162 Clontarf Road
Dublin 3,
D03 F6T0
Ireland
Tel: +353 1 833 2833
Fax: +353 1 833 3505
info@petrelresources.com

22nd September 2021

Petrel Resources plc
("Petrel" or "the Company")

Interim Statement for the six months ended 30 June 2021

Petrel Resources plc (AIM: PET) today announces financial results for the six months ended 30th June 2021.

Petrel is a hydrocarbon explorer with interests in Iraq, and Ghana.

Highlights

• Petrel's Iraqi business is being painstakingly re-built - reversing emigration.

• Iraqi human and physical infrastructure has been degraded since 1990.

• An updated oil field development proposal has been submitted.

• Ratification plan agreed-in-principle with Ghanaian authorities.

• Shareholder base broadened, to prepare for expansion.

Despite much-publicised challenges, Iraq remains the biggest commercial opportunity in petroleum today. The geology is unsurpassed. The oil market is sharply recovering. But contracts must be updated for effective exploration and development.

2021 was a moment of truth for companies prepared to invest in Iraq. Some western majors, ignorant of prevailing circumstances, had bid over-optimistically on service contracts from 2009, and then found it hard to operate effectively.

Others, including TotalEnergies and Chinese NOCs, have re-committed themselves given the large opportunity. Iraq is not for the faint of heart, but there is considerable upside to be realised provided the elected government implements necessary reforms.

For several years after the 2003 Iraqi invasion, there was a perception that contractors close to western governments, and later super-majors, would dominate Iraqi oil exploration and development. Iraqis had other ideas, however: they want partners, rather than bosses.

Iraq is sovereign, but so is finance. The investment dollar is an orphan. It seeks out return, and works to minimise risk – though resolute investors will carry risk if fairly compensated.

Any investment is worth the discounted Present Value of all cash flows (in and out). Calculations are sensitive to timing and the discount rate. Foreigners always see higher risks than locals do.

The more uncertainty (political, tax, operational) the higher the discount rate, & the lower the Present Value. For capitalism to work, it must reward all the key players, whose interests should be aligned – rather than in conflict.

The biggest challenge facing Petrel in this new era is not operating conditions, access to technology or community relations. The biggest challenge facing agile industry players is outdated contracts and fiscal terms that were designed during boom years.

The post-2014 and especially post-C-19 world is more challenging for petroleum projects: there is investor prejudice despite petroleum improving lives.

The worst outcome would be for Iraqi output to stagnate at 4 million barrels daily, for gas to continue to be flared, for Iraqi youth to remain unemployed.

Operations:

Petrel Resources plc Interests (as of September 2021):

Iraqi 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.
At the invitation of Iraqi Government officials in 2020, Petrel submitted a proposal to develop the Merjan oil field, in accordance with applicable laws and the Iraqi Model Contract. This builds on the Technical Cooperation Agreement (TCA), conducted by Petrel in 50% cooperation with partner Itochu, from 2004. Merjan's 800 metres of oil-bearing sands were intercepted in a 1982 wild-cat by Mobil (now ExxonMobil) designed to test the deep sections.

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.

Restructuring the Iraqi oil & gas industry:

The Iraqi Government's stated desire is to boost oil & gas development, and the applicable law is under review. This has proven a tortuous process since 2005, and the current ad-hoc legal framework is acknowledged to be sub-optimal. However the C-19 pandemic, triggering an oil price war in early 2020, together with anti-fossil fuel agitation internationally, has refocused players on the need to develop natural resources, rather than forgo prosperity by leaving national resources undeveloped.

Petrel has also been asked, by an Iraqi group, to evaluate minerals opportunities that may become economically and legally viable following the expected passage of legislation.

Petrel maintains relationships with Ministry of Oil officials, despite Covid-19 constraints. Director, Riadh Ani, is Iraqi: his father Mahmoud Ahmed is an Iraqi oil legend, encountering oil & gas in over 1,000 wells he drilled as DG of the Iraqi Drilling Company, and North Oil Company. Despite difficult politics since 1980, Iraq has the best petroleum geology worldwide: onshore, generally shallow structures in flat terrain, easily accessible with infrastructure. Permeability and porosity are generally good to excellent.

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".

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.

What should Iraq's oil policy be now?
Unfortunately, the combination of suspicion of foreign oil companies, sanctions, and wars (including internal sectarian conflict and resistance since 2003) have held back Iraq's development, including the building of necessary oil and other infrastructure. Iraq's government earnings and economy remains dependent on oil.

Have Service Contracts achieved their objectives for companies and Iraq? No: even at its pre-C-19 peak of c.4.7 million barrels of oil daily (mmbod) output, Iraq fell short of its 6 to 9 mmbod 1989 plan, and the high hopes of rivalling Saudi Arabia. There is insufficient incentive for contractors to boost production, and recoveries – while the Ministry of Oil has been hollowed out by sanctions and wars, and now unable to fill the gap.
Should the Federal Ministry of Oil negotiate Production Sharing Agreements?
Yes: this would better align the interests of the parties, and create more wealth, value-added in downstream industries like refined products and petrochemicals, infrastructure and employment for Iraq.

The success of Qatar in LNG – or even the Emirates and Oman show what can be done with more pragmatism.

<u>Iraq's misfortune was that the necessary reform of oil laws and policy came during the most turbulent year in the industry's history.</u>

Oil & Gas are cyclical, and exploration even more so. Explorers do best when they acquire choice acreage at a modest cost in bad times, add value prudently, and then fund or attract partners on carried terms. This is an approach our group has used successfully over 30 years, with circa 20 partnerships. The junior profits from agility, low cost base and a rising market. The major farming in gains time by short-circuiting the often – for them – difficult environmental permitting and community relations – at which Clontarf's experienced team excels.

Where does the market stand in this cycle as of 3rd quarter 2021?
Oil demand peaked at 101 million barrels of oil daily during the 4th quarter of 2019. It crashed by 10% in mid-2020 – half of which was due to de-stocking. But – helped by pump-priming and C-19 vaccines - a sharp recovery occurred in 2021.

Demand should be fully restored by 2022 – Chinese consumption is already at record levels of 14.3mmbod.

Assuming continued vaccine success, relaxing lock-downs and no major breakthrough C-19 variants, 2022 should exhibit strong demand growth.

What of supply? The fracking revolution was halted by the 2014 oil price fall, and gone into reverse – though we should never write US entrepreneurs off.

OPEC plans to open the spigots in a controlled fashion: already there is some relaxation of Emirates exports. But there is no production surge: on the contrary, sanctions-hit Venezuelan output collapsed to 0.55mmbod, Iran's is down to 2.5, while Iraq languishes at 4, Nigeria at 1.44. Only Libya has recovered, and only partially to 1.17 (only 70% of the pre-2011 level).

Given recovering demand and supply constraints, one would expect oil companies to explore for and develop new sources of competitive oil and gas for the future. Instead, the combination of C-19, market hostility and low prices and lower 2020 demand was a perfect storm storing up future supply problems, as demand surges. Longer-term China, other Far East, and India will grow strongly.

A supply crunch – probably triggered by a political crisis in some exporting country – is likely within 2 years – subject to effective C-19 vaccines and no new pandemic.

Yet, though oil demand rebounded strongly during 2021, following the record demand fall caused by the C-19 pandemic, exploration and development expenditure remain depressed. At least $5 trillion of necessary investment has been deferred. Despite much debate about modernising tax rates and contract conditions, governments have been slow to update contractual so as to deliver development.

Despite a cyclical freezing of the farm-out market, and reduced investor interest, some governments remain stuck in the contract and fiscal terms expectations of the pre-2014 boom years. Most frustrating for innovative juniors are the frequent requests for bonds and bonuses. These may suit incumbent politicians and slow-moving majors with fat balance sheets, but they are not well suited to advance development in challenging times. Partly balancing the revenue fall is the collapse in service costs, especially seismic and rig rates. Partners and investors can be persuaded to fund operating and capex costs at currently low rates – on the cyclical argument – but they are reluctant to pay money to host governments.

If we can resolve the outstanding issues (especially the request for an up-front sign-on bonus, technology and training grants, etc.), we hope to proceed quickly with our work programmes in both Iraq and Ghana. It makes no sense to pay money up-front for a contract in which we would be paying 100% of the cost and taking 100% of the risk. The anomalous nature of such bonuses is confirmed by the fact that they are generally not included in the "cost oil".

As of September 2021, testing, quarantine, and documentation requirements remain onerous. Nonetheless, Petrel Resources plc directors and contractors were able to conduct business travel to Africa, and the Middle East.

Ghana – developments delayed

Petrel Resources plc, and its partners, are ready to advance the Ghana Tano 2A work programme, subject to securing the necessary funding in an environment complicated by prevailing circumstances, as soon as the signed Petroleum Agreement is ratified.

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

Ghana achieved much after 2007, ramping oil production up to 215 kbpd by 2020. The Jubilee oil-field started producing in 2010, just 3 years after discovery. Non-associated Sankofa gas (operated by the ENI, with World Bank finance) generates electricity cleanly and competitively. A further discovery well (Afina-1, at 4,085 meters depth) was announced by independent Springfield in 2019.

Unfortunately, a slow ratification process, exacerbated by conflicting policies, stymied efficient development: progress stagnated after 2018, and output slipped below 200kbod. Jubilee's topside issues constrained water injection, and gas output stalled, when Ghana Gas prioritised Sankofa gas over Jubilee gas.

High-level official meetings immediately prior to and during the pandemic were productive. We understand that new shareholders helped the Tano 2A Operating Company (Pan Andean Resources (Ghana) Ltd.) overcome financial capacity concerns following volatile oil prices and market capitalisation. Everyone should remember, however, that Ghanaian ratification can be a slow and tortuous process.

Tamraz Group

The acquisition of a 29% stake by the Tamraz group in July 2019 was widely welcomed by shareholders followed by approval to go to 51%.

The new investors were unable to complete the purchase of the additional shares while the ownership of most of the 29% became uncertain. High Court proceedings stopped any dealings in shares held by the Tamraz Group. This position persists though there is ongoing contact.

Future

Our Iraqi Director, Riadh Ani has maintained strong relationships with Ministry of Oil officials. Petrel has monitored the evolving contracts, and opportunities, even during the darkest hours of sanctions, invasion, conflict, and Covid-19.

Riadh Ani, is highly regarded as the son of one of the most successful drillers in history: his father Mahmoud Ahmed had run Iraq's North Oil Company, and also the State Iraqi Drilling Company, and in a decades' long drilling career encountered oil & gas in over 1,000 wells. Only about 12 wells were duds – a record of exploration and appraisal drilling that is unlikely to be bettered. This stellar career highlights Iraq's unique petroleum geology – even compared to neighbouring oil exporters.

Petrel is funded for ongoing activities. The focus is once again Iraq.

David Horgan
Chairman
21st September 2021

For further information please visit http://www.petrelresources.com/ or contact:

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement. In addition, market soundings (as defined in MAR) were taken in respect of the matters contained in this announcement, with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this announcement. Therefore, those persons that received inside information in a market sounding are no longer in possession of such inside information relating to the company and its securities.

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For further information please visit http://www.petrelresources.com/ or contact:

Petrel Resources	
David Horgan, Chairman	+353 (0) 1 833 2833
John Teeling, Director	
Nominated Adviser and Broker	
Beaumont Cornish - Nominated Adviser	
Roland Cornish	*+44 (0) 020 7628 3396*
Felicity Geidt	
Novum Securities Limited – Broker	
Colin Rowbury	*+44 (0) 20 399 9400*
Blytheweigh – PR	*+44 (0) 207 138 3206*
Megan Ray	*+44 (0) 207 138 3553*
Madeleine Gordon-Foxwell	*+44 (0) 207 138 3208*
Teneo	
Luke Hogg	*+353 (0) 1 661 4055*
Alan Tyrrell	*+353 (0) 1 661 4055*
Ciara Wylie	*+353 (0) 1 661 4055*

Petrel Resources plc
Financial Information (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months Ended		Year Ended
	30 June 21	**30 June 20**	**31 Dec 20**
	unaudited	**unaudited**	**audited**
	€'000	**€'000**	**€'000**
Administrative expenses	(162)	(243)	(399)
Impairment of deferred development costs	-	-	(52)
OPERATING LOSS	(162)	(243)	(451)
LOSS BEFORE TAXATION	(162)	(243)	(451)
Income tax expense	-	-	-
LOSS FOR THE PERIOD	(162)	(243)	(451)
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences	-	(9)	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD	(162)	(252)	(451)
LOSS PER SHARE - basic and diluted	(0.10c)	(0.16c)	(0.29c)

CONDENSED STATEMENT OF FINANCIAL POSITION

	30 June 21	**30 June 20**	**31 Dec 20**
	unaudited	**unaudited**	**audited**
ASSETS:	**€'000**	**€'000**	**€'000**
NON-CURRENT ASSETS			
Intangible assets	932	985	932
	932	985	932
CURRENT ASSETS			
Trade and other receivables	18	49	35
Cash and cash equivalents	255	409	334
	273	458	369
TOTAL ASSETS	1,205	1,443	1,301
CURRENT LIABILITIES			
Trade and other payables	(777)	(654)	(711)
	(777)	(654)	(711)
NET CURRENT LIABILITIES	(504)	(196)	(342)
NET ASSETS	428	789	590
EQUITY			
Share capital	1,963	1,963	1,963
Capital conversion reserve fund	8	8	8
Capital redemption reserve	209	209	209
Share premium	21,786	21,786	21,786
Share based payment reserve	27	27	27
Translation reserve	-	367	-
Retained deficit	(23,565)	(23,571)	(23,403)
TOTAL EQUITY	428	789	590

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital €'000	Share Premium €'000	Capital Redemption Reserves €'000	Capital Conversion Reserves €'000	Share based Payment Reserves €'000	Translation Reserves €'000	Retained Losses €'000	Total Equity €'000
As at 1 January 2020	1,867	21,601	209	8	27	376	(23,328)	760
Shares issued	96	185						281
Total comprehensive income				-		(9)	(243)	(252)
As at 30 June 2020	1,963	21,786	209	8	27	367	(23,571)	789
Transfer of reserves	-	-	-	-	-	(367)	367	-
Total comprehensive income	-	-	-	-	-	-	(199)	(199)
As at 31 December 2020	1,963	21,786	209	8	27	-	(23,403)	590
Total comprehensive income	-	-	-	-	-	-	(162)	(162)
As at 30 June 2021	1,963	21,786	209	8	27	-	(23,565)	428

CONDENSED CONSOLIDATED CASH FLOW

	Six Months Ended		Year Ended
	30 June 21 unaudited €'000	30 June 20 unaudited €'000	31 Dec 20 audited €'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period	(162)	(243)	(451)
Impairment charge	-	-	52
Foreign exchange	(8)	-	4
	(170)	(243)	(395)
Movements in Working Capital	83	13	84
CASH USED IN OPERATIONS	(87)	(230)	(311)
NET CASH USED IN OPERATING ACTIVITIES	(87)	(230)	(311)
INVESTING ACTIVITIES			
Payments for exploration and evaluation assets	-	(2)	-
NET CASH USED IN INVESTING ACTIVITIES	-	(2)	-
FINANCING ACTIVITIES			
Shares issued	-	281	281
NET CASH GENERATED FROM FINANCING ACTIVITIES	-	281	281
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(87)	49	(30)
Cash and cash equivalents at beginning of the period	334	368	368
Effect of exchange rate changes on cash held in foreign currencies	8	(8)	(4)
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	255	409	334

Notes:

1. **INFORMATION**

The financial information for the six months ended 30 June 2021 and the comparative amounts for the six months ended 30 June 2020 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 2020.

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 2020, 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 21	**30 June 20**	**31 Dec 20**
	€	**€**	**€**
Loss per share – Basic and Diluted	(0.10c)	(0.16c)	(0.29c)

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:

	€'000	**€'000**	**€'000**
Loss for the period attributable to equity holders	(162)	(243)	(451)
Weighted average number of ordinary shares for the purpose of basic earnings per share	157,038,467	150,821,396	153,961,544

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

4. **INTANGIBLE ASSETS**

	30 June 21	**30 June 20**	**31 Dec 20**
Exploration and evaluation assets:	**€'000**	**€'000**	**€'000**
Opening balance	932	984	984
Additions	-	2	-
Impairment	-	-	(52)
Exchange translation adjustment	-	(1)	-
Closing balance	932	985	932

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 licenses, Petrel has discontinued farm-out discussions with a gas super-major. Also, the board reluctantly dropped our 100% owned and operated Frontier Exploration License (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 License. Accordingly, the directors have impaired in full all expenditure relating to the above mentioned licenses.

During 2018 the Group resolved the outstanding issues with the Ghana National Petroleum Company (GNPC) regarding a contract for the development of the Tano 2A Block. The Group has signed a Petroleum Agreement in relation to the block and this agreement awaits ratification by the Ghanaian government.

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 below:

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

Regional Analysis	**30 Jun 21 €'000**	**30 Jun 20 €'000**	**31 Dec 20 €'000**
Ghana	932	932	932
Ireland	-	53	-
	932	985	932

5. SHARE CAPITAL

	2021 €'000	2020 €'000
Authorised:		
800,000,000 ordinary shares of €0.0125	**10,000**	10,000

Allotted, called-up and fully paid:

	Number	Share Capital €'000	Premium €'000
At 1 January 2020	149,346,159	1,867	21,601
Issued during the period	7,692,308	96	185
At 30 June 2020	157,038,467	1,963	21,786
Issued during the period	-	-	-
At 31 December 2020	157,038,467	1,963	21,786
Issued during the period	-	-	-
At 30 June 2021	157,038,467	1,963	21,786

Movements in issued share capital

On 26 May 2020 a total of 7,692,308 shares were placed at a price of 3.25 pence per share. Proceeds were used to provide additional working capital and fund development costs.

6. POST BALANCE SHEET EVENTS

There are no material post balance sheets events affecting the Group.

7. The Interim Report for the six months to 30th June 2021 was approved by the Directors on 21st September 2021.

8. The Interim Report will be available on the Company's website at www.petrelresources.com.