PETREL

Resources Plc

Interim Report 2015

Petrel Resources plc (“Petrel” or the “Company”)

Interim Statement for the period ended 30 June 2015

In a world where listed junior oil companies have seen their share prices hammered Petrel is stable with cash and ongoing activities. In two current projects, Offshore Ireland and in Iraq we are fully carried by our partners so there is negligible cost to Petrel. In our Ghanaian venture we await the outcome of a licence application so costs are low. We have submitted a strong application for licences in the recent Irish Offshore licencing round and are hopeful of success. On current plans we are funded through 2017.

Offshore Ireland

Offshore Ireland is our main focus of activity. We have a joint venture with Woodside Energy of Australia who farmed into our two offshore Irish blocks, Frontier Exploration Licences 3/14 and 4/14 in the Porcupine Basin, covering 1,050 sq km with plays in about 600-800 m of water. Petrel holds a 15% interest and is substantially carried by Woodside through the initial exploration programmes. Significant work has been done and Woodside is ready to undertake a 3D seismic acquisition programme which will better identify and outline potential hydrocarbon bearing structures. The programme is expected to be undertaken in 2016. The targets are large.

As announced, Petrel has, in recent days, applied for 3 packages of acreage in the Irish Atlantic Margin Licensing Round which closed in mid-September 2015. Our experienced geological team used our own data bank plus currently available data to identify priority areas. We anticipate early discussions with the authorities on our proposals and are confident that our record to date, both in developing new plays and attracting world-class partners, will strengthen our applications. We are hopeful of an award.

Ghana

In Ghana we hold a 30% interest in Pan Andean Resources Limited (Clontarf 60%, local interest 10%). The current position is that the Ghanaian National Petroleum Commission are actively considering the current re-application by Pan Andean Resources Limited over circa 1,500 sq km plus of the shallow-to-medium depth part of the prospective Tano Basin. A year ago we withdrew a court case to force the Ghanaian authorities to process our 2010 application. There was a dispute over part of what we believed to be our acreage. In discussions with the Ghanaian authorities, we eventually agreed new co-ordinates and a speedy ratification process. Little has happened so far. We threatened to recommence court proceedings. Once more a compromise was agreed under which the local company, Pan Andean, agreed, without prejudice, to re-submit a fresh proposal over acreage defined by the revised coordinates. This has been done and that re-application is now being considered. We were reluctant to re-apply as it might weaken our strong legal position. We took advice and lodged a new application. We are told that this is under active consideration.

Iraq

Our third theatre of activities is Iraq, where we have had a presence for 18 years. The original Petrel interest was in Block 6 in the Western Desert between Baghdad and the Jordanian border. That is, and is likely to remain, a no-go area.

Two years ago we established a close relationship with a well-connected Iraqi family by acquiring a 20 per cent interest in Amira Hydrocarbons Wasit. Amira has a joint venture with a Canadian company, Oryx Petroleum, in the Wasit province. We bought, for cash and shares, an effective 5% free carry through exploration on any Oryx activities in Wasit. The acquisition refocused our efforts on one of the world's premier hydrocarbon basins and provides our shareholders with greater exposure to the world class hydrocarbon potential in Iraq. The Wasit Governorate is a Shia controlled province between Baghdad and the Iranian border, and is relatively stable. Like most of Iraq, it is very prospective for oil yet only lightly explored. Our belief was, and is, that a federal system would evolve in Iraq. This belief was based on events in Kurdistan. Should this happen, governors can sanction exploration in their own provinces. To date this has not happened. The shares in Petrel, given to Amira, will be extinguished if exploration does not happen by 2018. Nothing is happening at present. Petrel incurs no costs.

Future

The immediate future for Petrel is tied to Offshore Ireland. Our current partner is likely to be active in the Atlantic over the next two years. We are hopeful of obtaining additional acreage in the recent Irish Atlantic licensing round.

There will be developments in Ghana in the coming months but, based on experience, it is very difficult to predict.

Overriding all of the above is the price of oil. Should it stay weak or even fall further then exploration will fade away, only to return stronger when prices rise. Petrel has the resources to operate through this cycle.

John J Teeling

John Teeling
Chairman

25th September 2015

Financial Information (unaudited)

	Six Months Ended		Year Ended
	30 June 15 unaudited €'000	30 June 14 unaudited €'000	31 Dec 14 audited €'000
<u>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</u>			
CONTINUING OPERATIONS			
Administrative expenses	(148)	(229)	(431)
Impairment of evaluation and exploration assets	-	-	(2,529)
OPERATING LOSS	(148)	(229)	(2,960)
Investment revenue	1	1	1
LOSS BEFORE TAXATION	(147)	(228)	(2,959)
Income tax expense	-	-	-
LOSS FOR THE PERIOD	(147)	(228)	(2,959)
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences	237	40	501
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD	90	(188)	(2,458)
LOSS PER SHARE - basic and diluted	(0.15c)	(0.23c)	(2.97c)

<u>CONDENSED CONSOLIDATED BALANCE SHEET</u>	30 June 15 unaudited €'000	30 June 14 unaudited €'000	31 Dec 14 audited €'000
ASSETS:			
NON-CURRENT ASSETS			
Financial assets	4,211	4,211	4,211
Intangible assets	1,767	3,546	1,539
	5,978	7,757	5,750
CURRENT ASSETS			
Trade and other receivables	46	13	45
Cash and cash equivalents	1,166	1,671	1,331
	1,212	1,684	1,376
TOTAL ASSETS	7,190	9,441	7,126
CURRENT LIABILITIES			
Trade and other payables	(281)	(352)	(307)
	(281)	(352)	(307)
NET CURRENT ASSETS	931	1,332	1,069
NET ASSETS	6,909	9,089	6,819
EQUITY			
Share capital	1,246	1,246	1,246
Share premium	21,416	21,416	21,416
Reserves	(15,753)	(13,573)	(15,843)
TOTAL EQUITY	6,909	9,089	6,819

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	Translation Reserves €'000	Retained Losses €'000	Total Equity €'000
As at 1 January 2014	1,246	21,416	8	26	(152)	(13,267)	9,277
Total comprehensive loss	-	-	-	-	40	(228)	(188)
As at 30 June 2014	1,246	21,416	8	26	(112)	(13,495)	9,089
Total comprehensive loss	-	-	-	-	461	(2,731)	(2,270)
As at 31 December 2014	1,246	21,416	8	26	349	(16,226)	6,819
Total comprehensive loss	-	-	-	-	237	(147)	90
As at 30 June 2015	1,246	21,416	8	26	586	(16,373)	6,909

CONDENSED CONSOLIDATED CASH FLOW	**Six Months Ended**		**Year Ended**
	30 June 15 unaudited €'000	**30 June 14 unaudited €'000**	**31 Dec 14 audited €'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	(147)	(228)	(2,959)
Impairment charge	-	-	2,529
Investment revenue recognised in loss	(1)	(1)	(1)
	(148)	(229)	(431)
Movements in Working Capital	(49)	(38)	(227)
CASH USED IN OPERATIONS	(197)	(267)	(658)
Investment revenue	1	1	1
NET CASH USED IN OPERATING ACTIVITIES	(196)	(266)	(657)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets	(74)	(447)	(575)
Receipts for exploration and evaluation assets	-	945	945
NET CASH GENERATED/(USED) IN INVESTING ACTIVITIES	(74)	498	370
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(270)	232	(287)
Cash and cash equivalents at beginning of the period	1,331	1,425	1,425
Effect of exchange rate changes on cash held	105	14	193
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	1,166	1,671	1,331

Financial Information (unaudited)

1. **Information**
The financial information for the six months ended 30 June 2015 and the comparative amounts for the six months ended 30 June 2014 are unaudited.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The interim financial statements have been prepared applying the accounting policies and methods of computation used in the preparation of the published consolidated financial statements for the year ended 31 December 2014.

The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2014, which are available on the Company's website 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 15	30 June 14	31 Dec 14
	€	€	€
Loss per share – Basic and Diluted	(0.15c)	(0.23c)	(2.97c)

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 period attributable to equity holders	(146,594)	(228,536)	(2,959,492)
Weighted average number of ordinary shares for the purpose of basic earnings per share	99,681,992	99,681,992	99,681,992

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

4. **INTANGIBLE ASSETS**

Exploration and evaluation assets:	**30 June 15**	**30 June 14**	**31 Dec 14**
	€000	**€000**	**€000**
Opening balance	1,539	4,018	4,018
Additions	96	447	687
Re-imbursement of costs	-	(945)	(945)
Impairment charge	-	-	(2,529)
Exchange translation adjustment	132	26	308
Closing balance	1,767	3,546	1,539

Exploration and evaluation assets at 30 June 2015 represent exploration and related expenditure in respect of projects in Ireland and Ghana. The directors are aware that by its nature there is an inherent uncertainty in relation to the recoverability of amounts capitalised on the exploration projects.

In 2014, due to the political and legal uncertainty in Iraq the directors decided to impair in full the exploration and evaluation assets in Iraq to nil, resulting in an impairment charge of €2,470,320. Also in 2014, the group incurred expenditure of €58,655 on various projects in Cameroon and Mozambique. The directors decided to impair this cost, and accordingly an impairment charge of €58,655 was written off against the exploration and evaluation assets in Africa.

On 4 March 2014 the company announced that it had finalized an 85% farm-out agreement with Woodside, Australia on its offshore Ireland acreage. The agreement covers all of Petrel's participating interest in Licensing Option 11/6 (comprising offshore blocks 45/6, 45/11 and 45/16) and Licensing Option 11/4 (comprising offshore blocks 35/23, 35/24 and the western half of 35/25) Woodside will be operator of the licensing blocks. Petrel Resources received US$1,300,000 from Woodside for the 85% farm-out.

Relating to the remaining exploration and evaluation assets at the financial year end, the directors believe there were no facts or circumstances indicating that the carrying value of these 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 below:

- Licence obligations;
- Funding requirements;
- Political and legal risks, including title to licence, profit sharing and taxation; and
- Geological and development risks;
- Exchange rate risk;
- Financial risk management.

Directors' remuneration of €15,000 (December 2014: €175,000) and salaries of €29,000 (December 2014: €115,000) were capitalised as exploration and evaluation expenditure during the period.

Regional Analysis

	30 Jun 15 €000	30 Jun 14 €000	31 Dec 14 €000
Iraq	-	2,397	-
Ghana	888	734	802
Ireland	879	415	737
	1,767	3,546	1,539

5. SHARE CAPITAL

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

Allotted, called-up and fully paid:	Number	Share Capital €	Premium €
At 1 January 2014	99,681,992	1,246,025	21,416,085
Issued during the period	-	-	-
At 30 June 2014 and at 31 December 2014	99,681,992	1,246,025	21,416,085
Issued during the period	-	-	-
At 30 June 2015	99,681,992	1,246,025	21,416,085

6. The Interim Report for the six months to June 30th, 2015 was approved by the Directors on 25th September 2015.

7. Copies of the interim report will be mailed shortly only to those shareholders who have elected to receive it. Otherwise shareholders will be notified that the Interim Report will be available on the website at www.petrelresources.com. Copies of the Interim Report will also be available for collection at the Companies Registered Office at 162 Clontarf Road, Dublin 3, Ireland.

PETREL

RESOURCES

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