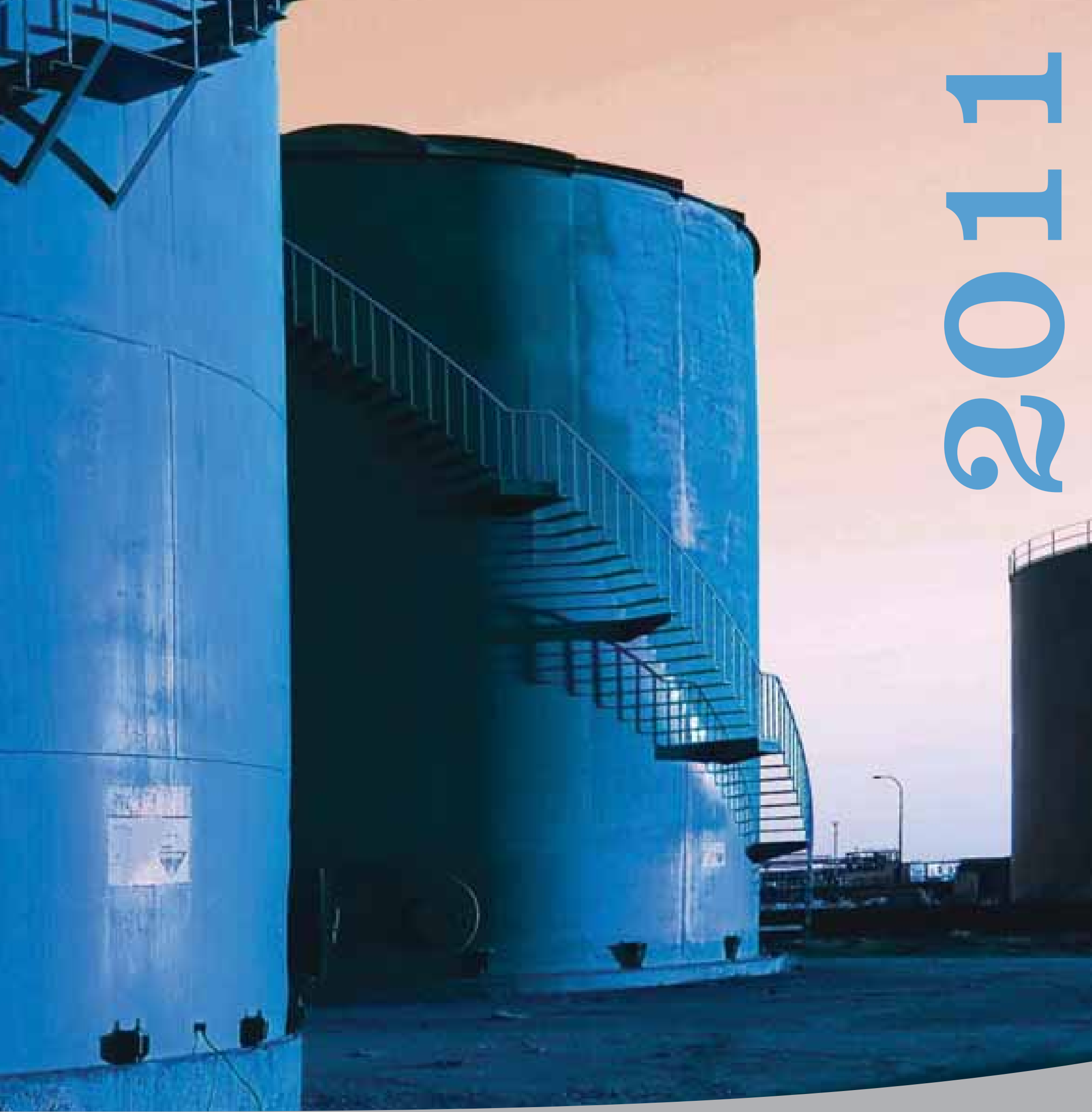


2011

Petrel Resources PLC

Interim Report 2011

Registration number: 92622

Petrel Resources plc

Interim Statement for the period ended 30 June 2011

In a period of unprecedented uncertainty it is pleasant to be able to report that Petrel holds cash balances of almost $6 million and has no liabilities. This money came from payments for our original 50% stake in the Subba and Luhais EPC contract in Iraq. We continue to hold a 10% profit interest in the project but in the light of inflation in Iraq and design changes, there is unlikely to be a significant payoff. Petrel obtained final sign off on our involvement in May 2011. The new 100% operator, Makman, expects to complete the work shortly.

The other good news is that our Ghanaian licence application, where we hold a 30% interest, is making progress through the regulatory process in Accra. To remind you, in 2010, our group Ghanaian vehicle (owned 30% by Petrel, 60% by Clontarf Energy and 10% by Ghanaian interests) signed an agreement with the Ghanaian National Petroleum Company (GNPC) to explore Tano 2A, a 1,532 km2 onshore/offshore block close to the Kosmos/Tullow Jubilee block. The agreement, as with all such projects in Ghana, was subject to Cabinet and Parliamentary approvals. I am hopeful that this process is nearing finality. While awaiting acceptance we have not been idle. The Tano Cretaceous model is now well established. We target the same source rock and reservoir in our work. We have acquired and processed all of the available data capable of being reworked. We have identified a number of areas of interest which will be followed up. Petrel staff are playing a full part in operations. While the delay is frustrating to all, the rapid development of Ghana as an oil province in the past two years and the current high oil price make the concession more attractive now than when we signed.

Ratification of the Tano 2A concession by the Ghanaian parliament will trigger immediate and extensive activity. Technical and financial advisors are advising us on how best to progress an ambitious three year exploration programme. There is a high level of initial interest from potential partners. Rapidly evolving technology, attractive fiscal terms and international oil prices that seem stuck at high levels make Ghana a compelling story at a time when many other high-potential areas remain closed to investment due to poor economic terms or political uncertainty.

After 14 years in Iraq it continues to frustrate. The economy remains fragile, as does the security situation. There is still no hydrocarbon law. As such, our legal position is in limbo on the 10,000 sq km area of ground in the Western Desert formerly known as Block 6. We will protect our interest in this block. The terms on offer in the recent 4th licencing round were very tough. Indeed in numerous instances we remain nonplussed as to how the super-majors will ever make money. We struggled to explain the financial logic behind bidding for low returns in projects which involved geological, as well as operational and political risks. Required economic rates of return have risen with the enhanced uncertainty of recent years. Politicians do not always understand that risk and reward are correlated, but the financial markets do.

Nevertheless, because of our operating experience and long-standing commitment to Iraq, we prepared detailed comprehensive proposals for the 4th Licencing Round. We had high expectations of making the approved list but it did not happen. We are taking a fresh look at our approach in Iraq. This may lead to a change in strategy. Iraq still offers the best hydrocarbon potential worldwide but it does not make sense to work for inadequate returns.

Outside of Iraq and Ghana we see a flow of hydrocarbon proposals. As an established AIM company with cash and a wide base of shareholders we attract attention and interest but to date, with one exception, we have not seen anything which we deem to be superior to investing in Ghana and continuing to pursue an oil project in Iraq.

The one exception involves a return to our Irish roots. Petrel was, in 1982, a partner in offshore Irish exploration. It was unsuccessful at that time. Thirty years on, new technology and models, together with high oil prices have led to renewed interest. Petrel has bid on three separate packages in the prospective Porcupine area in the current Irish offshore Atlantic Margin bid round. We expect a decision from the authorities during the 4th quarter of 2011. We are quietly confident.

The potential in Ghana, the renewed prospects offshore Ireland and our ongoing interest in being part of Iraqi oil development provide a platform for developing Petrel.

John J Teeling

John Teeling
Chairman

27th September 2011

Financial Information (unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Six Months Ended 30 June 11 unaudited €'000	30 June 10 unaudited €'000	Year Ended 31 Dec 10 audited €'000
CONTINUING OPERATIONS			
Administrative expenses	(206)	(216)	(463)
(Loss)/Profit on foreign exchange	(358)	44	(387)
OPERATING LOSS	(564)	(172)	(850)
Investment revenue	6	1	14
LOSS BEFORE TAXATION	(558)	(171)	(836)
Income tax expense	-	-	-
LOSS FOR THE PERIOD	(558)	(171)	(836)
Exchange difference on translation of foreign operations	(162)	286	128
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(720)	115	(708)
LOSS PER SHARE - basic and diluted	(.73c)	(.22c)	(1.09c)

CONDENSED CONSOLIDATED BALANCE SHEET	30 June 11 unaudited €'000	30 June 10 unaudited €'000	31 Dec 10 audited €'000
ASSETS:			
NON-CURRENT ASSETS			
Intangible assets	2,284	1,992	2,149
CURRENT ASSETS			
Trade and other receivables	70	4,168	2,139
Cash and cash equivalents	4,079	2,280	2,749
	4,149	6,448	4,888
TOTAL ASSETS	6,433	8,440	7,037
CURRENT LIABILITIES			
Trade and other payables	(201)	(665)	(85)
	(201)	(665)	(85)
NET CURRENT ASSETS	3,948	5,783	4,803
NET ASSETS	6,232	7,775	6,952
EQUITY			
Share capital	958	958	958
Share premium	17,784	17,784	17,784
Reserves	(12,510)	(10,967)	(11,790)
TOTAL EQUITY	6,232	7,775	6,952

Financial Information (unaudited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital €'000	Share Premium €'000	Capital Conversion Reserves €'000	Share based Payment Reserves €'000	Retained Losses €'000	Total Equity €'000
As at 1 January 2010	958	17,784	8	206	(11,296)	7,660
Total comprehensive income	-	-	-	-	115	115
As at 30 June 2010	958	17,784	8	206	(11,181)	7,775
Total comprehensive loss	-	-	-	-	(823)	(823)
As at 31 December 2010	958	17,784	8	206	(12,004)	6,952
Total comprehensive loss	-	-	-	-	(720)	(720)
As at 30 June 2011	958	17,784	8	206	(12,724)	6,232

CONDENSED CONSOLIDATED CASH FLOW	**Six Months Ended 30 June 11 unaudited €'000**	**Six Months Ended 30 June 10 unaudited €'000**	**Year Ended 31 Dec 10 audited €'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	(558)	(171)	(836)
Investment revenue recognised in loss	(6)	(1)	(14)
Exchange movements	201	(44)	8
	(363)	(216)	(842)
Movements in Working Capital	2,185	1,478	3,039
CASH USED IN OPERATIONS	1,822	1,262	2,197
Investment revenue	6	1	14
NET CASH USED IN OPERATING ACTIVITIES	1,828	1,263	2,211
INVESTING ACTIVITIES			
Payments for intangible assets	(297)	(62)	(377)
NET CASH USED IN INVESTING ACTIVITIES	(297)	(62)	(377)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,531	1,201	1,834
Cash and cash equivalents at beginning of the period	2,749	923	923
Effect of exchange rate changes on cash held	(201)	156	(8)
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	4,079	2,280	2,749

Financial Information (unaudited)

1. **Information**
The financial information for the six months ended 30 June 2011 and the comparative amounts for the six months ended 30 June 2010 are unaudited. The financial information above does not constitute full statutory accounts within the meaning of section 148 of the Companies Act 1963.

The Interim Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the Group 2010 Annual Report, which is available at www.petrelresources.com.

The interim financial statements have not been audited or reviewed by the auditors of the Group pursuant to the Auditing Practices board guidance on Review of Interim Financial Information.

2. **No dividend is proposed in respect of the period.**

3. **Loss per share**

	30 June 11	30 June 10	31 Dec 10
	€	€	€
Loss per share – Basic and Diluted	(0.73c)	(0.22c)	(1.09c)

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

Loss for the year attributable to equity holders of the Parent	(558,225)	(170,750)	(836,052)
Weighted average number of ordinary shares for the purpose of basic earnings per share	76,664,624	76,664,624	76,664,624

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

4. **Intangible Assets**

	30 June 11	30 June 10	31 Dec 10
Exploration and evaluation assets:	**€'000**	**€'000**	**€'000**
Opening balance	2,149	1,644	1,644
Additions	297	62	377
Exchange translation adjustment	(162)	286	128
Closing balance	2,284	1,992	2,149

Exploration and evaluation assets at 30 June 2011 represent exploration and related expenditure in respect of projects in Iraq, Africa and Ireland. The directors are aware that by its nature there is an inherent uncertainty in relation to the recoverability of amounts capitalised on the exploration projects. In addition, the current economic and political situation in Iraq is uncertain.

The group's activities are subject to a number of significant potential risks including:

- Foreign exchange risks;
- Uncertainties over development and operational costs;
- Political and legal risks, including arrangements for licenses, profit sharing and taxation;
- Foreign investment risks including increases in taxes, royalties and renegotiation of contracts;
- Liquidity risks;
- Operations and environmental risks.

The realisation of these intangible assets is dependent on the successful development of economic reserves, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the balance sheet would be written off to the statement of comprehensive income.

Regional Analysis – Group	**Iraq €000**	**Africa €000**	**Ireland €000**	**Total €000**
At 1 January 2010	1,644	-	-	1,644
Additions	62	-	-	62
Exchange translation adjustment	286	-	-	286
Balance at 30 June 2010	1,992	-	-	1,992
Additions	66	249	-	315
Exchange translation adjustment	(158)	-	-	(158)
Balance at 31 December 2010	1,900	249	-	2,149
Additions	96	81	120	297
Exchange translation adjustment	(143)	(19)	-	(162)
Balance at 30 June 2011	1,853	311	120	2,284

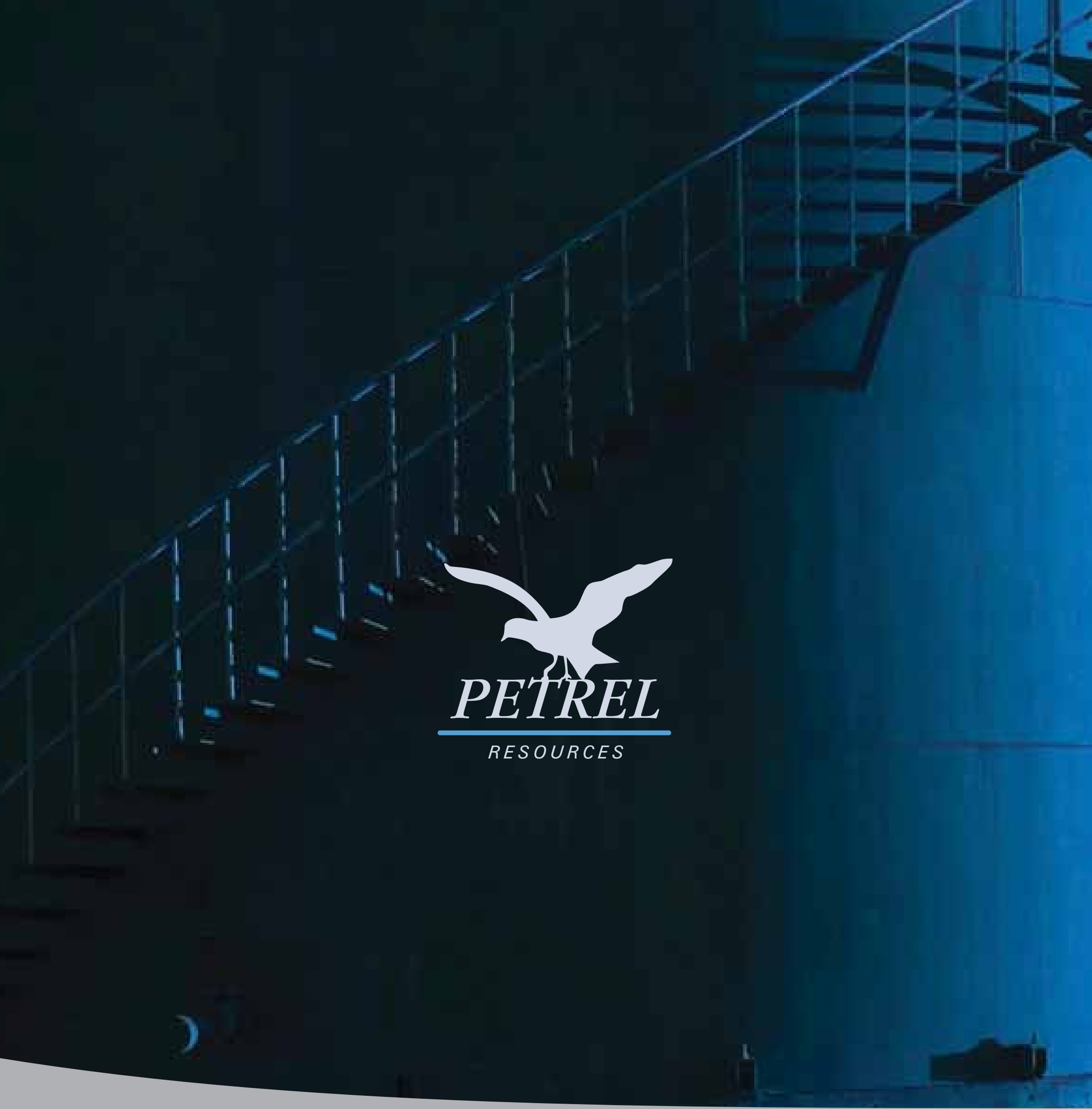
5. **TRADE AND OTHER RECEIVABLES**

	30 June 11 €000	**30 June 10 €000**	**31 Dec 10 €000**
Debtor Makman	-	4,074	1,871
Other debtors	70	94	268
	70	4,168	2,139

In respect to the amounts due from Makman a total of $4.5 million had been received in 2010 and, the final payment of $2.5 million was received on 3 May 2011.

6. The Interim Report for the six months to 30 June 2011 was approved by the Directors on 26 September 2011.

7. Copies of the interim report will be sent to shareholders and will be available for inspection at the Companies Registered Office at 162 Clontarf Road, Dublin 3, Ireland. The Interim Report will also shortly be available for viewing at Petrel Resources plc's website at www.petrelresources.com



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