NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Petrel Energy Limited as a consolidated entity consisting of Petrel Energy Limited and the entities it controlled. Petrel Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year."

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The financial statements are presented in Australian dollars, which is Petrel Energy Limited's functional and presentation currency.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

(b) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Petrel Energy Limited ('Company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Petrel Energy Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. Petrel Energy Limited is the principal to its subsidiaries. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting if the acquisition is deemed to be a business combination. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

The acquisition of subsidiaries that are deemed not to be carrying on a business, and do not meet the conditions of AASB 3 *Business Combinations*, are recognised at cost and are treated as asset acquisitions depending on the nature of the assets acquired from the subsidiaries.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. Schuepbach Energy International LLC is a material non-controlling shareholder with 49% ownership of Schuepbach Energy International LLC. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

ii) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The consolidated entity's interests in joint operations are accounted for using the proportionate consolidation method of accounting. The consolidated entity's recognises its interest in the assets that it controls and the liabilities that it incurs and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint operations, classified according to the nature of the assets, liabilities, income or expense.

The consolidated entity discontinues the use of proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled operation.

(c) Foreign currency transactions

Foreign currency transactions during the year are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are converted at the rates of exchange current at that date. The gains and losses from translation of assets and liabilities, whether realised or unrealised, are included in profit or loss from ordinary activities as they arise.

Foreign subsidiaries

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(d) Revenue recognition

Net interest expense / revenue

Revenue or expense is recognised as interest accrued using the effective interest method.

Sale of oil & gas

The consolidated entity’s revenue is derived primarily from the sale of oil and gas. Sales revenue is recognised on the basis of the consolidated entity’s interest in a producing field, when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally the time of ship or truck loading, or on the product entering the pipeline. All revenue is stated net of the amount of Goods and Services Tax (GST).

(e) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and not expected to significantly affect the entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 and not expected to significantly affect the entity.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. In line with the International Accounting Standards Board's deferral of IFRS 15 from original application date beginning on or after 1 January 2017 due to consequential amendments to various other accounting standards from revenue standard. The consolidated entity will adopt this standard from 1 July 2018 and not expected to significantly affect the entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 July 2019. The standard replaces the current accounting requirements applicable to leases in AASB 117: Lease and related interpretations AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to classified as operating or finance leases. The main principle of the standard that an entity will recognise a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets); depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components; inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date; application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The directors anticipate that the adoption of AASB 16 will not significantly impact the Group's financial statements.

(f) Going Concern

These financial statements have been prepared on the going 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 a net cash amount of $7,169,040 from the rights issue and share placement. In addition, there was a net cash capital contribution from non-controlling interests (Schuepbach Energy International LLC) of $4,895,048 to fund for the drilling programme in Salto and Piedra Sola concessions in Uruguay.

The Group had a cash outflows from operations of $1,824,805 (2016: $1,410,783). The Group recorded a net loss after tax from operations of $2,056,516 for the year ended 30 June 2017 (2016: $ 1,818,718). The Group's net cash outflow from investing activities was $7,135,939 (2016: $2,311,330). The Group's net current assets were $2,932,244 (2016: negative $560,556).

NOTES TO THE FINANCIAL STATEMENTS

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 ability to reduce discretionary expenditure or raise further funds from issue of equity or sale of non-core assets or farm-out of core tenements or other corporate activity designed to fund the Group's ongoing planned expenditure. This is evidenced by the rights issue currently in the market which is underwritten for $3 million. 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.

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

2. FINANCIAL RISK MANAGEMENT

The consolidated entity's financial instruments consist of deposits with banks, financial assets held at fair value through profit and loss, and accounts payable.

The consolidated entity does not presently have any bills, preference shares, trade receivables, or derivatives.

Foreign exchange risk

The consolidated entity is exposed to changes in foreign exchange rates. At reporting date there is an exposure to USD 3,671,394 equivalent to AUD 4,770,694 (2016: USD 172,315 equivalent to AUD 229,253).

Credit risk and Liquidity risk

The consolidated entity has no significant concentrations of credit risk.

Liquidity risk is the risk the consolidated entity will experience difficulty in meeting current financial demands. The consolidated entity manages liquidity risk through ensuring it will maintain sufficient cash holdings to meet its liabilities as and when they fall due from day to day operations along with monitoring of cash flow forecasts by management in order to anticipate future cash requirements.

LIQUIDITY RISK TABLE	NON-INTEREST BEARING $	1 YEAR OR LESS $	1 TO 5 YEARS $	MORE THAN 5 YEARS $	FLOATING INTEREST RATE $	TOTAL$	WEIGHTED AVERAGE INTEREST RATE
CONSOLIDATED							
2017							
Financial liabilities							
Payables	1,552,023	1,552,023	-	-	-	1,552,023	-
Borrowings	-	429,840	-	-	-	429,840	7%
	1,552,023	1,981,863	-	-	-	1,981,863	-
2016							
Financial liabilities							
Payables	806,202	806,202	-	-	-	806,202	-
Borrowings	-	420,610	-	-	-	420,610	7%
	806,202	1,226,812	-	-	-	1,226,812	-

NOTES TO THE FINANCIAL STATEMENTS

Cash flow and fair value interest rate risk

The Company's cash and restricted cash are exposed to deposit interest rate risk. This risk is managed by the use of fixed term deposits over periods ranging from 30 to 180 days.

Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates and the effective weighted average interest rates on those financial assets, is as follows:

CONSOLIDATED 2017	WEIGHTED AVERAGE INTEREST RATE	FIXED INTEREST RATE MATURITY LESS THAN 1 YEAR $	NON-INTEREST BEARING $	TOTAL $
Financial assets				
Cash and cash equivalents	-	3,578,728	-	3,578,728
Other current assets	-	-	62,468	62,468
Restricted cash	0.42%	1,363,459	-	1,363,459
Total financial assets		4,942,187	62,468	5,004,655
Financial liabilities				
Trade and other payables	-	-	1,552,023	1,552,023
Borrowings	7%	429,840	-	429,840
Total financial liabilities		429,840	1,552,023	1,981,863

CONSOLIDATED 2016	AVERAGE INTEREST RATE	FIXED INTEREST RATE MATURITY LESS THAN 1 YEAR $	NON-INTEREST BEARING $	TOTAL $
Financial assets				
Cash and cash equivalents	0.42%	479,243	-	479,243
Other current assets	-	-	238,218	238,218
Total financial assets		479,243	238,218	717,461
Financial liabilities				
Trade and other payables	-	-	806,202	806,202
Borrowings	7%	420,610	-	420,610
Total financial liabilities		420,610	806,202	1,226,812

Financial instruments

(i) Derivative financial instruments

As at the date of this report, the consolidated entity does not have any derivative financial instruments.

(ii) Trade payables

Trade and sundry payables are expected to be paid as follows:

	CONSOLIDATED	
	2017 $	2016 $
Less than 6 months	1,552,023	806,202

(iii) Fair value measurement

The carrying amounts of cash and cash equivalents, other current assets and trade and other payables are assumed to approximate their fair values due to their short-term nature.

For borrowings, the fair values is not materially different to its carrying amounts, since the interest payable on the borrowings is close to current market rates and the borrowings are of a current nature.

Sensitivity analysis

Interest rate risk and foreign currency risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis

At 30 June 2017, the only item affected by a change in interest rate would be the cash on deposit.

	CONSOLIDATED	
	2017 $	2016 $
Interest rate risk sensitivity analysis change in loss before tax & equity		
Increase in interest rates by 0.25% (0.25%)	8,947	1,198
Decrease in interest rates by 0.25% (0.25%)	(8,947)	(1,198)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Foreign currency sensitivity analysis

As indicated under Market risk, the group is primarily exposed to changes in US/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated assets (i.e.; cash, exploration and evaluation assets).

	IMPACT ON TOTAL ASSETS		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2017	2016	2017	2016
US/AUD exchange rate – increase 10% (10%)	$3,398,948	$2,330,657	$3,214,758	$2,250,675
US/AUD exchange rate – decrease 10% (10%)	($3,398,948)	($2,330,657)	($3,214,758)	($2,250,675)

Assets and other equity have not been significantly sensitive to movements in the Australian and US exchange rate as a result of US dollar decreased by 3.45% (2016: increased by 3.42%).

Capital management

Management controls the capital of the consolidated entity in order to provide the shareholders with adequate returns and ensure that the consolidated entity can fund its operations and continue as a going concern.

Due to the nature of the consolidated entity's business, the Company's capital is limited to ordinary share capital.

There are no externally imposed capital requirements.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since commencement of operations. The consolidated entity does not presently have any borrowings.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of the future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Other than the estimated impairment of assets, there are no other current estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of assets

The consolidated entity tests at each reporting period whether assets have suffered any impairment.

Impairment of Cardium oil and Blackhawk gas assets:

At each reporting period the consolidated entity reassessed the carrying amount of its oil and gas assets for indicators of impairment such as changes in future prices, future costs and reserves. As a result, the recoverable amounts for Cardium oil assets, Erath gas assets and Blackhawk gas assets were formally reassessed, resulting in an impairment and the losses were recognised in:

	2017 $	2016 $
	ERATH	ERATH
Exploration and evaluation expenditure	-	13,518
	-	13,518

There was no impairment required on exploration and evaluation expenditure for the reporting period (2016: $13,518).

4. SEGMENT INFORMATION

The consolidated entity has identified its operating segments based on the five 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. Until mid-2015 the consolidated entity had two shale gas joint ventures with the Cumming Company, Inc in the Erath County in the United States of America. 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 51% interest in projects targeting oil and gas in the Piedra Sola and Salto concessions. In Cadiz Spain the consolidated entity has 51% 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.

Geographical information

CONSOLIDATED 2017	AUSTRALIA $	UNITED STATES OF AMERICA $	CANADA $	URUGUAY $	SPAIN $	TOTAL $
Revenue from external customers	-	-	-	-		-
Other income	-	-	8,128	-	-	8,128
Non-current assets	174,440	-	-	26,476,673	-	29,376,570
Segment Profit/(loss) before income tax	(2,064,644)	-	8,128	-	2,725,457	(2,056,516)

CONSOLIDATED 2016	AUSTRALIA $	UNITED STATES OF AMERICA $	CANADA $	URUGUAY $	-	TOTAL $
Revenue from external customers	-	(11,481)	(1,875)	-	-	(13,356)
Non-current assets	52,956	-	-	20,060,968	2,824,036	22,937,960
Segment loss before income tax	(1,791,843)	(25,000)	(1,875)	-	-	(1,818,718)

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

5. EMPLOYEE BENEFIT EXPENSES

	CONSOLIDATED	
	2017 $	2016 $
Superannuation defined contribution plan expense	43,077	44,415

6. INCOME TAX

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED	
	2017 $	2016 $
Loss from continuing operations before income tax expense	2,056,516	1,818,718
Tax benefit at the Australian tax rate of 27.5%(2016: 28.5%)	565,542	518,335
Tax effect of non-deductable expenses	157,472	(4,738)
Tax effect of equity raising costs debited to equity	(83,610)	52,605
Tax losses and temporary differences not bought to account	(639,404)	(566,202)
Income tax expense	-	-

(b) Tax losses

	CONSOLIDATED	
	2017 $	2016 $
Unused tax losses for which no deferred tax asset has been recognised	24,965,160	23,279,868
Potential tax benefit @ 27.5%(2016: 28.5%)	6,685,419	6,634,762

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

No amounts have been recognised for deferred tax on income losses as it is not yet probable that future taxable amounts will be available against which to utilise losses.

7. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2017 $	**2016 $**
Cash at bank and in hand	3,578,728	304,630
Deposits at call	-	174,613
Total cash balances	3,578,728	479,243

The deposits at call are bearing floating interest rates averaging Nil % per annum (2016: 0.42%).

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. OTHER CURRENT ASSETS

	CONSOLIDATED	
	2017 $	**2016 $**
Trade and sundry debtors	19,434	223,287
Prepayments	49,668	40,492
Interest receivable	445	398
GST receivable	42,989	14,931
	112,536	279,108

None of the trade and sundry debtors above are past due date (2016: nil).

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

9. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	2017 $	**2016 $**
Opening balance	22,873,852	20,289,640
Additions during the year at cost	7,257,163	2,260,723
Movement in foreign currency translation	(791,044)	323,489
Closing balance	29,339,971	22,873,852

NOTES TO THE FINANCIAL STATEMENTS

Exploration and evaluation expenditures incurred are accumulated in respect of each identifiable area of interest and are carried forward in the statement of financial position where:

(i) rights to tenure of the area and participating interest are current; and

(ii) one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not, at reporting date, yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the areas are continuing.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Accumulated expenditure on areas that have been abandoned, or are considered to be of no future economic benefit is written off in the year in which such a decision is made.

Expenditure relating to pre-exploration activities (such as for new venture work) is written off to the statement of profit or loss and other comprehensive income during the period in which the expenditure is incurred. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

10. PLANT AND EQUIPMENT

CONSOLIDATED	IT & OFFICE EQUIPMENT $	FURNITURE & FIXTURES $	LEASEHOLD IMPROVEMENT $	TOTAL $
As at 30 June 2017				
Cost or fair value	118,384	100,554	168,168	387,106
Accumulated depreciation	(109,756)	(99,244)	(141,507)	(350,507)
Net book amount	8,628	1,310	26,661	36,599
Reconciliation of movement in plant & equipment				
Opening net book amount	16,823	2,210	45,075	64,108
Additions	2,347	-	-	2,347
Depreciation charge for the year (i)	(10,190)	(867)	(18,414)	(29,471)
Movement in foreign currency translation	(352)	(33)	-	(385)
Closing net book amount	8,628	1,310	26,661	36,599

CONSOLIDATED	IT & OFFICE EQUIPMENT $	FURNITURE & FIXTURES $	LEASEHOLD IMPROVEMENT $	TOTAL $
As at 30 June 2016				
Cost or fair value	117,246	100,721	168,168	386,135
Accumulated depreciation	(100,423)	(98,511)	(123,093)	(322,027)
Net book amount	16,823	2,210	45,075	64,108
Reconciliation of movement in plant & equipment				
Opening net book amount	23,655	2,783	-	26,438
Additions	-	-	55,800	55,800
Depreciation charge for the year	(7,168)	(605)	(10,725)	(18,498)
Movement in foreign currency translation	336	32	-	368
Closing net book amount	16,823	2,210	45,075	64,108

(i) $4,195 of depreciation charge incurred during the year was capitalised.

NOTES TO THE FINANCIAL STATEMENTS

Plant and equipment is carried at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSETS	DEPRECIATION RATE
IT and office equipment	33.30%
Office furniture and fittings	20.00%
Leasehold improvements	20.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

11. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2017 $	2016 $
Trade payables	1,026,417	41,133
Other payables	525,606	765,069
	1,552,023	806,202

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are current and unsecured and are usually paid within 30 days of recognition.

12. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2017 $	2016 $
Provision for employee benefits – opening balance	92,095	52,446
Charge to profit or loss	48,521	39,649
Provision for employee benefits – closing balance	140,616	92,095

This provision relates solely to employee annual leave entitlements.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

13. BORROWINGS

	CONSOLIDATED	
	2017 $	2016 $
Promissory Note	429,840	420,610

Schuepbach Energy International LLC (SEI) has borrowed funds from its shareholders, in proportion to their shareholdings, in the form of an unsecured promissory note. These funds have been applied to a security deposit arrangement for Schuepbach Energy Uruguay SRL for its Salto and Piedra Sola concessions. The Petrel portion of the promissory note has been eliminated and the amounts owing to other SEI shareholders are recorded as borrowings.

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

14. CONTRIBUTED EQUITY

(a) Share capital

	2017 SHARES NUMBER	2016 SHARES NUMBER	2017 $	2016 $
Ordinary shares	1,165,315,238	530,055,993	51,313,872	43,758,913

Movements in share capital

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$
1 July 2016	Opening balance	530,055,993		43,758,913
05 September 2016 – 30 November 2016	Issue of shares under rights issue	519,632,268	$0.01	5,196,323
30 November 2016	Issue of shares under share placement to a Director, Mr David Casey in accordance with shareholder approval at 23 November 2016 AGM	1,000,000	$0.02	20,000
30 November 2016	Shares issued to Directors in lieu of fees and salary in accordance with shareholder approval at 23 November 2016 AGM	2,292,708	$0.03	68,781
30 November 2016	Shares issued to Directors in lieu of fees and salary in accordance with shareholder approval at 23 November 2016 AGM	23,012,500	$0.01	230,125
30 November 2016	Shares issued in payment of consulting services	6,301,440	$0.01	63,015
30 November 2016	Shares issued to a Director, Mr Alex Sundich for his participation in the rights issue in accordance with shareholder approval at 23 November 2016 AGM.	5,000,000	$0.01	50,000
06 January 2017	Issue employee incentive shares	3,400,000	$0.015	51,000
06 January 2017	Employee incentive shares – Treasure shares	-	-	(51,000)
14 February 2017	Shares issued in payment of consulting services	1,090,909	$0.022	24,000
09 May 2017	Share issued under the share placement to professional and other investors	73,529,420	$0.034	2,500,000
		1,165,315,238		51,911,157
	Less: Transaction costs arising on share issue			(597,285)
30 June 2017				51,313,872

NOTES TO THE FINANCIAL STATEMENTS

Movements in capital (2016)

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$
1 July 2016	Opening balance	462,854,328		41,810,125
31 July 2015	Issue of shares under share placement	18,888,893	$0.045	850,000
11 September 2015	Issue of shares under share purchase plan	5,555,542	$0.045	250,000
10 November 2015	Issue of shares under share placement to Directors in accordance with shareholder approval at 9 November 2015 AGM.	3,333,333	$0.045	150,000
11 February 2016	Shares issued under share placement to sophisticated and professional investors	30,250,000	$0.02	605,000
11 March 2016	Shares issued under share placement to sophisticated and professional investors	7,500,000	$0.02	150,000
14 March 2016	Shares issued in payment of consulting services	673,897	$0.03	20,217
15 April 2016	Issue employee incentive shares	1,000,000	$0.025	25,000
15 April 2016	Employee incentive shares – Treasure shares	-		(25,000)
		530,055,993		43,835,342
	Less: Transaction costs arising on share issue			(76,429)
30 June 2016				43,758,913

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The fully paid ordinary shares have no par value

Options

Listed

DATE	DETAILS	NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
1 July 2016	Opening balance					
05 September 2016 to 30 November 2016	Allot of options on rights issue of one option for every 2 shares subscribed	259,816,134	30 August 2017	4 cents	259,816,134	4 cents
30 November 2016	Allot of options to a Director, Mr Alex Sundich for his participation in the rights issue in accordance with shareholder approval at 23 November 2016 AGM of one option for every 2 shares subscribed	2,500,000	30 August 2017	4 cents	2,500,000	-
		262,316,134				4 cents

Unlisted

DATE	DETAILS	NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
1 July 2016	Opening balance	21,875,000				7.3 cents
30 November 2016	Allot of options to a Director, Mr David Casey for his participation in 5 February 2016 Share Placement in accordance with shareholder approval at 23 November 2016 AGM of one option for every 2 shares subscribed	500,000	31 January 2018	5 cents	500,000	0.1 cents
		22,375,000				7.2 cents

Options (2016)

DATE	DETAILS	NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
1 July 2015	Opening balance	3,000,000				21.5 cents
11 February 2016	Allot of options to sophisticated & professional investor of one option for every 2 shares subscribed	15,125,000	31 January 2018	5 cents	15,125,000	5 cents
11 March 2016	Allot of options to sophisticated & professional investor of one option for every 2 shares subscribed	3,750,000	31 January 2018	5 cents	3,750,000	5 cents
		21,875,000				7.3 cents

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends

There were no dividends paid or declared by the consolidated entity during the year (2016: nil).

15. OPTIONS RESERVE

CONSOLIDATED	OPTION RESERVE $
Opening balance at 1 July 2015	790,062
Share-based payment – Shares issued under EIP to contractors	4,251
Expired/vested options	(309,889)
Closing balance at 30 June 2016	484,424
Share-based payment – Shares issued under EIP to staff and contractors	21,616
Expired/vested options	-
Closing balance at 30 June 2017	506,040

NOTES TO THE FINANCIAL STATEMENTS

Fair value of shares issued under Employee Incentive Plan

The assessed fair value at grant date of shares issued under the Employee Incentive Plan during the year ended 30 June 2017 was 0.71 cents per share (30 June 2016 – 1.44 cents per share). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the issue price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for shares issued under the Employee Incentive Plan during the year ended 30 June 2017 included:

(a) exercise price: 1.5 cents (2016 – 2.5 cents)

(b) grant dates: 06 January 2017 (2016 – 14 March 2016)

(c) expiry dates: 05 January 2022 (2016 – 13 March 2021)

(c) term: 5 years, vesting between immediately to 1 year.

(d) spot price at grant date: 1.3 cents (2016 – 2.5 cents)

(e) expected price volatility of the company's shares: 67.5% (2016 – 67.5%)

(f) expected dividend yield: 0% (2016 – 0%)

(g) risk-free interest rate: 2.25% (2016 – 2.25%)

The expected price volatility is based on the historic volatility

When goods or services received are acquired in a share-based payment transaction, they are recognised as expenses or assets, as determined by the nature of the goods or services received, over the vesting period attached to the equity instrument acquired in the transaction. A corresponding increase is recognised in equity.

The goods or services are measured by reference to the fair value of goods or services received, or where this is not possible, indirectly, by reference to the equity instrument acquired. The fair value of the equity instrument is measured at grant date.

The parent entity offers interest free loans to employees and eligible persons (including directors) for terms of up to five years under the Employee Incentive Plan for subscription of shares, and under such loans, the parent entity holds a lien over the issued shares.

The issue of shares using the proceeds of any loan under the Employee Incentive Plan to employees and eligible parties (including directors) has been treated as an option grant.

	CONSOLIDATED	
	2017 $	**2016 $**
Opening balance 1 July	32,948,468	31,439,639
Expired/vested options	-	(309,889)
Net loss for the year	2,056,516	1,818,718
Closing balance 30 June	35,004,984	32,948,468

17. RELATED PARTY TRANSACTIONS

(a) Directors

The following persons were directors of Petrel Energy Limited during or subsequent to the financial period:

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

NOTES TO THE FINANCIAL STATEMENTS

(b) Other key management personnel compensation

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

Stephen Mitchell (resigned on 31 January 2017) – Corporate Adviser and Chairman of 51% owned subsidiary Schuepbach Energy International LLC.

Ian Kirkham Company Secretary and Chief Financial Officer

(c) Key management personnel compensation

	CONSOLIDATED	
	2017 $	**2016 $**
Salary & fees	589,060	594,981
Consultancy payments	245,770	331,828
Share based payments	6,194	20,217
Superannuation	39,394	39,530
	880,418	986,556

Detailed remuneration disclosures can be found in sections (a) to (c) of the Remuneration Report which forms part of the Directors' Report.

(d) Other transactions with key management personnel

(i) Stephen Mitchell

Stephen Mitchell is the Principal of Mawallok Pastoral Company. Petrel Energy Limited had engaged Mawallok Pastoral Company to provide Stephen Mitchell to act as a Chairman of the board of Schuepbach Energy International (51% owned by Petrel) and also as a consultant in the development of its international assets. Stephen Mitchell has resigned from his position on 31 January 2017.

	CONSOLIDATED	
	2017 $	**2016 $**
Amounts recognised as an expense		
SEI Chairman and Consulting services	20,625	123,750

(ii) Ian Kirkham Consulting

Ian Kirkham, a senior executive, is also the Principal of Minex CFO Services. Petrel Energy Limited has engaged Minex CFO Services to provide Company secretarial and accounting services on a part-time basis. The contract is based on normal commercial terms.

	CONSOLIDATED	
	2017 $	**2016 $**
Amounts recognised as an expense		
Accounting and secretarial services	225,145	228,295

The above amount has been included in the remuneration report.

NOTES TO THE FINANCIAL STATEMENTS

18. CONTINGENCIES

(a) Contingent liabilities/restricted cash

	CONSOLIDATED	
	2017 $	**2016 $**
Obligations under a bank corporate credit card facility with the Commonwealth Bank of Australia	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 303, 10 Bridge Street, Sydney	33,409	33,409
Letter of credit of US$1 million for a drilling contract with New Force Energy Services Inc., for the 4 well programme in Uruguay, which has a minimum spend requirement of $2.1m (US$1.5m) if the agreement is terminated prior to the programme's completion	1,300,050	-
Total	1,363,459	63,409

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

(b) Contingent assets

The consolidated entity has no contingent assets to report as at 30 June 2017 (2016: nil).

19. COMMITMENTS

Lease commitments - operating

	CONSOLIDATED	
	2017 $	**2016 $**
Commitments at reporting date but not recognised as liabilities, payable:		
Within 1 year	94,815	91,168
1 year or longer, but not longer than 5 years	32,015	126,830
Total	126,830	217,998

In connection with the drilling operations undertaken by the entity, the group is liable for demobilisation costs at the conclusion of drilling activities. Management have assessed the potential costs of this activity at $707,982 (USD$ 544,580).

20. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor:

	CONSOLIDATED	
	2017 $	**2016 $**
Audit services		
BDO – Audit and review of financial reports	45,000	41,500
Total	45,000	41,500

NOTES TO THE FINANCIAL STATEMENTS

21. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2017 $	**2016 $**
Loss for the year	(2,056,516)	(1,818,718)
Non-cash movement		
Depreciation	25,276	18,498
Shares issued to consultant	-	20,217
Impairment loss on Erath assets	-	13,518
Impairment loss on Blackhawk assets	-	-
Impairment loss on Cardium assets	-	-
Share based payment expenses	21,616	4,251
Foreign exchange gains	85,764	(20,311)
Movement in working capital		
(Increase) in other current assets	(39,059)	(19,447)
Increase in trade and other payables	138,114	391,209
Net cash outflow from operating activities	(1,824,805)	(1,410,783)

Non-cash transactions affecting investing and financing activities

(i) In December 2016, Schuepabach Energy International LLC issued 650 share units to Schuepbach International Holdings for equivalent amount of AUD448,632 (USD325,000) in lieu of salary to Martin Schuepbach.

(ii) In November 2016, there were 2,292,708 ordinary shares issued at $0.03 each to Directors in lieu of fees and salary of $68,781 in accordance with shareholder approval at 23 November 2016 AGM.

(iii) In November 2016, there were 23,012,500 ordinary shares issued at $0.01 each to Directors in lieu of fees and salary of $230,125 in accordance with shareholder approval at 23 November 2016 AGM.

(iv) In November 2016, there were 6,301,440 ordinary shares issued at $0.01 each in payment of $63,015 related to consulting services.

(v) In February 2017, there were 1,090,909 ordinary shares issued at $0.22 each in payment of $24,000 related to consulting services.

22. EARNINGS PER SHARE

	CONSOLIDATED	
	2017 $	**2016 $**
Loss from continuing operations attributable to the ordinary equity holders of the Company	2,056,516	1,818,718
Loss attributable to ordinary equity holders of the Company	2,056,516	1,818,718

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the parent entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(b) Diluted loss per share

Options issued to shareholders and related parties are considered to be potential ordinary shares if average market price during the period is above the exercise price and have been considered in the determination of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account of the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(c) Reconciliation of earnings used in calculating earnings per share

	CONSOLIDATED	
	2017 $	**2016 $**
Basic earnings per share / Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	2.056,516	1,818,718
Loss attributable to ordinary equity holders of the Company	2.056,516	1,818,718

(d) Weighted average number of shares used as the denominator

	2017 NUMBER	**2016 NUMBER**
Weighted average number of shares used as denominator in calculating:		
Basic earnings per share	937,244,169	500,757,335
Diluted earnings per share	937,244,169	500,757,335

23. PARENT ENTITY INFORMATION

	PARENT ENTITY	
	2017 $	**2016 $**
Loss after income tax	1,996,732	1,793,718
Total comprehensive loss for the year	1,996,732	1,793,718
Statement of financial position		
Total current assets	412,211	886,870
Total assets	17,480,609	12,148,571
Total current liabilities	235.370	483,175
Total liabilities	235,370	483,175
Equity		
Issued capital	51,313,872	43,758,913
Option reserve	506,040	484,424
Accumulated losses	(34,574,673)	(32,577,941)
Total equity	17,245,239	11,665,396

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

Contingent liabilities

The consolidated entity had contingent liabilities as at 30 June 2017 and 30 June 2016 as detailed in Note 18(a).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1. In addition, investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTES TO THE FINANCIAL STATEMENTS

24. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

SUBSIDIARIES	PLACE OF INCORPORATION	2017 INTEREST %	2016 INTEREST %	PARENT
Petrel Energy (Operations) Pty Ltd	Victoria, Australia	100	100	Petrel Energy Limited
Petrel Energy (Investments) Pty Ltd	Victoria, Australia	100	100	Petrel Energy (Operations) Pty Ltd
Petrel Energy Texas Exploration LLC	Austin Texas, USA	100	100	Petrel Energy (Operations) Pty Ltd
Petrel Energy Louisiana Exploration LLC	Baton Rouge, Louisiana, USA	100	100	Petrel Energy (Operations) Pty Ltd
Schuepbach Energy International LLC	Dallas Texas, USA	51	51	Petrel Energy Limited

The shares held in the subsidiaries are ordinary shares.

25. INTERESTS IN JOINT OPERATIONS

The consolidated entity has the following participating interests in joint operations with principal activities of oil & gas exploration. The joint operations are not separate legal entities and are contractual arrangements between the participants for the sharing of exploration and development costs, and output.

	INTEREST	
JOINT OPERATIONS	2017 $	2016 $
Cardium, Alberta, Canada	40-60	40-60
Tesorillo Cadiz, Spain (held via 51% interest in Schuepbach Energy International LLC.)	51	51
Ruedalabola Cadiz, Spain (held via 51% interest in Schuepbach Energy International LLC.)	51	51

26. SUBSEQUENT EVENTS

No matter has arisen in the interval since 30 June 2017 that has 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.

a) After slow progress was made drilling the basalt at surface in Cerro Padilla-1 drilling operations were temporality suspended with 10m of basalt remaining after experiencing some unexpected delays with retrieval of a parted drill string. When operations recommence they will focus on retrieval of the drill string and completion of the wells.

b) On 28 September 2017 an $880,000 placement was completed consisting of 80m shares at 1.1c per share and 80m facilitation options (which are subject to shareholder approval) exercisable at 4¢ expiring 31 October 2018.

c) On 28 September 2017 Petrel commenced a partially underwritten Non-Renounceable Entitlement Offer to raise up to $4.6 million. The Rights Issue at 1.1c per share is on a 1:3 basis and has an attached 1:1 option exercisable at 4¢ expiring 31 October 2018.

27. CORPORATE INFORMATION

The financial report of Petrel Energy Limited for the period ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 29 September 2017.

Petrel Energy Limited is a public company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange. The directors have the power to amend and re-issue the financial report.