

AUDIT COMMITTEE REPORT

The Audit Committee, which is chaired by Nicholas Gay is currently comprised of three Non-Executive Directors, the other members being Alan Parsley and Neeve Billis. The Committee met four times during the year with full attendance and had sufficient resources to undertake its duties. The membership of the Committee changed throughout 2014 and early 2015 and these changes can be summarised as follows:

- Hugh McCutcheon (Chairman, resigned 4 July 2014)
- Alan Parsley
- James Agnew (Chairman from 4 July 2014 until resignation on 11 January 2015)
- Ian Craig (Interim Chairman 11 January 2015 to 19 March 2015)
- Don Wolcott (appointed 4 July 2014, resigned 27 February 2015)
- Nicholas Gay (appointed to Committee and Chairman from 19 March 2015)
- Neeve Billis (appointed to Committee from 19 March 2015)

For a short period of time in 2015, the Audit Committee did not have any members with recent and relevant financial experience due to the resignation of James Agnew, a Chartered Accountant, on 11 January 2015. This was recognised by the Board and Committee and following the EGM in February 2015, Nicholas Gay, a Chartered Accountant with recent and relevant financial experience, was appointed as Chairman of the Audit Committee on 19 March 2015.

Responsibilities

The terms of reference of the Audit Committee are detailed on the Company website (www.petroceltic.com) and take into account the terms of the UK Code.

The duties of the Committee include:

- to monitor the integrity of the financial statements of the Group and to review the accounting principles, policies and practices adopted in preparing the financial statements;
- to monitor the adequacy and effectiveness of internal control principles and risk management;
- to provide the Board with an assurance that the financial statements are presented appropriately;
- to recommend the appointment (or re-appointment) of the external auditor and to assess annually their independence, performance, remuneration and terms of engagement;
- to ensure that the Company's Whistleblowing Policy is adequate and sufficient; and
- to review the need for an internal audit function.

In addition, the external auditor has the opportunity to meet with the Audit Committee without executive management present at least once a year and the Committee invites relevant senior management to attend certain meetings.

Main activities of the Committee throughout the year

In March and April 2014, the Committee met to discuss the year end results for 2013, the presentation of the financial statements on a going concern basis and the audit process. The Committee, after due consideration and discussion with the auditor, agreed that the Annual Report and financial statements, taken as a whole provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Committee met again in September 2014, to discuss the Half Year Report and finally, in December, the Committee met to review the audit strategy and scope for the 2014 audit.

The meeting in January 2015 agreed the audit fees and provided an update on the audit process.

In April, May and June 2015, the Committee met to discuss and review the year end results for 2014, the presentation of the accounts on a going concern basis and the audit process to that point. The Committee, after due consideration and discussion with the auditor, agreed that the Annual Report and financial statements, taken as a whole provide the information necessary for shareholders to assess the Group's performance, business model and strategy. The 2014 financial statements were approved by the Board on 29 June 2015.

Going concern

At each reporting date, the Committee reviews the basis on which the financial statements are prepared and ensures that management's conclusions regarding the use of the going concern principles is justified. Having reviewed cash flow projections based on the assumptions detailed in note 1c on page 67, discussed these with Group personnel and taken appropriate advice, the Audit Committee has recommended to the Board that the Group continues to use the going concern basis in preparing the financial statements. See note 1c on page 67 and the Directors Report on page 37 for further information.

Assessment of External Audit

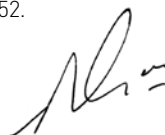
The Committee considers how to maintain an appropriate relationship with the Company's auditor and, at the conclusion of each year's audit process, the Committee conducts a formal evaluation of the audit team's performance covering areas from audit planning and approach, through to understanding of the business and quality of work. There is no obligation to put the external audit contract out to tender. However, the Committee is aware of its responsibility to focus on the audit requirements and ensure that these are met and are in the best interests of the Company.

Auditor Independence

At each Audit Committee meeting, the independence of the audit team is discussed and confirmed and any fees in respect of non-audit services provided by external auditors, are approved by the Committee in order to safeguard the external auditor's independence and objectivity.

Business Ethics and Whistleblowing Policy

The Group has a Business Ethics Policy and a Whistleblowing Policy in place. These are described more fully in the Corporate Governance Statement on page 52.



Nicholas Gay

Director and Chairman of the Audit Committee
29 June 2015