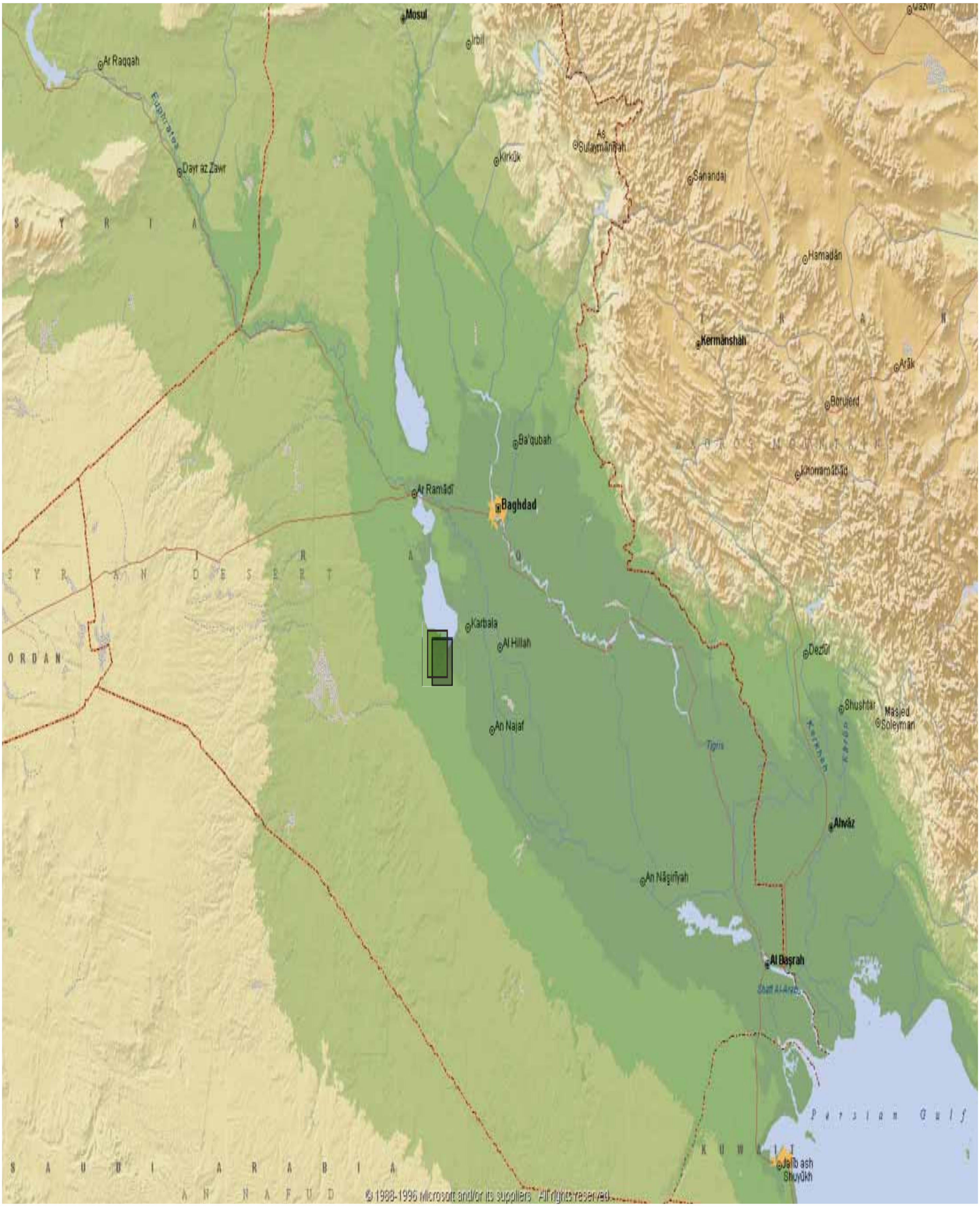
PETREL RESOURCES PLC

Annual Report and Accounts

Year ended 31 December 2019



Cover image: Location of the Merjan Block, located SW of Baghdad and close to the holy city of Karbala.

Petrel Resources Plc
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Chairman's Statement

You don't need to be told how uncertain the world is. Lockdowns, quarantines, blocked exports within EU members, negative oil prices and negative interest rates. The worst recession in 300 years according to some! Higher rates of unemployment than those in the 1930's depression! Paying banks to hold your money on deposit! States borrowing at minimal costs without let or hindrance. Unprecedented does not begin to describe what's going on. Those of us educated in economics and business and who have established and managed enterprises can only plough on in the hope and expectation that the so called "New Normal" will make economic sense.

Yet despite all of the above Petrel Resources is in better shape now than it was a year ago. Certainly the Irish Offshore is now a virtual a no-go area. But our other interests, Iraq and Ghana are better. Before dealing with the projects let me address the position of the new shareholders who bought in during 2019.

In mid-2019 the board of Petrel was approached by a French based group of investors who wished to acquire and grow a listed natural resources vehicle. The group offered skills, contacts and experience in some of the areas where Petrel was active. We did Due Diligence on the principals. Issues that arose were handled. Agreement was reached and, which if fully implemented, would have seen the new group acquire 51% of Petrel for cash at a price of 1p a share, slightly above the market price at the time. Initially 29.9% of the Company was sold and various approvals and authorisations were sought to implement the remainder of the deal. In particular, Irish Takeover Panel, AIM Rules and, finally, Petrel shareholder agreement. After all approvals were obtained the investing group were unable or unwilling to subscribe for the additional shares to bring their holding to 51% of the issued capital. This despite a share price many times above the deal price. Further, shares which were part of the initial purchase, were sold despite a legally binding lock in agreement. Despite the very best efforts of the Petrel directors we failed to discover what was going on and had to resort to a High Court injunction blocking all further sales. We still do not know what really happened and who now owns a large block of Petrel shares. A block of shares remains injuncted and cannot vote. In early 2020 we cancelled the shares due to be issued as part of the deal to move to 51% of the issued capital. All in all, a totally unsatisfactory situation. We continue to liaise with member of the group but to no avail.

Meanwhile the ongoing operations of Petrel had to be managed. Iraq, which has been dormant for some time is once again showing life. Our Iraqi, director, Riadh, is actively promoting our ongoing interest in participating in the development of the many oil opportunities in Iraq. It remains the best place on earth to find and produce oil. The political situation is finally stabilising. We have reconnected with people who assisted us between 1999 – 2010 when we were active in the country. Though only a small company, we have a track record in Iraq, we worked there for more than a decade and have a wealth of data on the oil geology of the country. We are hopeful that we will get an opportunity to play a part in developing the oil industry.

Turning to Ghana, where Petrel holds a 30% stake in a local Ghana company (Clontarf 60%, Abbey Oil and Gas 10%) which has an interest in the Tano 2A oil exploration block in shallow water offshore Ghana. The saga of this interest goes back 12 years and also involves court activity. Agreement was reached with the Ghanaian National Petroleum Company (GNPC) but never ratified by cabinet or parliament. Attempts to void the agreement were stopped by the High Court in Ghana in 2013. Intermittent talks to solve the outstanding issues have continued for the past seven years. There has been a spike in activity in recent times involving high level meetings. This activity is on hold due to the pandemic lockdowns. It is very difficult to remain optimistic year after year but, the block is good. We have spent money on the block and have identified a number of oil plays. We will continue to push our position with the authorities in Ghana.

You are aware that exploration is high risk. Not alone do you have major geological and often technical risks but in many areas there is a political risk. But surely you would think not in Ireland. Yet the Irish offshore oil exploration industry despite spending hundreds of millions on grass root exploration has been stopped in its tracks by political changes and has little or no future. One successful oil discovery offshore Ireland would have made Ireland energy secure and provided revenue to better the community. Look at Norway. Instead, the State has forbidden all future oil exploration while in theory leaving the door open for gas exploration on licences already granted. In reality it is hard to see any more exploration in the Atlantic. Any gas discovery is likely to face years of planning difficulties. The twenty year debacle over the Corrib gas field was very damaging to Ireland's reputation.

Ireland has chosen to rely on imported oil and gas. The gas ultimately comes from Siberia. It has proven impossible to persuade the authorities that this is unsafe. Maybe the recent experience where EU members unilaterally banned the export of medical equipment and supplies to fellow EU members might be a wake-up call. How many realise that the new French connector will supply nuclear generated electricity.

We have a 10% working interest in Frontier Exploration Licence 11/18 in the Irish Atlantic, Woodside is the 90% holder and operator. Woodside has invested heavily in a 3D seismic survey and has identified a number of plays. Adding political uncertainly to the geological risk in the Atlantic suggests that Woodside may be slow to proceed. We have dropped our other Irish oil interests.

Where to Now

The strategy is clear. We focus on Iraq while pushing Ghana with our partners. We continue to engage with the group of investors who bought the block of shares in 2019. We welcome any and all proposals from them. To date none of their proposals come with any title. They were ideas and suggestions but of no substance.

We raised a limited amount of new money, £250,000, in early 2020 to fund an expansion of our Iraqi involvement. This adds to the money invested in new shares by the French group in 2019. So we are well funded for current activities.

John Teeling

John Teeling
Chairman

12 June 2020

Highlights

Petrel's Iraqi business is re-mobilised, as a new government takes office.

Ratification plan agreed-in-principle with Ghanaian authorities.

Petrel proceeds with FEL 11/18, with Woodside as operating partner.

Shareholder base broadened, as share price trades much higher, on heavy trading.

Our main focus in the period under review was on ratifying the signed Petroleum Agreement Ghanaian offshore Tano 2A Block, and re-building our Iraqi team.

Petrel Resources plc continues to progress its interests in Iraq, and Ghana especially, maintaining cordial communications with the relevant authorities in both countries, and continues to operate efficiently on minimal expenditure.

The most interesting plays offshore Ireland are in the as-yet-unexplored deep water Atlantic (as shown by the successful 2015 Bid Round). Several up-to-date 3D seismic campaigns have recently been acquired (since 2013). But drilling these targets requires wholehearted official support given the price volatility and operational challenges. Identified drill targets on Irish acreage are not worth pursuing on a gas-only basis, or against ideological hostility of doctrinaire activists indulged by venal politicians.

Despite a hostile environment towards oil & gas industries, oil & gas demand scaled record highs during 2019 - despite threats of trade wars - until the demand shock of Covid-19 – powered almost exclusively by emerging economies including China and India. Europeans signal virtue but Asians and Africans want scooters, cars, plastics, and cheap reliable energy.

2020 shortages of 'PPE' (Personal Protective Equipment), and now Plexiglass, show society's ongoing dependence on petrochemicals, and their petroleum feedstock. There is no technically and commercially feasible alternative to sterile packaging for medicines, syringes, drips, PPE and Perspex. Oil & gas are consumed in greater quantities and product variety than at any time since the 1850s.

Petrel Resources plc Interests (as of June 2020):

Ireland Atlantic Offshore

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

Ghana

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.

Iraq

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

Prior TCA studies (with Itochu) on the Merjan oil-field.

COVID-19 implications:
The Petrel Resources plc office stayed open and staffed during the COVID-19 emergency.

Scheduled meetings with high level Ghanaian and Iraqi officials, due to be held in Ghana, and the Middle East, between March and June 2020, had to be postponed until international air travel returns to normalcy.

The passage of the Insolvency Bill by the Ghana Parliament should help the possible early recovery of that portion of Tano Basin acreage held, since 2014, by Camac/Erin, which has been discussed during recent visits.

However, it is inappropriate for a foreign company to comment on administrative processes in host countries.

Subject to the appointment of responsible officials by the new Iraqi Government, and the lifting of Covid-19 restrictions, Petrel expects to enter into re-qualification discussions with the appropriate decision-makers at the Ministry of Oil. Discussions may cover Petrel's past studies on the Merjan-Kifl-West Kifl area, and the Mesozoic and Paleozoic potential of the Western Desert.

Accordingly, in May 2020, Petrel raised £250k, less costs, at a price of 3.25p per share from ETX Capital.

Petrel is fortunate to have maintained strong relationships with Ministry of Oil officials, even during the darkest hours of sanctions, invasion, conflict, and Covid-19. Our Iraqi Director, Riadh Mahmoud Hameed, is a son of one of the most successful drillers in history, Mahmoud Ahmed, who in a long drilling career encountered oil & gas in over 1,000 wells. In Iraq, we found the best petroleum geology worldwide. As our group have worked up a variety of plays in 5 Continents over 30 years, we are repeatedly reminded that Iraqi geology, together with its neighbours Saudi Arabia, Kuwait and Iran, is uniquely prospective.

Prevailing circumstances obliged Petrel to temporarily dis-engage from on-the-ground Iraqi operations in 2010. At the time, we saw too many challenges – both governance, political and financial – to justify risking shareholders' funds given the then-limited upside available. Our Iraqi colleagues were always committed, diligent and supportive, but the then political authorities were then insufficiently supportive of small business. That neglect has finally changed following the oil price crash and forced output cuts of 2020.

Recent events have transformed this situation. A three-way rivalry among Saudi Arabia, Russia and American frackers – aggravated by an unprecedented demand hit caused by Covid-19 – crashed the oil price. This cripples high cost operations offshore, and unconventional reservoirs.

In the short-run, Iraq is participating in the May 2020 OPEC+ output cuts, with a promised aggressive 1.07mmbod cut (out of a March 2020 base-line of 4.65mmbod). However, these aggressive cuts are specifically designed, as an emergency response to the sharp demand fall which began in 1st quarter 2020, was at its sharpest in the 2nd quarter, but expected to steadily recover through end 2020. Recent output levels are only about half Iraq's geological long-term oil production potential. It takes at least 2 to 5 years to bring a new discovery on-stream, so new exploration and development are needed now.

As the lowest cost producer, Iraq is now well positioned to exploit this historic opportunity. Petrel has the experience, contacts and board commitment to help drive forward the next phase of Iraqi oil development.

In discussions shortly before the Covid-19 pandemic, the authorities suggested that Petrel initially target "exploration of blocks in the western desert of Iraq, and present past studies done on the Merjan-Kifl-West Kifl discoveries, and Petrel's work on the Mesozoic and Paleozoic plays in the Western Desert". Larger companies have also conducted workshops regarding exploration of Gas Blocks in western desert of Iraq, but locals tell us that some have experienced hostility from local communities since 2014, due to their nationality and hiring of foreign mercenaries. By contrast, where skills are available, Petrel favours local workers and suppliers. Petrel has also invested heavily in training and development of its Iraqi staff and Ministry officials we have partnered with. Despite periodic issues with politicians, Iraqis value longstanding relationships and independence from foreign players. They want partners, not bosses.

Ghana:

We are ready to initiate the Tano 2A work programme, as soon as the signed Petroleum Agreement is ratified, and subject to securing the necessary funding in an environment complicated by the recent oil price fall.

Despite lower oil prices, the carefully calibrated Ghanaian fiscal terms help make the Tano Basin oil play feasible, given the demonstrated source rock and Cretaceous sands which remain an industry favourite. Indeed, the industry contraction may assist Petrel Resources plc focused strategy on the bigger potential stratigraphic traps.

Recent high-level official meetings have been productive. The Company understands that Petrel's new shareholders are interested in the Tano 2A Block, and have accordingly helped the Tano 2A Operating Company (Pan Andean Resources (Ghana) Ltd.) to overcome any financial capacity concerns following a lower oil price and market capitalisation.

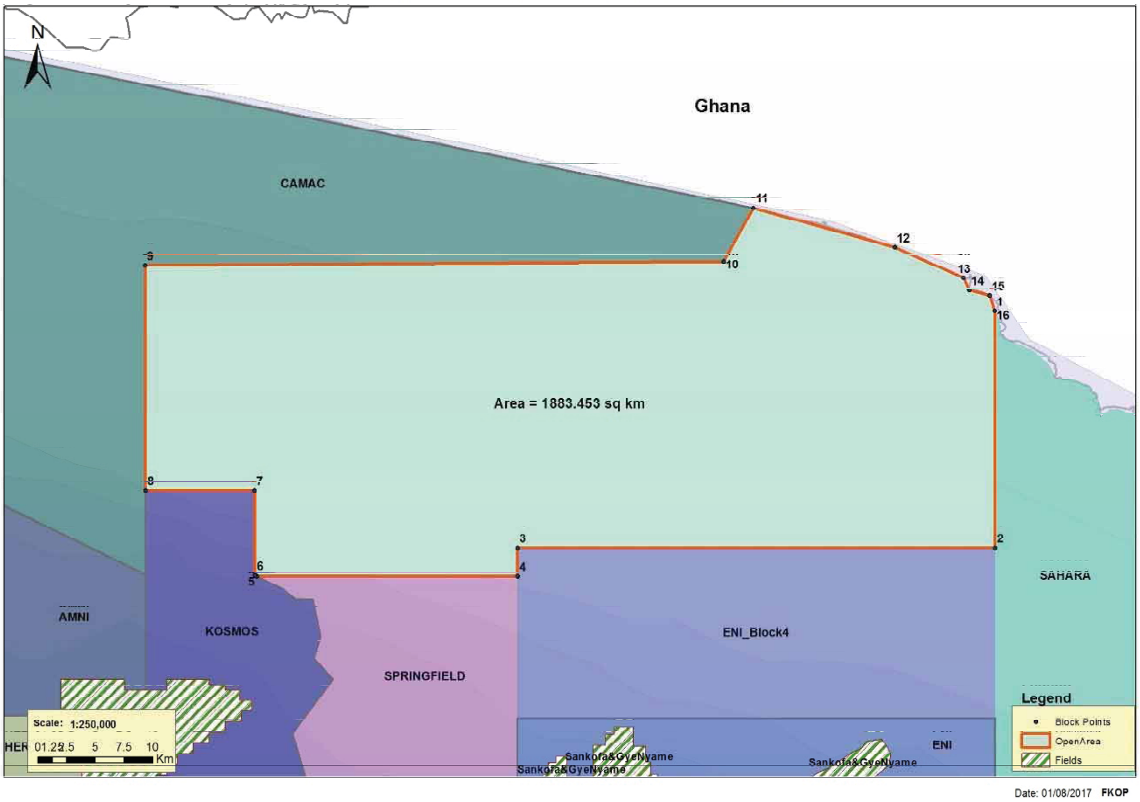
Petrel also notes the passing of insolvency legislation that may assist in the recovery of all of our original Tano 2A coordinates. There now appears to be a legal structure enabling the authorities to recover 529km^2 of the original acreage Tano 2A acreage over which Clontarf signed, with partners, a Petroleum Agreement, and which is now awaiting ratification.

RATIFICATION OF PETROLEUM AGREEMENT FOR TANO 2A BLOCK

During productive discussions in December 2019 on the early resolution of all outstanding issues, the project company Pan Andean Resources (Ghana) Ltd. requested to finalise and implement our negotiated Petroleum Agreement on Tano 2A Block, with adjusted coordinates, in accordance with Section 10(9) of the Petroleum Exploration & Production Act 919, 2016.

It seems that the most practical way forward is to assume the available acreage laid out in the coordinates labelled 'Block 1' in the attached map provided by the Ministry of Energy.

ACTIVITY MAP INDICATING THE OPEN AREA



Proposed replacement Coordinates

Tano 2A Block, Tano Basin, Ghana:

The details are complicated, but the chief roadblock during prior government terms since 2010 was our group's strict corporate governance rules.

Our group (Petrel Resources plc 30%, Clontarf Energy plc 60%, and local partner Abbey Oil & Gas Ltd 10%) negotiated a Memorandum of Understanding with Ghana National Petroleum Corporation (GNPC) in 2008, and signed (subject to ratification) a Petroleum Agreement in 2010.

The original 1,532km^2 in Tano 2A Block included 40% (less prospective onshore – since there are limited sediments from the target Cretaceous age), and 60% shallow offshore. The fillet of this original acreage was excised in 2014 and granted to the then Camac, now Erin Inc., an American-listed company then controlled by Nigerian interests, which is now in Chapter 11 bankruptcy. The Ghanaian authorities are in the process of recovering this acreage, since Erin Inc. is in default – both (a) of its work programme and (b) by ceasing to be solvent – but this has been a slow process, without clear deadlines. In discussions, GNPC and the Ghanaian Ministry of Energy offered to return this acreage to our group once it was again available. We understand that the recently passed bankruptcy legislation may assist.

The fiscal terms agreed were before the before many of the Tano Basin discoveries (other than the original 'Mahogany' – now called 'Jubilee') had become public.

The work programme was aggressive (by the standards of the time), including 2D seismic and a well commitment, but it was not bonded (other than by corporate guarantees).

Part of the Petroleum Agreement is a once-off "technology" grant (of US$0.5mm) and "training" (of US$0.2mm yearly) payments, together with land rentals, and standard fees.

Under the previous administration the authorities raised periodic objections, usually concerning bonding (though this had been agreed to be unnecessary in the signed Petroleum Agreement), and the market capitalisation of our original vehicle (Pan Andean Resources plc). They have encouraged us to admit additional Ghanaian partners – though to date these have proven to be ultimately Nigerian or other companies lacking substance.

We have had some initial farm-down discussions with potential partners, but could not advance these without full ratification of title. About 65% of Ghanaian exploration wells have been successful. Fiscal terms, in spite of upward creep, and lower oil prices, are competitive.

It's desirable to stick as closely as possible to the 2010 terms, since the Ghanaians might otherwise seek to increase tax treatment, or require bonds for the entire work programme – which would increase the carrying cost and hence reduce the attractiveness of the acreage.

Many discoveries since 2008 have made the resource nationalists unrealistic, without educating them about practical need for prompt and correct ratification, permitting, and associated decision-making.

The current status of Tano 2A Petroleum Agreement, in which Petrel Resources plc has a 30% Working Interest, is that it awaits ratification (by passage through Cabinet, and Parliament), after which there are exploration periods of 3 years initial term, + 2 extension periods of a total 3.5 years.

In September 2018 we agreed that we could proceed with that portion of the original acreage that remains available – with the balance to be added when it is relinquished by Erin Energy (now in US Chapter 11), in accordance with law.

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 Energy plc, and 10% local interests) over the original Tano 2A licence block acreage.

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.

Ghanaian Petroleum Background

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 IOC discovery in just the 3rd year of ENI's work programme shows what is possible.

The current NPP Government has been in power since January 2017. We have had cordial and frank discussions leading, Petrel Resources plc & its partners, Clontarf Energy plc & Abbey Oil & Gas Ltd., believe, to a meeting of minds.

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

TECHNICAL WORK TO DATE on Tano 2A Block:

Pan Andean Resources Ltd. purchased reports and seismic data from GNPC for the Tano 2A onshore and shallow offshore area. The 45 reports purchased from GNPC, mostly containing raw geological data, together with the well logs, have been studied and incorporated within a prospect report. The well data have also been integrated into a number of cross sections. New structural models were developed, taking into account the known structural data, together with an analysis of play categories on the licence.

Pan Andean Resources Ltd. prepared digital base maps for the onshore and offshore areas, incorporating seismic lines and wells, and all available topographic data. All the data are held within a multi-level GIS system. In addition, satellite images covering the licence area and surrounding region have been acquired and processed. The images have been interpreted for elements of structural geology and have also been used to geo-rectify the base maps.

Irish Atlantic Porcupine Basin:

Reluctantly, Petrel relinquished its 100% interest in FEL 3/14, and the promising LO 16/24. This despite the multiple targets identified, especially in the Jurassic and Cretaceous Formations. Petrel had initiated a farm-down process, and had received an encouraging technical response from a giant State Natural Resources Company. As part of a major State, the giant company insisted on host country, as well as their shareholding country's support. This was available until the Taoiseach's September 2019 speech to the UN in New York, which received extensive international coverage. Though any change in policy should not in theory impact historic licences, the reality is that regulatory uncertainties have substantially risen. Accordingly, it is difficult to fund from partners or institutions or persuade partners to carry Petrel. There are circa 200 other countries where investors can risk their money. The net effect is a loss to Petrel – despite our cost discipline and reliance on farm-outs. But the Irish taxpayer also loses between 25% and 55% (depending on the licence date and field profitability) of the expected profits, which could have funded necessary housing, schools, and healthcare.

One of the dangers with environmentalist agitation against fossil fuels is that it undermines the need for multiple sources of energy and multiple routes to market, as people seek simplistic or unrealistic solutions.

In April 2020, a leaked assessment by the attorney-general's office revealed Ireland faces European Commission fines because of its lack of energy security and has underplayed the vulnerability of its gas supplies.

Many media commentators are captured by climate alarmists, confusing hydraulic fracturing with gas liquefaction, and power generation with total energy consumption.

Ireland is still 100% oil import dependent and over 50% gas import dependent (thanks to Shell's Corrib gas production – previously it was 95%). By the mid-2030s, without new discoveries, Ireland will again be 100% import dependent.

State policy has worsened Ireland's energy vulnerability:
The only sensible diversification pressure has come from industry and EU Commission:
Brexit has cast doubt over the security of the gas Ireland imports from Britain, which supplies 62 percent of its needs through imports.

The Irish State-backed gas and power companies involved have spent heavily building infrastructure to Britain, and are continuing to spend another circa €700 million on an electrical Interconnector to France. This arrangement will provide *security of infrastructure*, but does it really address *security of energy* supply. The PPE (Personal Protective Equipment) supply difficulties show the limitations of the sanctity of supply contracts in a crisis.

In a leaked report, the Irish Attorney General agreed, saying "that the (Department) DCCAE has not adequately communicated the gas supply risks faced by Ireland".

Ireland needs access to competitive worldwide energy supplies, and should not rely heavily on Britain. Ireland, and all countries, need options, which are less open to political manipulation. This requires multiple energy sources, and multiple routes to market.

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 50% 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.

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.

The Irish Atlantic Porcupine Basin is a frontier province with now some of the most state-of-the-art 3D seismic worldwide (including coverage of our FEL 11/18), but only 33 wells. There is no commercial production, though BP and later Statoil found oil at Connemara. Spanish Point and Burren are also sub-economic condensate/oil discoveries.

The populist political hostility does, as yet, extend to fiscal terms: these are attractive at 25% up to 40% for pre-2015 licences (including our former FEL 3/14 and FEL 4/14), and 29% to 55% for post-2015 licences, (including FEL 11/18).

The directors present their annual report and the audited financial statements for the financial year ended 31 December 2019.

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 €1,959,099 (2018: loss of €239,042). The total exchange difference transferred to reserves is a loss of €119,048 (2018: loss €95,741). The translation reserve comprises foreign exchange movement on translation from US Dollars (functional currency) to Euro (presentation currency).

The Group recorded an impairment charge of €1,613,591 in relation to exploration licences which were relinquished during the year.

The directors do not recommend that a dividend be declared for the financial year ended 31 December 2019 (2018: €Nil) and no interim payments were made during the financial year (2018: €Nil).

During the year, 44,788,913 shares ("tranche 1") were issued to a group of investors referred to as the Tamraz group and which includes Mr Roger Tamraz and Mr Michel Fayad. These shares were subject to a lock in period which prevented the disposal of the shares by the Tamraz group until 12 months after their issue. Subsequent to the share issue it came to the company's attention that 5.25 million of the tranche 1 shares had been sold within the 12 month period. The High Court has granted the company an injunction blocking all trading of the locked in shares pending a full hearing. This injunction remains in place at the date of signing of these financial statements.

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; and
- review of these structures have 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. The Directors have considered the impact of subsequent events and have deemed that Covid-19 is indicative of events that arose after the balance sheet date, and will not have a significant impact on the Group's operations. As a result, no impairment loss has been recognised in the Group's financial statements due to Covid-19
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. The Directors will continue to monitor the impacts of Covid-19 on the Group's ability to raise external finance. A share issue was successfully completed in May 2020 and has been disclosed as a subsequent event in Note 24.
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. The Group are actively aware of the potential impacts that Covid-19 may have on the Groups ability to carry out the exploration activities noted above. To date no issues have come to light, however, the Board will continue to monitor developments.
Title to assets	Title to oil and gas assets in Ghana and Iraq can be complex. The Group is currently awaiting ratification of its licence in Ghana. The Directors monitor any threats to the Group's interest in foreign jurisdictions and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests, where appropriate. The directors maintain close contact with the relevant authorities to progress the ratification of licence agreements.

RISKS AND UNCERTAINTIES (CONTINUED)

Risk	**Nature of risk and mitigation**
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. The Group are actively aware of the potential impacts that Covid-19 may have on the foreign dominated currencies held by the Group. To date no issues have come to light, however, the Board will continue to monitor developments.
Covid-19	General economic uncertainty following the unprecedented spread of Covid-19 across the world represents a risk for the Group. The Directors continue to monitor the situation closely but given the uncertainty surrounding the length of this crisis it is too early to estimate the financial impact on the Group at this time, if any.
Political risk	The Group holds interests 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 of the financial statements.

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

KEY PERFORMANCE INDICATORS

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

KPI	**2019** **€**	2018 €
Exploration and evaluation costs capitalised during the year	**150,870**	240,671
Finance raised in the year on the Alternative Investment Market	**560,000**	457,195

In addition the group reviews ongoing operating costs which relate to the Group's ability to run the corporate function. As detailed in Note 4 of the financial statements, 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 current directors are as noted on the inside back cover.

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

John Teeling
David Horgan
Arman Kayablian (resigned 25 September 2019)
Riadh Mahmoud Hameed (Non-executive Director appointed 12 June 2019)
Michel Fayad (Non-executive Director appointed 25 September 2019)

The current directors are:

John Teeling (Chairman)
David Horgan (Managing Director)
Riadh Mahmoud Hameed (Non-executive Director)
Michel Fayad (Non-executive Director)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

The directors and secretary holding office at 31 December 2019 held the following beneficial interests in the shares of the company:

	31/12/2019 Ordinary Shares of €0.0125 Number	**31/12/2019 Options - Ordinary Shares of €0.0125 Number**	1/1/2019 Ordinary Shares of €0.0125 Number	1/1/2019 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
M. Fayad	**14,934,615**	**-**	-	-

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

SUBSTANTIAL SHAREHOLDINGS

The share register records that, in addition to the directors, the following shareholders held 3% or more of the issued share capital as at 31 December 2019 and 5 June 2020:

	5 June 2020 Number of Ordinary Shares	**%**	31 December 2019 Number of Ordinary Shares	%
Netoil Inc. Ltd	**-**	**-**	64,035,976	30.01%*
Chase Nominees Limited	**32,086,538**	**20.43%**	37,336,538	17.50%
Citibank Nominees (Ireland) DAC	**9,727,940**	**6.19%**	8,950,163	4.19%
Interactive Investor Services Nominees Limited (SMKTNOMS)	**6,177,779**	**3.93%**	8,951,152	4.19%
HSDL NOMINEES LIMITED	**5,880,876**	**3.74%**	4,881,798	2.29%
BNY (OCS) Nominees Limited	**5,061,539**	**3.22%**	-	-
Hargreaves Lansdown (Nominees) Limited	**5,007,859**	**3.19%**	3,644,361	1.71%
JIM Nominees Limited	**4,944,422**	**3.15%**	4,308,678	2.02%

*Information in relation to the Netoil Inc. Ltd share holding is outlined in Note 19 to the financial statements.

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 4 to the financial statements.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

The Company's securities are traded on the Alternative Investment Market of the London Stock Exchange ("AIM"). In line with amendments to the AIM rules for companies which took effect from 28 September 2018 the company has adopted the QCA Corporate Governance Code 2018 published by the Quoted Companies Alliance ("the QCA Code"), to the extent they consider it appropriate having regard to the size and resources of the Company.

Information is available on the company's website and in the Corporate Governance Report from pages 16 to 19.

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 1097 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.

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

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 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.

POST BALANCE SHEET EVENTS

Material post balance sheet events are detailed in Note 24.

AUDITOR

The auditor, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, continues 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

12 June 2020

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/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 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.

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 11 and 12 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, Riadh Mahmoud Hameed, an independent Non-executive Director appointed on 12 June 2019 and Michel Fayad, a Non-executive Director appointed on 25 September 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 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.

Riadh Mahmoud Hameed, Non-executive Director
Riadh Mahmoud Hameed was appointed as a non-executive director of Petrel on 12 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.

Michel Fayad, Non-executive Director
Michel Fayad was appointed as a non-executive director of Petrel on 25 September 2019. Michel Fayad brings a strong "Rolodex", a flow of high potential projects, as well as significant financial, including hydrocarbon, experience in the MENA region particularly. Michel Fayad, aged 36, is currently director of the following companies: Netoil Inc Ltd, Netoil Iraq Inc Ltd, Netoil Ajeel Inc Ltd, Boost Incorporated and Eiffel Firm Sarl.

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 Directors 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 well 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 the 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, Riadh Mahmoud Hameed, 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 Riadh Mahmoud Hameed meets at least twice a year and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls. The Chief Financial Officer and Company Secretary James Finn is invited to attend meetings of the Committee. 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 Auditor 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.

The Company's Audit Committee Report is presented on page 21 and provides further details on the committee's activities during 2019, and while a separate report from the Remuneration Committee was not produced due to the size of the company, the Company intends to review this requirement on an annual basis.

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' Responsibilities Statement

The directors are responsible for preparing the directors' report and the Group and Company financial statements ("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. 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 Group and Company 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 of the Group and Company and profit or loss of the Group 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 Group's website (htpps://petrelresources.com). Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audit Committee Report

Dear Shareholders,

I am pleased to present this report on behalf of the Audit Committee and to report on the progress made by the Committee during the year. During 2019 the Company's internal financial reporting and control systems were both expanded and streamlined in compliance with good corporate governance guidelines outlined in the QCA Corporate Governance Code (2018) and with advice from our Nomad and auditor.

Aims of the Audit Committee
Our purpose is to assist the Board in managing risk, discharging its duties regarding the preparation of financial statements, ensure that a robust framework of accounting policies is in place and enacted and oversee the maintenance of proper internal financial controls.

The Audit Committee, which is chaired by Managing Director, David Horgan, and also includes Riadh Mahmoud Hameed, meets at least twice a year and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls. The Chief Financial Officer and Company Secretary James Finn is invited to attend meetings of the Committee. 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 Auditor taking account of any non-audit services provided by them.

The Audit Committee is committed to:

- Maintaining the integrity of the financial statements of the Company and reviewing any significant reporting matters therein;
- Reviewing the Annual & Interim Report and Accounts and monitoring the accuracy and fairness of the Company's financial statements;
- Ensuring compliance of financial statements with applicable accounting standards and the AIM Rules;
- Reviewing the adequacy and effectiveness of the internal financial control environment and risk management systems; and
- Overseeing the relationship with and the remuneration of the external auditor, reviewing their performance and advising the Board members on their appointment.

The Audit Committee met twice in 2019.

Activities of the Audit Committee during the year
On behalf of the Board, the Audit Committee has closely monitored the maintenance of internal controls and risk management during the year. Key financial risks are reported during each Audit Committee meeting, including developments and progress made towards mitigating these risks.

The Audit committee received and reviewed reports from the Chief Financial Officer, other members of management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The external auditor attended one of the meetings to discuss the planning and conclusions of their work and meet with members of the committee. The committee was able to call for information from management and consult with the external auditor directly as required.

The objectivity and independence of the external auditor was safeguarded by reviewing the auditor's formal declarations and monitoring relationships between key audit staff and the Company.

As noted above, the committee met twice during the year, to review the 2018 annual accounts and the interim accounts to 30 June 2019 and audit planning for the year ended 31 December 2019. Members of the committee reviewed with the independent auditor its judgements as to the acceptability of the Company's accounting principles.

Since the year end, the committee has met further with the auditor to consider the 2019 financial statements. In particular, the committee discussed the significant audit risks and the audit report. In addition, the committee monitors the auditor firm's independence from Company management and the Company.

David Horgan
Chairman Audit Committee
12 June 2020

Independent auditor's report to the members of Petrel Resources plc

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 2019 and of the loss of the group 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 3.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Realisation of Assets- group and parent* 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 €29,500 for group and €28,000 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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

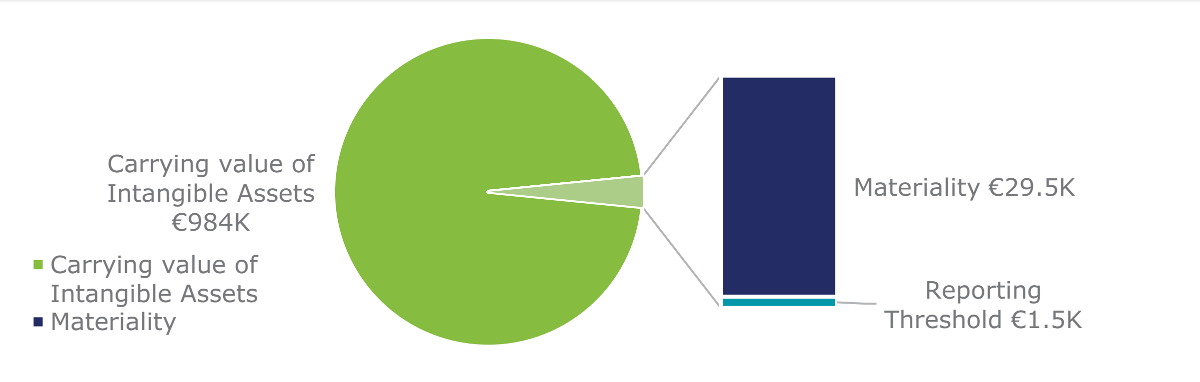
Realisation of Assets- group and parent	
Key audit matter description	As at 31 December 2019, the carrying value of intangible assets included in the consolidated balance sheet amounted to €983,969 (2018: €2,523,279) (parent company €972,732 (2018: €2,512,042)). During the year the directors recognised an impairment charge of €1,613,591. As disclosed in notes 12 and 13 to the financial statements, the realisation of these assets is dependent on the discovery and the successful development of economic reserves which is subject to a number of uncertainities including the group and parent company's ability to raise funding to develop the intangible assets. Refer to the accounting policies included within note 3 to the financial statements and the disclosures included within note 12
How the scope of our audit responded to the key audit matter	We evaluated the design and determined the implementation of relevant key controls. We considered and challenged the directors' assessment of indicators of impairment in relation to exploration and evaluation assets. We reviewed the licences held by the group. 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 group's budgeted expenditure for the next 12 months. We also considered the adequacy of the disclosures included in the financial statements.
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 €29,500 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 70% of the group's total assets. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of mistatetements, complexity of the company, reliabity of control environment.



We agreed with the Board of Directors that we would report to them any audit differences in excess of €1,475, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee 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.

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 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

15 June 2020

Petrel Resources Plc
Consolidated Statement Of Comprehensive Income
For The Financial Year Ended 31 December 2019

	Notes	**2019 €**	2018 €
Administrative expenses	5	**(345,508)**	(239,042)
Impairment of deferred development costs	12	**(1,613,591)**	-
OPERATING LOSS		**(1,959,099)**	(239,042)
LOSS BEFORE TAXATION	5	**(1,959,099)**	(239,042)
Income tax expense	10	**-**	-
LOSS FOR THE FINANCIAL YEAR: all attributable to equity holders of the parent		**(1,959,099)**	(239,042)
Other comprehensive income		**-**	-
Items that are or may be reclassified subsequently to profit or loss		**-**	-
Exchange differences		**(119,048)**	95,741
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		**(2,078,147)**	(143,301)
Loss per share – basic and diluted	11	**(1.50c)**	(0.27c)

Petrel Resources Plc
Consolidated Balance Sheet
As At 31 December 2019

	Notes	2019 €	2018 €
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	**983,969**	2,523,279
		983,969	2,523,279
Current Assets			
Trade and other receivables	14	**38,036**	58,016
Cash and cash equivalents	15	**367,777**	329,503
		405,813	387,519
Current Liabilities			
Trade and other payables	16	**(629,885)**	(632,615)
Net Current Liabilities		**(224,072)**	(245,096)
NET ASSETS		**759,897**	2,278,183
Equity			
Called-up share capital	19	**1,866,827**	1,306,966
Capital conversion reserve fund		**7,694**	7,694
Capital redemption reserve		**209,342**	209,342
Share premium	19	**21,601,057**	21,601,057
Share based payment reserve	20	**26,871**	26,871
Translation reserve		**376,154**	495,202
Retained deficit		**(23,328,048)**	(21,368,949)
TOTAL EQUITY		**759,897**	2,278,183

The financial statements were approved and authorised for issue by the Board of Directors on 12 June 2020 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Petrel Resources Plc
Company Balance Sheet
As At 31 December 2019

	Notes	**2019**	2018
		€	€
NON-CURRENT ASSETS			
Intangible assets	12	**972,732**	2,512,042
Investment in subsidiaries	13	**15,019**	15,019
		987,751	2,527,061
Current Assets			
Trade and other receivables	14	**34,254**	54,234
Cash and cash equivalents	15	**367,777**	329,503
		402,031	383,737
Current Liabilities			
Trade and other payables	16	**(629,885)**	(632,615)
Net Current Liabilities		**(220,290)**	(248,878)
NET ASSETS		**759,897**	2,278,183
Equity			
Called-up share capital	19	**1,866,827**	1,306,966
Capital conversion reserve fund		**7,694**	7,694
Capital redemption reserve		**209,342**	209,342
Share premium	19	**21,601,057**	21,601,057
Share based payment reserve	20	**26,871**	26,871
Translation reserve		**376,154**	495,202
Retained deficit		**(23,328,048)**	(21,368,949)
TOTAL EQUITY		**759,897**	2,278,183

The loss for the financial year ended 31 December 2019 was €1,959,099 (2018: €239,042). The financial statements were approved and authorised for issue by the Board of Directors on 12 June 2020 and signed on its behalf by:

John Teeling
Director

David Horgan
Director

Petrel Resources Plc
Consolidated And Company Statements Of Changes In Equity
For The Financial Year Ended 31 December 2019

Group and Company

	Share Capital €	Share Premium €	Capital Redemption Reserve fund €	Capital Conversion Reserve fund €	Share Based Payment Reserve €	Translation Reserve €	Retained Deficit €	Total €
At 1 January 2018	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
Shares issued	**1,360,311**	**-**	**-**	**-**	**-**	**-**	**-**	**1,360,311**
Cancellation of shares subsequent to year end*	**(800,450)**	**-**	**-**	**-**	**-**	**-**	**-**	**(800,450)**
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**-**	**(119,048)**	**(1,959,099)**	**(2,078,147)**
At 31 December 2019	**1,866,827**	**21,601,057**	**209,342**	**7,694**	**26,871**	**376,154**	**(23,328,048)**	**759,897**

*For further information, refer to Note 19 in the financial statements.

Share premium

Share premium reserve comprises of a premium arising on the issue of shares. Share issue expenses are expensed through the statement of comprehensive income when incurred.

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 arises on the grant of share options under the share option plan.

Translation Reserve

The translation reserve arises from the translation of foreign operations.

Retained deficit

Retained deficit comprises of losses incurred in the current and prior years.

Petrel Resources Plc
Consolidated Cash Flow Statement
For The Financial Year Ended 31 December 2019

	Notes	2019 €	2018 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		**(1,959,099)**	(239,042)
Impairment charge		**1,613,591**	-
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(345,508)**	(239,042)
Movements in working capital:			
(Decrease)/Increase in trade and other payables		**(47,730)**	2,922
Decrease/(Increase) in trade and other receivables		**19,980**	(30,443)
CASH USED IN OPERATIONS		**(373,258)**	(266,563)
NET CASH USED IN OPERATING ACTIVITIES		**(373,258)**	(266,563)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(150,870)**	(195,671)
NET CASH USED IN INVESTING ACTIVITIES		**(150,870)**	(195,671)
FINANCING ACTIVITIES			
Shares issued		**559,861**	455,255
Share issue expenses		**-**	(27,314)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**559,861**	427,941
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**35,733**	(34,293)
Cash and cash equivalents at beginning of financial year		**329,503**	371,380
Effect of exchange rate changes on cash held in foreign currencies		**2,541**	(7,584)
Cash and cash equivalents at end of financial year	15	**367,777**	329,503

Petrel Resources Plc
Company Cash Flow Statement
For The Financial Year Ended 31 December 2019

	Notes	2019 €	2018 €
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the financial year		**(1,959,099)**	(239,042)
Impairment charge		**1,613,591**	-
OPERATING CASHFLOW BEFORE MOVEMENTS IN WORKING CAPITAL		**(345,508)**	(239,042)
Movements in working capital:			
(Decrease)/Increase in trade and other payables		**(47,730)**	2,922
Decrease/(Increase) in trade and other receivables		**19,980**	(30,443)
CASH USED IN OPERATIONS		**(373,258)**	(266,563)
NET CASH USED IN OPERATING ACTIVITIES		**(373,258)**	(266,563)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets		**(150,870)**	(195,671)
NET CASH USED IN INVESTING ACTIVITIES		**(150,870)**	(195,671)
FINANCING ACTIVITIES			
Shares issued		**559,861**	455,255
Share issue expenses		**-**	(27,314)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**559,861**	427,941
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**35,733**	(34,293)
Cash and cash equivalents at beginning of financial year		**329,503**	371,380
Effect of exchange rate changes on cash held in foreign currencies		**2,541**	(7,584)
Cash and cash equivalents at end of financial year	15	**367,777**	329,503

1. GENERAL INFORMATION

Petrel Resources plc (the Company) is a public company limited by shares incorporated and registered in Ireland. 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.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out on page 10.

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations adopted by the European Union that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 16 Leases

Standards in issue but not yet effective:

As at 31 December 2019, the following standards and amendments to the existing standards 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 IFRS 3 Business Combinations
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

The following standards, amendments to the existing standards and new interpretations, have been adopted by the EU but are not yet mandatorily effective and have not been early adopted by the company.

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019)
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)
- Amendments to IFRS 16 (Covid-19-Related Rent Concessions)

The Directors are currently assessing the impact in relation to the adoption of these standards, amendments to the existing standards and a new 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 financial year of initial application.

3. 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Statement of compliance

The Group financial statements of Petrel Resources plc and all its subsidiaries (the “Group”) have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

The Company financial statements of Petrel Resources plc have been prepared in accordance with IFRS as applied in accordance with the Companies Act 2014.

(ii) Basis of consolidation

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

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

(iii) Investment in subsidiaries

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

(iv) Intangible assets

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

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

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

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

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

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(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
VAT and prepayments 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, VAT and prepayments are classified as loans and receivables which are measured at amortised cost, using the effective interest method.

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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

Exploration and evaluation

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

Costs which can be demonstrated as project related are included within exploration and evaluation assets. Exploration and evaluation assets relate to exploration and related expenditure in Ireland 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; and
- Geological and development risks.

The recoverability of exploration and evaluation assets is dependent on the discovery and successful development of economic reserves which is subject to a number of uncertainties 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.

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.

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.

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 recoverability of the asset, which is dependent upon the discovery and successful development of economic reserves, ability to be awarded exploration licences and the ability to raise sufficient finance, to develop the Group's projects. If the directors determine that an intangible asset is impaired, an allowance is recognised in the statement of comprehensive income. Further information concerning the impairment of Intangible Assets is outlined in Note 12.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Share-based payments
The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Group is the Black-Scholes valuation model.

4. GOING CONCERN

The Group and Company incurred a loss for the financial year of €1,959,099 (2018: loss of €239,042) and had a retained earnings deficit of €23,328,048 (2018 deficit of €21,368,949), at the balance sheet date leading to doubt about the Group and Company's ability to continue as a going concern.

The Group and Company had a cash balance of €367,777 (2018: €329,503) at the balance sheet date. The Group has an operating partner in their Irish licence and all exploration costs are shared between the Group and their partner. The directors have prepared cashflow projections for a period of at least twelve months from the date of approval of these financial statements. The cashflow projections include any anticipated impacts of the Covid-19 pandemic on the Group and Company. As the Group and the Company are not revenue or cash generating they rely on raising capital from the public market. The Group completed capital raisings during the year and post year end and the cash flow projections prepared by the Group and Company indicate that the funds available are sufficient to meet the obligations of the Group and Company for a period of at least twelve months from the date of approval of these financial statements.

Accordingly the directors are satisfied that it is appropriate to continue to prepare the financial statements of the Group and Company on the going concern basis, as the Group and Company have sufficient cash resources that can be used to develop exploration projects along with funding the day to day running of the Group and Company. 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.

5. LOSS BEFORE TAXATION

	2019	2018
	€	€
The loss before taxation is stated after charging the following items:		
Administrative expenses:		
Professional fees	**218,356**	147,554
Staff costs – Directors and Secretary	**45,000**	45,000
Other administration expenses	**82,152**	46,488
	345,508	239,042

Details of auditor's and directors' remuneration are set out in Notes 6 and 7 respectively.

Directors' and Company Secretary's remuneration for the year comprises of:

	2019	2018
Their aggregate remuneration comprised:	**€**	€
Wages and salaries	**90,000**	90,000
Social security costs	**-**	-
Other pension costs	**-**	-
	90,000	90,000

Directors' and Company Secretary's remuneration of €45,000 (2018: €45,000) was capitalised as exploration and evaluation expenditure as set out in Note 12.

6. AUDITORS' REMUNERATION

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

	2019	2018
	€	€
Group		
Audit of Group accounts	**9,975**	9,500
Other assurance services	**9,975**	9,500
Tax advisory services	**5,250**	1,000
Total	**25,200**	20,000

	2019	2018
	€	€
Company		
Audit of individual company accounts	**9,975**	9,500
Other assurance services	**9,975**	9,500
Tax advisory services	**5,250**	1,000
Other non-audit services	**-**	-
Total	**25,200**	20,000

7. RELATED PARTY AND OTHER TRANSACTIONS

Group and Company

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

	2019 Fees – services as directors €	**2019 Fees – other services €**	**2019 Total €**	2018 Fees – services as directors €	2018 Fees – other services €	2018 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
Riadh Mahoud Hameed	**-**	**-**	**-**	-	-	-
Michel Fayad	**-**	**-**	**-**	-	-	-
	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 2019 was €412,460 (2018: €391,519).

Directors' remuneration of €30,000 (2018: €30,000) was capitalised as exploration and evaluation expenditure as set out in Note 12.

7. RELATED PARTY AND OTHER TRANSACTIONS (continued)

Key management compensation

Key management personnel are 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:

	2019	2018
	€	€
Short-term employee benefits	**90,000**	90,000

Key management compensation accrued at financial year end 31 December 2019 was €587,531 (2018: €557,019).

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**	**Arkle Resources plc**	**Great Northern Distillery Limited plc**	**Total**
	€	**€**	**€**	**€**	**€**
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	-	-	-	-	-
Balance at 1 January 2019					
Office and overhead costs recharged	(12,904)	9,813	(9,800)	(10,800)	(23,691)
Repayments	12,904	(9,813)	9,800	10,800	23,691
Balance at 31 December 2019	-	-	-	-	-

8. STAFF NUMBERS

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

	2019 Number	2018 Number
Management and administration	**5**	4

	2019	2018
Staff costs for the above persons were:	**€**	€
Wages and salaries	**90,000**	90,000
Social welfare costs	**-**	-
Pension costs	**-**	-
	90,000	90,000

9. SEGMENTAL ANALYSIS

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.

	2019 €	2018 €
9A. Segment Results		
Continuing Operations		
Africa	**-**	-
Ireland	**(1,613,591)**	-
Total for continuing operations	**(1,613,591)**	-
Unallocated head office	**(345,508)**	(239,042)
	(1,959,099)	(239,042)

There was no revenue earned during the financial year (2018: €Nil).

9B. Segment Assets and Liabilities

	Assets		**Liabilities**	
	2019 €	2018 €	**2019 €**	2018 €
Ghana	**930,564**	911,631	**-**	-
Ireland	**53,405**	1,611,648	**(6,597)**	(43,898)
Total for continuing operations	**983,969**	2,523,279	**(6,597)**	(43,898)
Unallocated head office	**405,813**	387,519	**(623,288)**	(588,717)
	1,389,782	2,910,798	**(629,885)**	(632,615)

9. SEGMENTAL ANALYSIS (continued)

9C. Additions to non-current assets (Group and Company)

	2019 €	2018 €
Ghana	-	27,628
Ireland	195,870	213,043
Total for continuing operations	195,870	240,671
Unallocated head office	-	-
	195,870	240,671

10. INCOME TAX EXPENSE

	2019 €	2018 €
Factors affecting the tax expense:		
Loss on ordinary activities before tax	(1,959,099)	(239,042)
Income tax calculated @ 12.5%	(244,887)	(29,880)
Effects of:		
Expenses not allowable	-	-
Tax losses carried forward	244,887	29,880
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 €7,999,443 (2018: €6,040,344) which equates to a deferred tax asset of €999,930 (2018: €755,043). No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Losses may be carried forward indefinitely.

11. LOSS PER SHARE

	2019 €	2018 €
Loss per share - basic and diluted	(1.50c)	(0.27c)

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:

	2019 €	2018 €
Loss for the financial year attributable to equity holders	(1,959,099)	(239,042)

11. LOSS PER SHARE (continued)

	2019 Number	2018 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**130,647,568**	87,733,283

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

12. INTANGIBLE ASSETS

	Group		Company	
	2019 €	2018 €	**2019 €**	2018 €
Exploration and evaluation assets:				
Cost:				
Opening balance	**2,523,279**	2,179,283	**2,512,042**	2,168,046
Additions	**195,870**	240,671	**195,870**	240,671
Exchange translation adjustment	**(121,589)**	103,325	**(121,589)**	103,325
Impairment	**(1,613,591)**	-	**(1,613,591)**	-
Closing balance	**983,969**	2,523,279	**972,732**	2,512,042

Segmental Analysis	**Group 2019 €**	Group 2018 €
Ghana	**930,564**	911,631
Ireland	**53,405**	1,611,648
	983,969	2,523,279

Exploration and evaluation assets relate to expenditure incurred in exploration in Ireland and Ghana. The directors are aware that by its nature there is an inherent uncertainty in Exploration and evaluation assets and therefore inherent uncertainty in relation to the carrying value of capitalized exploration and evaluation assets.

Due to legislative uncertainty since 2017, exacerbated by the Taoiseach's public statements in September 2019 against the issue of new Atlantic oil exploration licences, Petrel has discontinued farm-out discussions with a gas super-major. Also, the board reluctantly dropped our 100% owned and operated Frontier Exploration Licence (FEL) 3/14, despite multiple identified targets. Similarly, the board decided not to apply to convert our prospective Licensing Option (LO) 16/24 into a Frontier Exploration Licence. Accordingly, the directors have impaired in full all expenditure relating to the above mentioned licences, resulting in an impairment charge of €1,613,591 in the current year.

Petrel continues as a 10% working interest partner with Woodside in Frontier Exploration Licence (FEL) 11/18, in the Irish Atlantic's Porcupine Basin.

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 3 (xi).

Directors' remuneration of €30,000 (2018: €30,000) and salaries of €15,000 (2018: €15,000) were capitalised as exploration and evaluation expenditure during the financial year.

13. INVESTMENT IN SUBSIDIARIES

	2019	2018
	€	€
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 uncertainties and potential risks, set out in Note 3 (xi).

The Group consisted of the parent company and the following wholly owned subsidiaries as at 31 December 2019:

Name	Nature of Business	Registered Office	Total allotted Capital	% Ownership
Petrel Industries Limited	Dormant	162 Clontarf Road, Dublin 3, Ireland	12 Ordinary shares of €1.269738 each	100%
Petrel Resources of the Middle East Offshore S.A.L.	Dormant	Damascus Street, Beirut, Lebanon	2,000 Ordinary shares of USD10 each	100%
Petrel Resources (TCI) Limited	Holding	Duke Street, Grand Turk, Turks & Caicos Island	5,000 Ordinary shares of US$1 each	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 2019	Group 2018	Company 2019	Company 2018
	€	€	€	€
VAT refund due	**19,523**	31,869	**19,523**	31,869
Prepayments	**18,513**	26,147	**14,731**	22,365
	38,036	58,016	**34,254**	54,234

The carrying value of VAT and prepayments approximates to their fair value.

15. CASH AND CASH EQUIVALENTS

	Group 2019	Group 2018	Company 2019	Company 2018
	€	€	€	€
Cash and cash equivalents	**367,777**	329,503	**367,777**	329,503

The fair value for cash and cash equivalents is €367,777 (2018: €329,503) for Group and €367,777 (2018: €329,503) for Company.

16. TRADE AND OTHER PAYABLES

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Accruals	**607,531**	575,019	**607,531**	575,019
Other payables	**22,354**	57,596	**22,354**	57,596
	629,885	632,615	**629,885**	632,615

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 accruals and other payables approximates to their fair value.

17. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise of cash and cash equivalent balances.

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

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

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

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

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

GROUP AND COMPANY	Assets 2019 €	Assets 2018 €	Liabilities 2019 €	Liabilities 2018 €
Sterling	**7,682**	313,423	**2,364**	2,228
US Dollar	**480**	6,241	**-**	50,358

18. FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash balances. 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.

18. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk profile of financial assets and financial liabilities (continued)
The Group has no outstanding bank borrowings at the year end. New projects and acquisitions are financed by a combination of existing cash surpluses and through funds raised from equity share issues. The Group may use project finance in the future to finance exploration and development costs on existing licences.

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
In the normal course of business, the Group enters into transactions denominated in foreign currencies (Sterling and Euro). As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates; however it does review its currency exposures on an ad hoc basis.

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

Group and Company	Assets		Liabilities	
	2019	2018	**2019**	2018
	€	€	**€**	€
Euro	**359,615**	9,840	**-**	-
Pound	**7,682**	313,422	**-**	-

Credit risk
The maximum credit exposure of the group and company at 31 December 2019 amounted to €367,777 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 who have a credit rating of Baa2. The Group manages its credit risk in cash and cash equivalents by holding surplus funds in high credit worthy financial institutions and maintains minimum balances with financial institutions in remote locations. 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 and budgets in relation to projects before any monies are advanced to subsidiary undertakings in respect of those projects. This review ensures that any expenditure is value- enhancing and as a result the recovery of amounts receivable is subject to successful discovery and development of economic reserves.

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 2018 and 31 December 2019.

19. SHARE CAPITAL

	Group and Company	
	2019	2018
	€	€
Authorised:		
800,000,000 (2018: 200,000,000) ordinary shares of €0.0125	**10,000,000**	**2,500,000**

19. SHARE CAPITAL (continued)

Allotted, called-up and fully paid:

	Number	Share Capital €	Share Premium €
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
At 1 January 2019	104,557,246	1,306,966	21,601,057
Issued during the financial year	108,824,889	1,360,311	-
Called-up at 31 December 2019	**213,382,135**	**2,667,277**	**-**
Cancellation of shares subsequent to year end*	(64,035,976)	(800,450)	-
Fully paid at 31 December 2019	**149,346,159**	**1,866,827**	**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 1000 Ordinary shares of €0.0125 at 2p per share.

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.

On 30 July 2019 a total of 44,788,913 shares (“tranche 1 shares”) were placed at a price of 1.25 cents per share. Proceeds were used to provide additional working capital and fund development costs.

*On 21 November 2019 the company held an Extraordinary General Meeting and received shareholder approval for the following transaction:

> “64,035,976 Ordinary Shares of 1.25 cent each were to be issued to the Tamraz group at the placing price of 1.25 cent each.”

These shares (known as the “tranche 2 shares”) were issued and allotted to the Tamraz group on 21 November. The share certificates were retained by the Company until payment was received from the Tamraz group.

It became known to Petrel that prior to 31 December 2019 the Tamraz group had offered the tranche 1 shares in Petrel as collateral to lenders. This was in breach of lock in terms which were attached to those shares. In addition during December part of the tranche 1 shares were transferred to a third party, further breaching the terms of the lock in agreement in relation to those shares.

The Tamraz group also failed to pay proceeds due in relation to the tranche 2 shares within the timeline required by Petrel. As a result of these factors the tranche 2 shares were considered forfeited and were cancelled by the Group subsequent to year end.

19. SHARE CAPITAL (continued)

Although the shares were not legally cancelled until after year end, they are considered to be forfeited as of year-end given the circumstances noted above and in particular, the fact that Tamraz were considered to be in default of funding arrangements and lock in terms.

Had these circumstances been known to the Group on 21 November 2019 the shares would not have been allotted or issued. The Group did not suffer any economic loss due to the transaction as they were able to cancel the tranche 2 shares. As a result the shares are considered to be economically forfeited at year end and have been deducted from share capital on the balance sheet.

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 valuation 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 31/12/2019 Options	**Year ended 31/12/2019 Weighted average exercise price in pence**	Year ended 31/12/2018 Options	Year ended 31/12/2018 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 2019 had a weighted average exercise price of 10.50p, and a weighted average remaining contractual life of 0.97 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 €1,959,099 (2018: €239,042).

22. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

23. CONTINGENT LIABILITIES

There are no contingent liabilities (2018: €Nil).

24. POST BALANCE SHEET EVENTS

On 8 January 2020 the company informed shareholders that the payment for the second tranche (tranche 2) of 64,035,976 shares to the Tamraz group, expected by 6th January 2020, had not yet been received. The shares were issued, but not yet delivered in the form of share certificates to the intended shareholders. These certificates were retained by Petrel Resources plc until payment was received.

It became known to Petrel that prior to 31 December 2019 the Tamraz group had offered the tranche 1 shares in Petrel as collateral to lenders. This was in breach of lock in terms which were attached to those shares. In addition during December part of the tranche 1 shares were transferred to a third party, further breaching the terms of the lock in agreement in relation to those shares.

The Tamraz group also failed to pay proceeds due in relation to the tranche 2 shares within the timeline required by Petrel. As a result of these factors the tranche 2 shares were considered forfeited and were cancelled by the Group subsequent to year end.

Although the shares were not legally cancelled until after year end, they are considered to be forfeited as of year-end given the circumstances noted above and in particular, the fact that Tamraz were considered to be in default of funding arrangements and lock in terms.

Had these circumstances been known to the Group on 21 November 2019 the shares would not have been allotted or issued. The Group did not suffer any economic loss due to the transaction as they were able to cancel the tranche 2 shares. As a result the shares are considered to be economically forfeited at year end and have been deducted from share capital on the balance sheet.

Separately, the directors believe from their analysis of the Register that circa 5.25 million tranche 1 shares may have been sold during January 2020 in a possible breach of a lock-in entered into by the Tamraz group over their existing holdings of shares previously subscribed as a condition of the second tranche.

On 17 January 2020 the company made a successful ex parte application to the High Court in Dublin for an interim injunction. This prevents the named parties (being Roger Tamraz, Michel Fayad, Said Mehraik and Chase Nominees) from disposing or otherwise dealing with shares in breach of the share lock-in.

On 24 January 2020 the company made a successful application to the High Court in Dublin for a broader interlocutory injunction. This injunction now blocks all trading in the locked-in-shares pending a full hearing and/or a full resolution to the satisfaction of the board. Neither Chase Nominees (which were represented), nor Michel Fayad, and Said Mehraik (who both attended court) contested the application. This injunction remains in place as of the date of signing of these financial statements.

On 26 May 2020 the Company raised £250,000 via the issue of 7,692,308 new ordinary shares at a placing price of 3.25p.

In the period since 31 December 2019, the emergence and spread of Covid-19 has not had a significant impact on the Group's operations. Although some high level discussions originally scheduled to take place in March in Ghana in relation to the Group's projects were postponed due to the Covid-19 pandemic, they are expected to be rescheduled over the coming months. The Group continues to progress its interests in Ghana and Ireland and do not believe that its prospects will be negatively impacted by Covid-19.

Statement accompanying Notice of Annual General Meeting

To holders of ordinary shares of €0.0125 each in the Company

Dear Shareholder,

This letter accompanies the Notice of the Annual General Meeting of the Company (the "AGM") to be held on 24th July 2020 at the Hotel Riu Plaza The Gresham, 23 O'Connell Street Upper, North City Dublin, D01 C3W7 at 10.30 a.m.

We are closely monitoring the Coronavirus (COVID-19) situation. The Board takes its responsibility to safeguard the health of its shareholders, stakeholders and employees very seriously and so the following measures will be put in place for the AGM in response to the COVID-19 pandemic.

The holding of the AGM will be kept under review in line with current Covid-19 guidelines. However, it will be attended only by the minimum number of Directors of the Company permissible and other officers and professional advisers will not be in attendance, unless required for the AGM.

In order to reduce the risk of infection, the meeting will end immediately following the formal business of the AGM and there will be no refreshments.

Shareholders are actively encouraged to consider whether their attendance at the AGM is necessary given the current guidelines. In order to safeguard the well-being of our shareholders and employees, we are encouraging shareholders to appoint the Chairman as their proxy (either electronically or by post) with their voting instructions rather than attend the AGM in person.

If you have questions which you would like to discuss in advance of the AGM, please contact the Board by emailing info@petrelresources.com or send them in writing with your Form of Proxy to the Registrar, by no later than four days in advance of the AGM and a member of the Board will respond to you in writing as soon as possible.

Shareholders still wishing to attend the meeting in person should not do so if they or someone living in the same household feels unwell or has been in contact with anyone who has the virus or who feels unwell. The Board will put in place security arrangements and to gain entrance to the meeting, shareholders will be required to sign a certificate to confirm that this is the case.

These requirements and confirmations are subject to change to reflect the latest Covid-19 guidelines at the time of the AGM. The Company will continue to monitor the impact of COVID-19. Any relevant updates regarding the AGM will be available on the Company's website.

By order of the Board

James Finn
Secretary

12 June 2020

Petrel Resources Plc
Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Petrel Resources plc will be held on 24th July 2020 at the Hotel Riu Plaza The Gresham, 23 O'Connell Street Upper, North City Dublin, D01 C3W7 at 10.30 a.m. for the following purposes:

Ordinary Business

1. To receive and consider the Director's Report, Audited Accounts and Auditor's Report for the year ended 31 December 2019.

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

3. To elect Director: Michel Fayad 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.

By order of the Board:

James Finn
Secretary

12 June 2020

Registered Office: 162 Clontarf Road, Dublin 3.

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) Riadh Mahmoud Hameed (appointed 14 June 2019) Michel Fayad (appointed 25 September 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 BROKER & ADVISOR	Beaumont Cornish Limited 10th Floor 30 Crown Place London, EC2A 4EB United Kingdom
JOINT 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 Ireland
REGISTRATION NUMBER	92622
AUTHORISED CAPITAL	800,000,000 €0.0125 Ordinary Shares
CURRENT ISSUED CAPITAL	157,038,467 Ordinary Shares
MARKET	Alternative Investment Market

Corporate Office:
162 Clontarf Road, Dublin 3, Ireland.
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Company Registration Number: 92622

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