ACN 125 394 667

Interim Financial Report
For the Half Year ended 31 December 2017

Half Year Financial Report

31 December 2017

Contents

Directors' Report

The Directors of Petrel Energy Limited ("Petrel") present the consolidated interim financial report for the half year ended 31 December 2017. The consolidated entity consists of Petrel Energy Limited (the "Company" or "Parent Entity") and the entities it controlled during the half year.

DIRECTORS

The Directors in office during the half year in its entirety and up to the date of this report are:

Alexander Sundich	Non-executive Chairman
David Casey	Managing Director and Chief Executive Officer
Russell Porter	Non-executive Director
Andrew Williams	Non-executive Director

PRINCIPAL ACTIVITY

The principal activity of the consolidated entity during the period was the exploration and development of oil and gas resources.

OPERATING RESULTS

The net loss of the consolidated entity for the period was $19,968,209 (2016: $1,007,907). This included impairment expenses associated with Uruguayan and Spanish Exploration of $17,617,157 (2016: nil) and $1,349,577 (2016: nil) respectively for the six months to 31 December 2017.

FINANCIAL POSITION

The net assets decreased by $14,681,666 in the period up to 31 December 2017 made up of a decrease in total assets of $13,320,846 and an increase in total liabilities of $1,360,820. The decrease in net assets is primarily due to the impairment of the group's Uruguayan and Spanish exploration and evaluation exploration and evaluation assets offset by equity contributions net of costs of $5,637,924.

REVIEW OF OPERATIONS

During the period the Company undertook the following activities:

Uruguay

- Schuepbach Energy International LLC (SEI), 62.7% owned by Petrel, completed Cerro Padilla-1 its first well in mid-October 2017. This well was designed to confirm the reservoir potential of the Tres Islas sand and Permian source rock at shallow depth. The well was successfully drilled to 845m and encountered significant oil shows with logging confirming 2m of oil saturated sand at 793m. The subsequent testing of sample oil represented a quantum first step in redefining the oil, and potentially gas, prospectivity of the Norte Basin, Uruguay.
- SEI commenced the Cerro de Chaga-1 well (Panizza-1) in mid-November 2017 in the Salto permit. The well is not only situated over a very large structure with considerable oil and gas potential across multiple zones, but also has an extensive and very thick, Devonian or older section beneath what could be a very thick sealing source rock. Despite making good early progress a fault was unexpectedly encountered drilling towards the base of the basalt, which resulted in hole stability issues, and ultimately requiring this zone to be cemented and the hole suspended.

- Petrel is currently seeking to raise funds via a partner or capital raising to drill through the Cerro de Chaga-1 faulted area to its target depth of 1,600m. If unsuccessful the rig will move to the third Canada de Fea -1 (Shallow AVO) well.

Spain

- SEI entered into a Share Purchase Agreement ("SPA") in mid-December 2017 to sell up to a 49.9% of its wholly owned subsidiary Schuepbach Energy Espania S.L.U. ("SEE") to AIM listed Prospex Oil and Gas Plc ("Prospex") for up to €2,053,750 (AUD as at 31 Dec 17 $3,145,100). SEE owns the Tesorillo project in southern Spain.

  Under the SPA, SEI can sell up to 49.9% of the ordinary shares in SEE to Prospex in three tranches. An initial consideration of €48,250 (AUD as at 31 Dec 17 $73,890) is payable at first closing. A further €280,000 (AUD as at 31 Dec 17 $428,790) is payable at second closing, subject to, amongst other conditions, the result of a trial magnetotelluric programme, by 31 December 2018.

  A final consideration of €1,725,000 (AUD as at 31 Dec 17 $2,641,654) is payable at the final closing, subject to, amongst other conditions, the completion of a full magnetotelluric programme and the approval of an appraisal Tesorillo well for drilling within the 6-year licence period.

  Total sale proceeds of €2,053,750 (AUD as at 31 Dec 17 $3,145,100) will be used by SEI to fund its share of an agreed Tesorillo work programme (estimated at €3,823,000) (AUD as at 31 Dec 17 $5,854,518) which includes a trial magnetotelluric programme, followed by a full magnetotelluric programme and if successful, a well to target the Almarchal-1 discovery drilled in 1956.

Corporate

- A partially underwritten non-renounceable rights issue of shares to raise a total of $4.57m was oversubscribed at 31 October 2017. The issue was made on the basis of one share in Petrel for every three shares held at an issue price of $0.011 per share and one free listed option for every new share subscribed for exercisable at 4¢ with a 1-year expiry.
- In early December Petrel announced that its Uruguay partners did not fund the most recent Schuepbach Energy International LLC ("SEI") funding requirement along with the execution of the option allowing Petrel to increase its interests in both its Uruguay and Spain projects from 51% to 62.7%.

SUBSEQUENT EVENTS

No matter has arisen in the interval since 31 December 2017 and up to the date of this report that in the opinion of the directors have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial periods other than the following:

- On 28 February 2018 Schuepbach Energy Uruguay SRL (SEU), 62.7% owned by Petrel agreed with project drillers New Force Energy to settle $1.66m of outstanding drilling invoices in return for a 2% overriding royalty interest (ORRI) in the project. SEU has the option to buy back the ORRI for a 50% premium (ie $2.49m) within 12 months. If the buyback option is not exercised New Force Energy has the option to exchange the ORRI for a 10% working interest in the Uruguay project.
- On 1 March Petrel announced a non-renounceable rights issue of shares to raise up to $4.5m. The issue was made on the basis of two new shares for every three shares held at an Issue price of $0.004

AUDITOR'S DECLARATION

The lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors.

David Casey
Managing Director and Chief Executive Officer
12 March 2018
Sydney

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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF PETREL ENERGY LIMITED

As lead auditor for the review of Petrel Energy Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Petrel Energy Limited and the entities it controlled during the period.

Gareth Few

Partner

BDO East Coast Partnership

Sydney, 12 March 2018

Directors' Declaration

The directors of Petrel Energy Limited declare that:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated equity financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

- the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

David Casey
Managing Director and Chief Executive Officer
12 March 2018
Sydney

Statement of Profit or Loss and Other Comprehensive Income

for the Half Year ended 31 December 2017

	Half year 31 December 2017 (Consolidated) $	Half year 31 December 2016 (Consolidated) $
Sales revenue	-	38,019
Cost of sales	-	(39,097)
Interest income	3,097	(45,812)
Foreign exchange (losses) / gains	(3,497)	9,543
Total Income	**(400)**	**(37,347)**
Director's fees	(83,889)	(84,794)
Employee benefit expenses	(298,267)	(285,073)
Share based payment expenses	(12,091)	(7,243)
Professional and consulting fees	(272,925)	(261,124)
Auditor's remuneration	(20,400)	(20,400)
Depreciation and amortisation	(10,245)	(12,919)
General insurance expenses	(23,926)	(22,956)
Corporate services	(16,611)	(11,706)
Donations	(19,799)	(34,041)
Lease of offices	(34,923)	(31,557)
Share registry fees	(44,283)	(17,409)
Travel – local and overseas	(39,406)	(106,561)
Exploration and evaluation expenses	(58,253)	-
Impairment loss on exploration and evaluation expenditure (Uruguay)	(17,617,157)	-
Impairment loss on exploration and evaluation expenditure (Spain)	(1,349,577)	-
Other operating expenses	(66,057)	(74,777)
Total Expenses	**(19,967,809)**	**(970,560)**
Loss from operations before income tax expense	**(19,968,209)**	**(1,007,907)**
Income tax expense	**-**	**-**
Loss from operations after income tax expense	**(19,968,209)**	**(1,007,907)**
Other comprehensive income – items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(575,622)	361,624
Other comprehensive income for the period, net of tax	**(575,622)**	**361,624**
Total comprehensive loss for the period, net of tax	**(20,543,831)**	**(646,283)**
Loss for the period is attributable to:		
Owners of the Parent	(10,752,734)	(1,007,907)
Non-controlling interests	(9,215,475)	-
	(19,968,209)	(1,007,907)
Total comprehensive loss for the period attributable to:		
Owners of the Parent	(11,048,622)	(823,478)
Non-controlling interests	(9,495,209)	177,195
	(20,543,831)	**(646,283)**
Loss per share from continuing operations attributable to the ordinary equity holders of the company:		
Basic and diluted loss per share (cents per share)	(0.80)	(0.13)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 31 December 2017

	Note	31 December 2017 (Consolidated) $	30 June 2017 (Consolidated) $
ASSETS			
Current Assets			
Cash and cash equivalents		807,489	3,578,728
Other current assets		224,391	112,536
Restricted cash	2	63,409	1,363,459
Total Current Assets		**1,095,289**	**5,054,723**
Non-Current Assets			
Exploration and evaluation expenditure	3	19,986,945	29,339,971
Plant and equipment		28,213	36,599
Total Non-Current Assets		**20,015,158**	**29,376,570**
Total Assets		**21,110,447**	**34,431,293**
LIABILITIES			
Current Liabilities			
Trade and other payables		2,897,097	1,552,023
Employee benefits		161,582	140,616
Borrowings		424,620	429,840
Total Current Liabilities		**3,483,299**	**2,122,479**
Total Liabilities		**3,483,299**	**2,122,479**
Net Assets		**17,627,148**	**32,308,814**
EQUITY			
Contributed equity	4	56,661,382	51,313,872
Foreign currency translation reserve		644,603	940,491
Options reserve	5	518,131	506,040
Accumulated losses		(43,691,684)	(35,004,984)
Equity attributable to owners of the Parent		**14,132,432**	**17,755,419**
Non-controlling interests	6	3,494,716	14,553,395
Total Equity		**17,627,148**	**32,308,814**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the Half Year ended 31 December 2017

	Note	Half year ended 31 December 2017 (Consolidated) $	Half year ended 31 December 2016 (Consolidated) $
Cash Flows From Operating Activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(503,410)	(700,706)
Interest received		3,097	5,647
Net cash (used in) Operating Activities		**(500,313)**	**(695,059)**
Cash Flows From Investing Activities			
Proceeds from release of security deposits related to exploration and evaluation expenditure		1,275,670	-
Payments for security deposits related to exploration and evaluation expenditure		-	(1,381,970)
Purchase of plant and equipment		(1,982)	-
Payments for exploration and evaluation expenditure		(9,181,838)	(1,335,065)
Net cash (used in) Investing Activities		**(7,908,150)**	**(2,717,035)**
Cash Flows From Financing Activities			
Proceeds from issue of shares (net of costs)		5,135,361	4,851,089
Additional contribution of equity by non-controlling interests		502,563	1,665,986
Net cash inflow from Financing Activities		**5,637,924**	**6,517,075**
Net (decrease) / increase in cash held		**(2,770,539)**	**3,104,981**
Cash at the beginning of the Period		**3,578,728**	**479,243**
Net foreign exchange difference		(700)	9,546
Cash at the end of the Period		**807,489**	**330,884**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the Half Year ended 31 December 2017

	Note	Issued Capital $	Foreign Currency Translation Reserve $	Options Reserve $	Accumulated Losses $	Total $	Non-controlling Interests $	Total equity $
Balance at 1 July 2017		**51,313,872**	**940,491**	**506,040**	**(35,004,984)**	**17,755,419**	**14,553,395**	**32,308,814**
Loss from continuing operations				-	(10,752,734)	**(10,752,734)**	(9,215,475)	(19,968,209)
Other comprehensive loss			(295,888)	-	-	**(295,888)**	(279,734)	(575,622)
Total comprehensive income for the period		**-**	**(295,888)**	**-**	**(10,752,734)**	**(11,048,622)**	**(9,495,209)**	**(20,543,831)**
Transactions with owners in their capacity as owners								
Share based payments			-	12,091	-	**12,091**	-	12,091
Effect of NCI dilution by parent entity					2,066,034	**2,066,034**	(2,066,034)	-
Issue of share capital		5,745,883	-		-	**5,745,883**	-	5,745,883
Transaction costs arising on share issue		(398,373)	-		-	**(398,373)**	-	(398,373)
Total transactions with owners in their capacity as owners		**5,347,510**	**-**	**12,091**	**2,066,034**	**7,425,635**	**(2,066,034)**	**5,359,601**
Additional contribution of equity by NCI		-	-	-	-	**-**	502,564	502,564
Balance at 31 December 2017		**56,661,382**	**644,603**	**518,131**	**(43,691,684)**	**14,132,432**	**3,494,716**	**17,627,148**
Balance at 1 July 2016		**43,758,913**	**1,264,234**	**484,424**	**(32,948,468)**	**12,559,103**	**9,818,301**	**22,377,404**
Loss from continuing operations		-	-	-	(1,007,907)	**(1,007,907)**	-	(1,007,907)
Other comprehensive income		-	184,429	-	-	**184,429**	177,195	361,624
Total comprehensive income for the period		**-**	**184,429**	**-**	**(1,007,907)**	**(823,478)**	**177,195**	**(646,283)**
Transactions with owners in their capacity as owners								
Share based payments		-	-	7,243	-	**7,243**	-	7,243
Issue of share capital		5,628,243	-	-	-	**5,628,243**	-	5,628,243
Transaction costs arising on share issue		(415,234)	-	-	-	**(415,234)**	-	(415,234)
Total transactions with owners in their capacity as owners		**5,213,009**	**-**	**7,243**	**-**	**5,220,252**	**-**	**5,220,252**
Additional contribution of equity by NCI		-	-	-	-	**-**	2,340,979	2,340,979
Balance at 31 December 2016		**48,971,922**	**1,448,663**	**491,667**	**(33,956,375)**	**16,955,877**	**12,336,475**	**29,292,352**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The interim financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report covers Petrel Energy Limited as a consolidated entity consisting of Petrel Energy Limited and the entities it controlled and was authorised for issue in accordance with a resolution of Directors on 12 March 2018.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half year financial report should be read in conjunction with the annual financial report of Petrel Energy Limited as at 30 June 2017 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Petrel Energy Limited is a public company, listed on the Australian Stock Exchange, incorporated and domiciled in Australia. The consolidated entity's operations comprise exploration for oil and gas resources. The main interests of the consolidated entity are located in the United States of America, Uruguay and Spain.

a) Basis of preparation

The financial report has been prepared on the historical cost basis except as disclosed in the notes to the financial report. Cost is based on the fair value of the consideration given in the exchange for assets.

b) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2017.

c) Going Concern

These financial statements have been prepared on the going concern basis which contemplates the consolidated entity's ability pay its debts as and when they become due and payable for a period of at least 12 months from the date of authorising the financial report for issue.

During the year, the company raised net cash of $5,135,361 from a share placement and a non-renounceable rights issue. In addition, there was a net cash capital contribution from non-controlling interests (Schuepbach Energy International LLC) of $502,563 to fund the drilling programme in Salto and Piedra Sola concessions in Uruguay.

The Group had cash outflows from operations in the period ending 31 December 2017 of $500,313 (2016: $695,059). The Group recorded a net loss after tax from operations of $19,968,209 for the six-month period to 31 December 2017 (2016: $ 1,007,907). The Group's net cash outflow from investing activities in the period ended 31 December 2017 was $7,908,150 (2016: $2,717,035). The Group's net current (liabilities) / assets as at 31 December 2017 were ($2,388,010) (30 June 2017: $2,932,244).

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the consolidated entity's ability to continue as a going concern over the next 12 months and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated entity has prepared a cash flow forecast, which indicates that it will not have sufficient cash from operations to meet its ongoing planned expenditure. The directors are confident, based on past performance, that they will be successful in their plan to raise further funds from issue of equity, the sale of non-core assets, partial sale of equity or farm-out of core tenements or other corporate activity designed to fund the Group's ongoing planned expenditure. As such, these financial statements have been presented on a going concern basis.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when the fall due.

2. Restricted Cash

In September 2017 the restricted Cash of USD1,000,000 (AUD1,275,670) letter of credit relating to New Force Energy Services Inc. drilling contract for the 4 well programme in Uruguay was released as the minimum spend requirement of USD1.5m (AUD1.9m) was met.

3. Exploration and evaluation expenditure

	Note	31 December 2017 $	30 June 2017 $
Movement During the Period / Year			
At beginning of period / year		29,339,971	22,873,852
Additions at cost period / year		9,958,951	7,257,163
Impairment charged to Statement of Profit and Loss in the current period		(18,966,734)	-
Movement in foreign currency translation		(345,243)	(791,044)
At end of period / year		**19,986,945**	**29,339,971**

The Company has recorded an impairment charge of $17,617,157 at 31 December 2017 after a review of the carrying value of its Uruguay project, being a part of the Uruguayan reportable segment. The impairment was triggered in part by the difference between project carrying value and the Company's market capitalisation as well as costs associated with delays in drilling activities and the Company has increased its stake in the project from 51% to 62.7%. The sale of up to 49.9% of the Spanish Tesorillo project in southern Spain gave rise to an impairment of $1,349,577 being parent company exploration expenditure, which was not able to be included in the Spanish subsidiary under the sale agreement. This impairment is a part of the Spanish reportable segment. The carried value has been determined on a successful efforts basis at cost.

4. Contributed equity

(a) Share capital

	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 $	30 June 2017 $
Ordinary shares (net of capital raising costs)	1,685,934,710	1,165,315,238	56,661,382	51,313,872

4. Contributed equity (continued)

(b) Movements in equity

Date	Details	Number of Shares	Issue Price	$
1 July 2017	Opening balance	1,165,315,238		51,313,872
31 August 2017	Exercise of options expiring on 30 August 2017	657,537	0.04	26,301
5 October 2017	Shares issued under the share placement	80,000,000	0.011	880,000
7 November 2017 – 24 November 2017	Issue of shares under non-renounceable rights issue	420,675,662	0.011	4,627,433
24 November 2017	Shares issued to Directors in lieu of fees and salary in according with shareholder approval at 23 November 2017 AGM	14,094,818	0.011	155,043
24 November 2017	Shares issued in payment of consulting services	5,191,455	0.011	57,106
		1,685,934,710		**57,059,755**
	Less: Transaction costs arising on share issue			(398,373)
31 December 2017	**Closing balance**			**56,661,382**

5. Options

Date	Details	Number of Options (Listed)	Number of Options (Unlisted)	Expiry Date	Exercise Price
1 July 2017	Opening balance	262,316,134	22,375,000		
31 July 2017	Expired		(1,500,000)	31 July 2017	$0.20
31 July 2017	Expired		(1,500,000)	31 July 2017	$0.23
30 August 2017	Exercised	(657,537)	-	30 August 2017	$0.04
30 August 2017	Expired	(261,658,597)	-	30 August 2017	$0.04
5 October 2017	Issue of options attached to shares placement issue	80,000,000	-	31 October 2018	$0.04
7 November 2017 – 24 November 2017	Issue of options attached to non-renounceable rights issue	420,675,662	-	31 October 2018	$0.04
24 November 2017	Issue of options attached to issue of shares to Directors in lieu of salary and fees	14,094,818	-	31 October 2018	$0.04
24 November 2017	Issue of options attached to shares issued in payment of consulting services	5,191,455	-	31 October 2018	$0.04
31 December 2017	**Closing balance**	**519,961,935**	**19,375,000**		

Options Reserve

The options reserve comprises the fair value of ordinary shares and options issued over ordinary shares of the Company relating to the Employee Incentive Plan. There was $12,091 of share-based payment expense for the six months to 31 December 2017, as a result, the option reserve carrying amount of $518,131 (June 2017: $506,040).

No shares or options under Employee Incentive Plan were issued in the six months to 31 December 2017.

6. Non-controlling Interests

On 7 December 2017, Petrel Energy Limited subscribed for US$3.04 million of additional units in Schuepbach Energy International LLC, which holds both the Uruguay and Spain projects, increasing its interest from 51% to 62.7%. This had the effect of diluting the non-controlling interest portion of equity by the acquired 11.7%.

The book value of the acquired interest was calculated at $2,066,034 and allocated to the parent through the accumulated losses account.

7. Contingencies

	31 December 2017 $	30 June 2017 $
Obligations under a bank corporate credit card facility with the bank	30,000	30,000
Bankers' guarantee issued as security for the performance by the Company of its obligations under a lease of office premises at Suite 604, 10 Bridge Street, Sydney	33,410	33,409
Letter of Credit of USD1,000,000 issued as a security for the performance by the Company of its obligation under a drilling contract in Uruguay.		
Released in current period, see note 2.	-	1,300,050
Totals	**63,410**	**1,363,459**

The above are all secured by a charge over term deposits lodged with bankers of a like amount.

8. Segment information

Identification of reportable segments

The consolidated entity has identified its operating segments based on the four geographical areas in which the consolidated entity operates. In Australia its central location, responsible for overseeing the company strategic direction, development, performance and capital management. In Alberta Canada the consolidated entity has a 40% - 60% working interest in the Lochend Cardium Project targeting tight oil. In Uruguay, the consolidated entity has a 62.7% interest in projects targeting oil and gas in the Piedra Sola and Salto concessions. In Cadiz Spain the consolidated entity has a 62.7% interest in the Tesorillo and Ruedalabola gas exploration licences.

Management has identified that exploration and development of oil & gas resources as the consolidated entity's only operating segment.

Revenue and profit and loss information of consolidated entity's operating segments

Consolidated	Australia $	Canada $	Uruguay $	Spain $	Total $
Six month ended 31 December 2017					
Revenue from external customers	-	-	-	-	-
Segment loss before income tax	(1,001,475)	-	(17,617,157)	(1,349,577)	(19,968,209)

Consolidated	Australia $	Canada $	Uruguay $	Spain $	Total $
Six month ended 31 December 2016					
Revenue from external customers	-	(1,078)	-	-	(1,078)
Segment loss before income tax	(1,006,829)	(1,078)	-	-	(1,007,907)

Assets information of consolidated entity's operating segments

Consolidated	Australia $	Canada $	Uruguay $	Spain $	Total $
Non-current assets					
31 December 2017	19,418	-	19,995,740	-	20,015,158
30 June 2017	174,440	-	26,476,673	2,725,457	29,376,570

9. Events occurring after the reporting date

The Directors are not aware of any matters or circumstances that have arisen since the end of the period that has significantly affected or may significantly affect the operations of the Company, the results of its operations or the state of its affairs, other than the following:

- On 28 February 2018 Schuepbach Energy Uruguay SRL (SEU), 62.7% owned by Petrel agreed with project drillers New Force Energy to settle $1.66m of outstanding drilling invoices in return for a 2% overriding royalty interest (ORRI) in the project. SEU has the option to buy back the ORRI for a 50% premium (ie $2.49m) within 12 months. If the buyback option is not exercised New Force Energy has the option to exchange the ORRI for a 10% working interest in the Uruguay project.
- On 1 March Petrel announced a non-renounceable rights issue of shares to raise up to $4.5m. The issue was made on the basis of two new shares for every three shares held at an Issue price of $0.004

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Petrel Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Petrel Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134

Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 12 March 2018