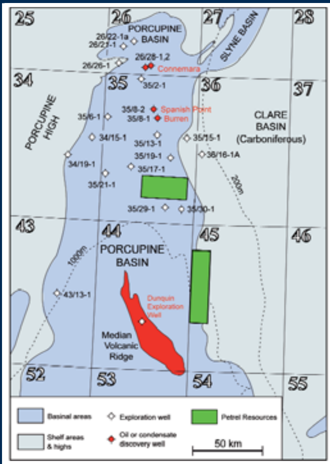
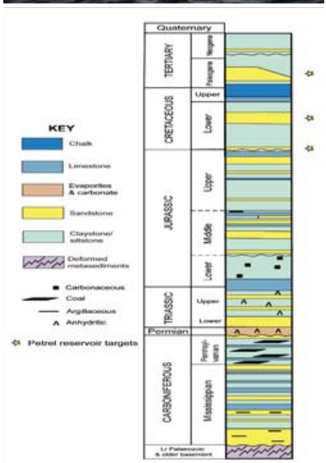
Petrel Resources Plc







Interim Report 2014

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

Interim Statement for the period ended 30 June 2014

Petrel has ongoing projects in Offshore Ireland, Ghana and Iraq. We are financially secure for the coming years. We are carried in Iraq and Offshore Ireland while there is little ongoing cost in Ghana.

We are actively preparing for the next offshore Ireland licencing round in 2015. Activity in Ghana will increase on licence ratification while we continue to evaluate opportunities in other parts of the world.

Offshore Ireland

We are optimistic about our projects in the Porcupine Basin Offshore Ireland. In March 2014 Petrel together with its 85% operating partner, Woodside Energy, was awarded two Exploration Licences covering 1,050 sq km. The licences are valid for 15 years with an initial three year phase followed by three phases of four years each.

The first phase is underway involving environmental studies, reprocessing of available data and the acquisition of new seismic. We anticipate the new 3D Seismic will be acquired in 2015 with drilling likely to take place in 2017. Petrel is fully carried by Woodside through this first phase and through most, if not all, of the first well to be drilled on each block. This is a very good partnership for Petrel in an area whose time has come. New technology, high oil prices and the attraction of big structures suggests that the coming years will see a flowering of exploration activity in the region.

First indications of the prospectivity of our part of the Porcupine Basin will come in 2015 with the drilling of a well on the Spanish Point Discovery adjacent to our Block EL 4/14.

Ghana

Our 30% interest in the Pan Andean Resources Tano 2A licence block has been the focus of activity in recent months. The award by the Ghanaian Parliament to another company of some ground covered by our licence galvanised us. High Court proceedings confirmed our standing and subsequent discussions between the various parties involved clarified the co-ordinates of the block. We are pleased with the agreed co-ordinates. We await confirmation from the authorities that they will now quickly process the application through the cabinet and parliament. The deadline for confirmation is early October as we reserved the right to re-activate court action if agreements were not finalised. The licence is highly prospective given the proximity of the world class Jubilee field and, after several years endeavour, we look forward to progressing our interests following ratification.

Iraq

The political uncertainty and civil strife in the Middle East makes it difficult to be optimistic about our activities in Iraq. But progress has been made. A new government has been formed. The Minister of Oil has been quoted as being in favour of more regional autonomy for the provinces. Our partners, the Amira Group and Oryx, are awaiting approvals from the governor of the Wasit Province to undertake seismic followed by drilling. The prospects in Wasit are extremely good. Petrel has a 5% fully carried interest through exploration. On spudding of an exploration well a tranche of shares in Petrel will be issued to the Amira Group. If a commercial discovery is made a further tranche of shares will be issued.

Future

We are financially secure for the coming years. We are carried in Iraq and Offshore Ireland while there is little ongoing cost in Ghana.

We are actively preparing for the next offshore Ireland licencing round in 2015. Activity in Ghana will increase on licence ratification while we continue to evaluate opportunities in other parts of the world.

John Teeling

Chairman

24th September 2014

Financial Information (unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Six Months Ended 30 June 14 unaudited €'000	Six Months Ended 30 June 13 unaudited €'000	Year Ended 31 Dec 13 audited €'000
CONTINUING OPERATIONS			
Administrative expenses	(229)	(249)	(529)
OPERATING LOSS	(229)	(249)	(529)
Investment revenue	1	2	2
LOSS BEFORE TAXATION	(228)	(247)	(527)
Income tax expense	-	-	-
LOSS FOR THE PERIOD	(228)	(247)	(527)
Exchange difference on translation of foreign operations	40	79	(218)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(188)	(168)	(745)
LOSS PER SHARE - basic and diluted	(0.23c)	(0.32c)	(0.63c)

CONDENSED CONSOLIDATED BALANCE SHEET	30 June 14 unaudited €'000	30 June 13 unaudited €'000	31 Dec 13 audited €'000
ASSETS:			
NON-CURRENT ASSETS			
Financial assets	4,211	-	4,211
Intangible assets	3,546	3,921	4,018
	7,757	3,921	8,229
CURRENT ASSETS			
Trade and other receivables	13	55	34
Cash and cash equivalents	1,671	2,329	1,425
	1,684	2,384	1,459
TOTAL ASSETS	9,441	6,305	9,688
CURRENT LIABILITIES			
Trade and other payables	(352)	(397)	(411)
	(352)	(397)	(411)
NET CURRENT ASSETS	1,332	1,987	1,048
NET ASSETS	9,089	5,908	9,277
EQUITY			
Share capital	1,246	958	1,246
Share premium	21,416	17,784	21,416
Reserves	(13,573)	(12,834)	(13,385)
TOTAL EQUITY	9,089	5,908	9,277

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 2013	958	17,784	8	-	66	(12,740)	6,076
Total comprehensive loss				-	79	(247)	(168)
As at 30 June 2013	958	17,784	8	-	145	(12,987)	5,908
Shares issued	288	3,632	-	-	-	-	3,920
Share options granted	-	-	-	26	-	-	26
Total comprehensive loss	-	-	-	-	(297)	(280)	(577)
As at 31 December 2013	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

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended 30 June 14 unaudited €'000	Six Months Ended 30 June 13 unaudited €'000	Year Ended 31 Dec 13 audited €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	(228)	(247)	(527)
Impairment charge	-	-	20
Share based payments	-	-	13
Investment revenue recognised in loss	(1)	(2)	(2)
	(229)	(249)	(496)
Movements in Working Capital	(38)	(22)	13
CASH USED IN OPERATIONS	(267)	(271)	(483)
Investment revenue	1	2	2
NET CASH USED IN OPERATING ACTIVITIES	(266)	(269)	(481)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets	(447)	(451)	(747)
Receipts for exploration and evaluation assets	945	-	-
Payments for investments	-	-	(422)
NET CASH GENERATED/(USED) IN INVESTING ACTIVITIES	498	(451)	(1,169)
FINANCING ACTIVITIES			
Proceeds from share issue	-	-	130
NET CASH GENERATED FROM FINANCING ACTIVITIES	-	-	130
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	232	(720)	(1,520)
Cash and cash equivalents at beginning of the period	1,425	3,016	3,016
Effect of exchange rate changes on cash held	14	33	(71)
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	1,671	2,329	1,425

Financial Information (unaudited)

1. **Information**
The financial information for the six months ended June 30th, 2014 and the comparative amounts for the six months ended June 30th, 2013 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 2013 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 14	30 June 13	31 Dec 13
	€	€	€
Loss per share – Basic and Diluted	(0.23c)	(0.32c)	(0.63c)

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	(228,536)	(247,412)	(526,783)
Weighted average number of ordinary shares for the purpose of basic earnings per share	99,681,992	76,664,624	84,088,217

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

4. **FINANCIAL ASSET**

Investment	**30 June 14**	**30 June 13**	**31 Dec 13**
	€	€	€
At the beginning of the year	4,211,123	-	-
Additions	-	-	4,211,123
At the end of the year	4,211,123	-	4,211,123

On 14 August 2013 the company announced that through its wholly owned subsidiary, Petrel Resources (TCI) Limited, it had acquired a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V.("Amira") from Amira Petroleum N.V. Amira is a special purpose vehicle which holds a 25 per cent carried to production interest in an early stage oil opportunity in the large, underexplored and underdeveloped province of Wasit.

Although the company owns 20 per cent of Amira, it does not have significant influence over Amira. Petrel does not have any representation on the Board of Amira. It does not have the right to participate in any financial or operating policy decisions. As a result Amira does not meet the definition of an associate and is treated as an investment.

The consideration for the Acquisition comprised an up-front cash payment of US$500,000 and the issue of 18,947,368 shares in Petrel ("Initial Consideration Shares"), representing 19.82 per cent of the enlarged issued share capital of Petrel. The Initial Consideration Shares are locked-in until the spudding of the first conventional oil well in respect of Amira's interest in the Wasit province. If the Spudding Date has not occurred by 19 August 2018, Petrel may, amongst other things, elect to re-acquire the Initial Consideration Shares for a nominal amount.

Following completion of the Acquisition, a further 21,052,632 shares in Petrel may be issued in two tranches upon the occurrence of certain events ("Deferred Consideration Shares"). The first tranche of 10,526,316 Deferred Consideration Shares is to be issued upon the Spudding of the first conventional oil well. The second tranche of 10,526,316 Deferred Consideration Shares is to be issued upon notification of a discovery in respect of Amira's interest in the Wasit Province.

As part of the Acquisition, Arman Kayablian, COO of Amira Industries, joined the board of Petrel as a non-executive director with effect from 19 August 2013.

Under the terms of the Acquisition agreement, Petrel is also given a right of first refusal to participate or acquire an operated interest in any future exploration and production licences that Amira Industries secures in the Iraqi provinces of Muthanna, Karbala, Babil and Najaf, which are currently being pursued by Amira Industries. The terms of Petrel's participation in such licence are subject to agreement between the parties but are likely to be similar to Amira Industries' arrangement with Oryx Petroleum ("Oryx") in respect of the Wasit licences.

Fair value information for the investment in Amira has not been disclosed as its fair value cannot be reliably measured. As a result the investment is carried at amortised cost. Fair value cannot be reliably measured as the investment is held in a private company. The company's equity instruments do not have a quoted price in an active market.

The recoverability of the group's financial asset is dependent on the discovery and successful development of the economic reserves which is subject to a number of risks as outlined in Note 5.

5. INTANGIBLE ASSETS

Exploration and evaluation assets:	**30 June 14**	**30 June 13**	**31 Dec 13**
	€000	**€000**	**€000**
Opening balance	4,018	3,424	3,424
Additions	447	451	761
Re-imbursement of costs	(945)	-	-
Impairment charge	-	-	(20)
Exchange translation adjustment	26	46	(147)
Closing balance	3,546	3,921	4,018

Exploration and evaluation assets at 30 June 2014 represent exploration and related expenditure in respect of projects in Ireland, Iraq and Ghana. The directors are aware that by its nature there is an inherent uncertainty in relation to the recoverability of amounts capitalised on the exploration projects. In addition, the current economic and political situation in Iraq is uncertain.

During the prior year the group incurred expenditure of €19,658 on projects in Africa. These projects were terminated during 2013 and the assets were impaired to nil.

Relating to the remaining exploration and evaluation assets at the period 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 below:

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

On 4 March 2014 the Group 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 options. Petrel received US$1,320,000 from Woodside in relation to back costs incurred on the licences.

In March 2014 the Group sought clarification from the Ghanaian authorities that a petroleum agreement in the Tano Basin block ratified by the Ghanaian Parliament in March 2014 did not relate to an area covered by the license held by Petrel Resources plc. The Group was granted an interlocutory injunction and an interim order protecting the Group's rights in the Tano Basin block.

On 17 July 2014, the board of Petrel reported that an agreement had been reached with the Ghanaian authorities which clarifies the co-ordinates of the signed Petroleum Agreement on a licence Block in the Tano area of Ghana. It was agreed that additional, contiguous acreage would be added to preserve the size of the Block. The agreement is between Pan Andean Resources Ltd (60% Clontarf, 30% Petrel, 10% local interests) the Ghana National Petroleum Corporation and the Government of Ghana. All parties agreed to seek to expedite the ratification process which requires Cabinet and Parliamentary approval.

As a consequence of this, Petrel has discontinued its High Court proceedings with rights to reapply.

Directors' remuneration of €87,500 (2013: €175,000) and salaries of €57,500 (2013: 110,000) were capitalised as exploration and evaluation expenditure during the period.

Regional Analysis

	30 Jun 14 €000	30 Jun 13 €000	31 Dec 13 €000
Iraq	2,397	2,533	2,382
Ghana	734	650	663
Ireland	415	738	973
	3,546	3,921	4,018

6. SHARE CAPITAL

	2014 €	2013 €
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 2013	76,664,624	958,308	17,784,268
Issued during the period	-	-	-
At 30 June 2013	76,664,624	958,308	17,784,268
Issued during the period	23,017,368	287,717	3,631,817
At 31 December 2013	99,681,992	1,246,025	21,416,085
Issued during the period	-	-	-
At 30 June 2014	99,681,992	1,246,025	21,416,085

Movements in share capital

On 13 August 2013 the company issued 18,947,368 new ordinary shares to Amira Petroleum N.V. at a price of 20c per share as part consideration for the acquisition of a 20 per cent shareholding in Amira Hydrocarbons Wasit B.V. Details of this acquisition are provided in Note 4.

On 17 December 2013 the directors of the company exercised 4,070,000 options at exercise prices ranging from 2.5p to 5p.

7. The Interim Report for the six months to June 30th, 2014 was approved by the Directors on 23rd September 2014.

8. 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 is listed on AIM in London (PET)

Petrel Resources