**	**-**	**-**	**-**
Office and overhead costs recharged	**(15,631)**	**9,743**	**(14,928)**	**(8,096)**	**(28,912)**
Exploration and evaluation costs recharged	**-**	**(19,975)**	**-**	**-**	**(19,975)**
Repayments	**15,631**	**10,232**	**14,928**	**8,096**	**48,887**
Balance at 31 December 2018	**-**	**-**	**-**	**-**	**-**

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

7. STAFF NUMBERS

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

	2018 Number	2017 Number
Management and administration	4	4

Staff costs for the above persons were:

	€	€
Wages and salaries	**112,477**	112,848
Social welfare costs	**-**	-
Pension costs	**-**	-
	112,477	112,848

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.

8A. Segment Results

	2018 €	2017 €
Continuing Operations		
Iraq	**-**	(4,094,804)
Africa	**-**	-
Ireland	**-**	-
Total for continuing operations	**-**	(4,094,804)
Unallocated head office	**(239,042)**	(297,381)
	(239,042)	(4,392,185)

There was no revenue earned during the financial year (2017: €Nil).

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

8. SEGMENTAL ANALYSIS *(continued)*

8B. Segment Assets and Liabilities

	Assets		Liabilities	
	2018	2017	**2018**	2017
	€	€	**€**	€
Iraq	**-**	-	**-**	-
Africa	**911,631**	843,987	**-**	-
Ireland	**1,611,648**	1,335,296	**-**	-
Total for continuing operations	**2,523,279**	2,179,283	**-**	-
Unallocated Head Office	**387,519**	398,953	**(584,693)**	(409,894)
	2,910,798	2,578,236	**(584,693)**	(409,894)

Additions to non-current assets (Group and Company)

	2018	2017
	€	€
Iraq	**-**	-
Africa	**27,628**	-
Ireland	**213,043**	304,159
Total for continuing operations	**240,671**	304,159
Unallocated head office	**-**	-
	240,671	304,159

9. INCOME TAX EXPENSE

	2018	2017
	€	€
Factors affecting the tax expense:		
Loss on ordinary activities before tax	**(239,042)**	(4,392,185)
Income tax calculated @ 12.5%	**(29,880)**	(549,023)
Effects of:		
Expenses not allowable	**-**	525,863
Tax losses carried forward	**29,880**	23,160
Income taxed at higher rate	**-**	-
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 €6,040,344 (2017: €5,801,302) which equates to a deferred tax asset of €755,043 (2017: €725,163). No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Losses may be carried forward indefinitely.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

10. LOSS PER SHARE

	2018	2017
	€	€
Loss per share - basic and diluted	**(0.27c)**	(4.40c)

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:

	2018	2017
	€	€
Loss for the financial year attributable to equity holders	**(239,042)**	(4,392,185)

	2018	2017
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**87,733,283**	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

	2018	2017
	€	€
Group		
At the beginning of the financial year	**-**	4,211,123
Disposal	**-**	(116,319)
Impairment	**-**	(4,094,804)
At the end of the financial year	**-**	-

The Company's investment in financial assets, through its wholly owned subsidiary Petrel Resources (TCI) Limited, consisted 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.

The consideration for the acquisition included the issue of 18,947,368 shares in Petrel. The Initial Consideration Shares were agreed to be locked-in until the date of spudding the first conventional oil well in respect of Amira's interest in the Wasit province but that, if the Spudding Date had not occurred by 19 August 2018, Petrel could, amongst other things, elect to re-acquire the Initial Consideration Shares for a nominal amount. As part of the agreement with Amira Petroleum, 2.8 million of the Initial Consideration Shares were, at the direction of Amira Petroleum, issued to its advisers in satisfaction of fees payable by Amira Petroleum and were subject to a lock in agreement as detailed above.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

11. FINANCIAL ASSET *(continued)*

During December 2017, the Directors learnt that 2.2 million of the Adviser Shares had been sold between March and July 2017, notwithstanding the lock-in agreement. The parties reached a settlement and agreed that the vendors of the 2.2 million Adviser Shares make a payment of £100,000 to the Company which has been received pre year end (representing approximately 4.5p per Adviser Share sold).

The Spudding Date did not occur. Accordingly, the directors decided to write off the investment in Amira Hydrocarbons Wasit B.V. and an impairment charge of €4,094,804 was recorded in 2017. No further shares were issued to Amira and the 16,747,368 shares already issued were re-acquired for nominal consideration on 25 July 2018 after shareholder approval and the shares were immediately cancelled.

12. INTANGIBLE ASSETS

Exploration and evaluation assets

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cost:				
Opening balance	**2,179,283**	2,138,159	**2,168,046**	2,126,922
Additions	**240,671**	304,159	**240,671**	304,159
Exchange translation adjustment	**103,325**	(263,035)	**103,325**	(263,035)
Closing balance	**2,523,279**	2,179,283	**2,512,042**	2,168,046

Segmental Analysis

	Group	Group
	2018	2017
	€	€
Ghana	**911,631**	843,988
Ireland	**1,611,648**	1,335,295
	2,523,279	2,179,283

Exploration and evaluation assets at 31 December 2018 represent exploration and related expenditure in respect of projects in Ireland 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.

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

Directors' remuneration of €30,000 (2017: €30,000) and salaries of €15,000 (2017: €15,000) were capitalised as exploration and evaluation expenditure during the financial year.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

13. INVESTMENT IN SUBSIDIARIES

	2018	2017
	€	€
Company		
At beginning of the financial year	**15,019**	15,019
Additions	**-**	-
At end of the financial year	**15,019**	15,019

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 2018:

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 2018	Group 2017	Company 2018	Company 2017
	€	€	€	€
VAT refund due	**31,869**	19,603	**31,869**	19,603
Other receivables	**26,147**	7,971	**22,365**	4,188
	58,016	27,573	**54,234**	23,791

The amount due by group undertakings was written off in December 2017. Further details are outlined in Note 6.

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).

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

15. CASH AND CASH EQUIVALENTS

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Cash and cash equivalents	**329,503**	371,380	**329,503**	371,380

Cash at bank earns interest at floating rates on daily bank rates. The fair value for cash and cash equivalents is €329,503 (2017: €371,380) for Group and €329,503 (2017: €371,380) for Company. The Group and Company only deposits cash surpluses with major banks.

16. TRADE AND OTHER PAYABLES

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Accruals	**575,019**	485,019	**575,019**	485,019
Other payables	**57,596**	99,674	**57,596**	99,674
	632,615	584,693	**632,615**	584,693

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

17. FINANCIAL INSTRUMENTS

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

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

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

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

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

17. FINANCIAL INSTRUMENTS ***(continued)***

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 2018 €	Assets 2017 €	Liabilities 2018 €	Liabilities 2017 €
Sterling	**313,423**	112,573	**2,228**	214
US Dollar	**6,241**	221,788	**50,358**	89,034

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 2018 amounted to €329,503 relating to cash and cash equivalents. The directors believe there is limited exposure to credit risk on the group and company's cash and cash equivalents as they are held with major financial institutions. The credit risk on receivables is significant and their recoverability is dependent on the discovery and successful development of economic reserves by those subsidiary undertakings. Given the nature of the group's business significant amounts are required to be invested in exploration and evaluation activities at various locations. The directors manage this risk by reviewing expenditure plans in relation to projects before any monies are advanced.

Capital Management

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group does not hold any external debt and is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2018.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

19. SHARE CAPITAL

	Group and Company	
	2018	2017
	€	€
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 2017	99,681,992	1,246,025	21,416,085
Issued during the financial year	-	-	-
At 31 December 2017	99,681,992	1,246,025	21,416,085
At 1 January 2018	99,681,992	1,246,025	21,416,085
Issued during the financial year	**21,622,622**	**270,283**	**184,972**
Shares cancelled	**(16,747,368)**	**(209,342)**	**-**
At 31 December 2018	**104,557,246**	**1,306,966**	**21,601,057**

On 25 July 2018 the company received shareholder approval for the following transaction:

(i) the contract between Amira Petroleum N.V., Amira International Holding Limited and the Company for the purchase of 16,147,368 ordinary shares of €0.0125 each in the capital of the Company for nominal consideration; and

(ii) the contract between Hannam & Partners (Advisory) Group Services Ltd and the Company for the purchase of 600,000 ordinary shares of 0.0125 each in the capital of the Company for nominal consideration.

The aggregate 16,747,368 ordinary shares of €0.0125 each were immediately cancelled upon their repurchase by the Company.

The purchase consideration of £20 was funded by the issue of 1,000 Ordinary shares of €0.0125 at 2p per share.

Further details are outlined in note 11.

On 11 October 2018 a total of 21,621,622 shares were placed at a price of 1.85 pence per share. Proceeds were used to provide additional working capital and fund development costs.

Notes to the Financial Statements *(continued)*

for the financial year ended 31 December 2018

20. SHARE BASED PAYMENT

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

Options

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

	Year ended 31/12/2018 Options	**Year ended 31/12/2018 Weighted average exercise price in pence**	Year ended 31/12/2017 Options	Year ended 31/12/2017 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 2018 had a weighted average exercise price of 10.50p, and a weighted average remaining contractual life of 1.97 years.

21. LOSS ATTRIBUTABLE TO PETREL RESOURCES PLC

In accordance with Section 304 of the Companies Act 2014, the company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies. The loss for the financial year in the parent company was €239,042 (2017: €4,392,185).

22. CAPITAL COMMITMENTS

There were no capital commitments 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 (2017: €Nil).

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Petrel Resources plc will be held on 24 July 2019 at the Gresham Hotel, 23 O'Connell Street Upper, North City Dublin, D01 C3W7 at 10.30a.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, 2018.

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

3. To elect Director: Riadh Mahmoud Hameed retires in accordance with Article 101 and seeks election.

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

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

SPECIAL BUSINESS

ORDINARY RESOLUTION

6. That the authorised share capital of the Company be increased from €2,500,000 to €10,000,000 by the creation of 600,000,000 ordinary shares of €0.0125 each in the capital of the Company.

SPECIAL RESOLUTIONS

7. That the Memorandum of Association be amended by the deletion of clause 5 in its entirety and the replacement with the following clause 5:

   "The share capital of the Company is €10,000,000 divided into 800,000,000 Ordinary Shares of €0.0125 each.

8. That the Articles of Association be amended by the deletion of article 3(a) in its entirety and the replacement with the following article 3(a):

   "The share capital of the Company shall be €10,000,000 divided into 800,000,000 Ordinary Shares of €0.0125 each ranking pari passu in all respects"

ORDINARY RESOLUTION

9. 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 2024, 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.

continued on next page

Notice of Annual General Meeting *(continued)*

SPECIAL RESOLUTION

10. Subject to the passing of Resolution 9 above that the Directors be and are hereby empowered pursuant to Section 1022 and Section 1023(3) 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 8 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 2024, 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.

18 June 2019

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), 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82 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.

Petrel Resources PLC
Directors and Other Information

CURRENT DIRECTORS	John Teeling (Chairman) David Horgan (Managing Director) Arman Kayablian (Non-executive Director) Riadh Mahmoud Hameed (appointed 14 June 2019)
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 Ireland LLP 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
SOLICITORS	McEvoy Corporate Law 22 Fitzwilliam Place Dublin 2 Ireland
NOMINATED ADVISOR	Beaumont Cornish Limited 10th Floor 30 Crown Place London, EC2A 4EB United Kingdom
BROKER	Novum Securities Limited 8-10 Grosvenor Gardens London, SW1W 0DH United Kingdom
REGISTRARS	Computershare Investor Services (Ireland) Limited 3100 Lake Drive Citywest Business Campus Dublin 24 D24 AK82
REGISTRATION NUMBER	92622
AUTHORISED CAPITAL	200,000,000 €0.0125 Ordinary Shares
CURRENT ISSUED CAPITAL	104,557,246 Ordinary Shares
MARKET	Alternative Investment Market

PETREL
RESOURCES

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

www.petrelresources.com