

DIRECTORS' REMUNERATION REPORT

Introduction

This report has been prepared on a basis consistent with the requirements of the UK Directors' Remuneration Report Regulations 2008 which set out requirements for the disclosure of Directors' remuneration, and also with the requirements of the Listing Rules of the Financial Conduct Authority ("FCA") and the guidelines within the UK Corporate Governance Code 2012. The Company has noted the introduction in the UK of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Regulations"). The Company is not required to comply with the Regulations but it continues to monitor the application of the Regulations with a view to future compliance.

Remuneration committee

The members of the Remuneration Committee ("the Committee") at 31 December 2014 were Alan Parsley (Chairman), Ian Craig and Joe Mach, all of whom were Non-Executive Directors. The Committee met three times during the year with full attendance. The current composition of the Committee is Alan Parsley (Chairman), Ian Craig and Neeve Billis, all of whom are independent Non-Executive Directors. The remit of the Committee is, primarily, to recommend for decision by the Board the remuneration of individual Executive Directors and other Executive Committee members and to review share incentive plans for approval by the Board and shareholders. The full terms of reference for the Committee are available on the Company's website (www.petroceltic.com) and will be available for inspection at the AGM. In summary, the Board has delegated the following responsibilities to the Committee:

- remuneration policy: salary, performance related remuneration, benefits, pension contributions;
- Directors' service contracts, terms of reference and amendments thereto; and
- grant of, and amendment to, share options or awards under the Performance Share Plan and Share Option Plan.

The Committee will, when appropriate, seek external independent remuneration advice from the Company's remuneration advisers, MM&K Limited ("MM&K"), either on a specific project basis or for ad hoc advice. MM&K is independent from, and provides no other services to, the Group. During 2014, MM&K was specifically engaged by the Company to advise, inter alia, on share option plans and director and senior management remuneration.

The Chairman and other Directors may be invited to attend meetings of the Committee but do not take part in any decision.

Remuneration policy

It is the Company's policy that the levels and structure of remuneration of the Executive Directors and other members of the Executive Committee should (i) encourage the alignment of the objectives of management and shareholders; (ii) reflect individual responsibilities and qualifications; (iii) encourage loyalty to the Company; (iv) reward good performance; and (v) be comparable with other companies of a similar size in the sector.

The objective of this policy is to provide a level of remuneration that is sufficient to attract, retain and motivate high quality executives to run the Company successfully. To ensure that alignment exists between delivery of the Company's strategy and business plan and shareholder expectations, a significant proportion of remuneration is linked to long and short term performance objectives.

The Committee undertakes an annual external and independent review of remuneration levels in order to determine that these policies are being adhered to, and such a review was completed during 2014. The employment conditions and pay of employees of the Group are taken into consideration when Directors' remuneration is determined.

The remuneration of the Executive Directors comprises salary, contributions to personal pension schemes, annual bonus and awards under the Performance Share Plan. Executive Directors are also covered under the Group's health and life insurance plans.

Further details about the Group's share options plans are described in note 21 to the financial statements.

Base salary and annual bonus

In setting remuneration levels, the Remuneration Committee takes into consideration the remuneration practices of other companies of similar size operating in the oil and gas sector. The objective is to retain the services of high quality staff and to motivate them to perform in the best interests of the Company and shareholders. Account is taken both of the performance of the individual and general market practice. When setting salaries each year, due account is also taken of the salary awards made in the wider workforce.

The guideline used to monitor executive base salaries is that they should be approximately at the median of a comparator group of at least 10 UK and Irish listed oil and gas companies for which Petroceltic is approximately at the median of a set of parameters characterising the scope and complexity of the management challenge. The companies and parameters are selected by MM&K and reviewed annually by the Remuneration Committee to ensure their continuing relevance as required by changing circumstances. Base salaries for Executive Directors are unchanged for 2014 (and 2013) and remain below the median of the comparator group.

Executive Directors (and other members of the Executive Committee) may be awarded an annual cash bonus as determined by the Remuneration Committee upon delivery of corporate and personal objectives which exceed targets set based on the business plan of the Group. For 2014, the corporate bonus targets and their relative weightings were: attainment of stated production levels (15%); financial and financing targets (15%); corporate and project objectives in Algeria (15%); health, safety, environmental and social targets (10%); 100% reserves/resources replacement ratio (10%); Egyptian receivables target (10%); listing on LSE Main Market (10%); portfolio management (10%) and material exploration success (5%).

The Remuneration Committee assessed the performance of the Company with reference to these objectives and concluded that since a number had been achieved an annual bonus would be payable. However, in the light of the Company's circumstances and general market conditions, the Committee recommended and the Board determined that no annual bonuses would be paid based on corporate or personal performance to Executive Directors or staff. The Committee may, if appropriate, reconsider payment of bonuses related to personal performance later this year.

For 2015, the corporate bonus targets reflect the revised Company strategy and focus on the Ain Tsila project in Algeria and the financial security of the Group. The principal targets and relative weightings are: project objectives in Algeria (25%); financing targets (25%); attainment of stated production levels (15%); health, safety, environmental and social targets (10%) and portfolio divestment targets (10%).

In 2014, the Remuneration Committee deferred part of the bonuses paid to four executives in relation to performance against 2013 objectives according to the provisions of the Deferred Bonus Plan (approved at the 2013 AGM). However, it has not been possible during the year to grant compulsory deferred shares in lieu of bonus payments (due to close periods) and the Committee agreed to settle the outstanding amounts due in cash.

Pension contributions

Pension contributions equivalent to 10% of basic salary are made on behalf of the Executive Directors to money purchase personal pension schemes on a defined contribution basis.

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Individual aspects of remuneration

Directors' remuneration, excluding share-based payments, during the year ended 31 December 2014 was as follows:

	Salary	Bonus	Fees	Pension	Healthcare	2014 Total	2013 Total
	\$	\$	\$	\$	\$	\$	\$
Brian O'Cathain	627,747	-	-	62,775	13,034	703,556	871,397
Tom Hickey**	227,982	-	-	22,453	3,273	253,708	583,090
David Thomas** & ***	336,939	-	-	-	1,455	338,394	797,710
Robert Adair	-	-	198,320	-	-	198,320	187,296
Hugh McCutcheon**	-	-	100,731	-	-	100,731	92,554
Robert Arnott**	-	-	74,942	-	-	74,942	70,236
James Agnew	-	-	82,633	-	-	82,633	78,040
Alan Parsley	-	-	74,370	-	-	74,370	70,236
Ian Craig*****	-	-	82,633	-	-	82,633	22,512
Joe Mach*	-	-	36,732	-	-	36,732	-
Don Wolcott *	-	-	36,732	-	-	36,732	-
	1,192,668	-	687,093	85,228	17,762	1,982,751	2,773,071

Note: no long term incentive awards vested during the year

Note: Non executive fees are paid in currencies other than US\$, and so variances from 2013 levels are due to currency fluctuations

* Appointed on 4 July 2014, resigned 27 February 2015

** Resigned as Director on 4 July 2014

*** David Thomas received salary in lieu of pension equivalent to 10% of base salary

*****Appointed in 2013

No bonuses have been awarded in respect of 2014 performance.

Your attention is drawn to the details of the share awards that have been granted to the Executive Directors as set out below. In accordance with IFRS 2, Share-based Payment, a further expense of \$0.9m (2013: \$1.4m) has been recognised in the Consolidated Income Statement in respect of share awards granted to Executive Directors.

Performance Share Plan ("PSP")

The PSP, introduced in 2013 following advice received from MM&K and approved by shareholders at the AGM held that year, has, as its principal aim, a structure which incentivises senior management to deliver on the strategic plan for the Company and thus to align them with shareholders. The PSP takes due account of current best practice and good corporate governance principles.

The policy adopted by the Committee has been to make annual awards under the PSP immediately following publication of the interim results, over whole shares worth between 40% and 150% of base salary according to seniority. In 2014 the actual grant of shares awarded in September was delayed until December because the company was in a close period. In exceptional circumstances (eg recruitment) the Committee may make higher awards up to a ceiling of 200% which will be reported in the Annual Report (none in 2014). The vesting of the award shall be conditional on the satisfaction (or extent of satisfaction) of the applicable performance conditions. The awards normally vest three years after grant but only to the extent that the performance conditions are met.

The performance condition for awards made in 2014 were based on the Company's relative total shareholder return ("TSR": share price growth plus reinvested dividends) performance, measured over a three year vesting period. In the event of a change of control of the Company, the Remuneration Committee will consider whether and the extent to which the performance condition has been met when determining if the awards will vest in whole or in part.

The relative TSR condition compares Petroceltic's TSR over the performance period with the TSRs of a group of selected quoted company comparators. The full comparator group comprises: Afren plc, Bankers Petroleum Ltd, Bowleven plc, Cairn Energy plc, Circle Oil plc, Falkland Oil & Gas Limited, Genel Energy plc, Gulf Keystone Petroleum Limited, Gulfsands Petroleum plc, Ithaca Energy Inc, JKK Oil & Gas plc, Premier Oil plc, Providence Resources plc, Rockhopper Exploration plc, Soco International plc, Sterling Energy plc and Xcite Energy Limited.

For all awards granted in 2014, Petroceltic must achieve a TSR of at least the median of a ranking of the TSR of each of the members of the comparator group over the performance period. If so, the PSP award will vest as follows:

Rank of Petroceltic's TSR against the TSR of members of the comparator group	% of the award that vests
Equal to or greater than the upper quartile	100%
Between median and upper quartile	On a straight line basis between 25% and 100%
Equal to median	25%
Below median	0%

The Committee will determine whether the TSR calculation (determined by an external advisor) gives a fair reflection of the financial performance of the Company and will report any concern to the Board.

In the event that and to the extent that the performance condition is not met, the PSP award will lapse immediately.

The PSP awards granted to Directors under the PSP in 2014 and 2013 are detailed below:

Director name	Award grant date	Granted in year	Share price at date of award Stg pence	% of salary	Normal vesting date	Expiry date
Brian O'Cathain	12-Dec-14	437,592	134	150%	12-Dec-17	12-June-18
Brian O'Cathain	16-Sep-13	391,688	151.7	150%	16-Sep-16	16-Mar-17
Tom Hickey	12-Dec-14	256,211	134	125%	12-Dec-17	12-June-18
Tom Hickey	16-Sep-13	218,413	151.7	125%	16-Sep-16	16-Mar-17

Other share schemes

Before the introduction of the PSP in 2013, Executive Directors and senior management were eligible for grants of share options, initially under the "2004 Incentive Share Option Scheme" and thereafter under the "2009 Share Option Plan". Awards are no longer made under these schemes although some historical awards remain outstanding. The options granted under these schemes, may only be exercised if pre-determined growth rates in the Company's share price are achieved. Full details of these schemes are contained in note 21 to the financial statements.

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The number of options outstanding to Directors under these schemes as at 31 December 2014 was as follows:

Director name	Options held at 31 Dec 2013	Grant date	Exercised during the year	Lapsed during the year	Options held at 31 Dec 2014	Exercise price Stg pence	Expiry date
2004 Incentive Scheme							
Brian O'Cathain (Standard options)	211,268	26-Mar-07	-	211,268	-	-	-
Brian O'Cathain (Super options)	211,268	26-Mar-07	-	211,268	-	-	-
Brian O'Cathain (Standard options)	200,000	26-Aug-08	-	-	200,000	160.00	25-Aug-15
Brian O'Cathain (Super options)	200,000	26-Aug-08	-	-	200,000	160.00	25-Aug-15
2009 Incentive Scheme							
Brian O'Cathain	300,000	14-Jul-09	-	-	300,000	222.50	14-Jul-16
Brian O'Cathain	608,000	10-Jun-11	-	-	608,000	285.00	10-Jun-18
Tom Hickey	652,000	10-Jun-11	-	-	652,000	285.00	10-Jun-18
Brian O'Cathain	416,000	6-Nov-12	-	-	416,000	169.50	6-Nov-19
Tom Hickey	300,000	6-Nov-12	-	-	300,000	169.50	6-Nov-19

The Executive Directors have not been granted any options between the year end and 29 June 2015.

The Company's share price during the year ranged from 98.5p at the minimum to 224.0p at the maximum. During 2014, no share options were exercised.

In addition, the Company introduced an employee share option plan ("SOP") in 2013, approved by shareholders at the AGM on 30 May 2013. The SOP is offered to Petroceltic staff but not to Executive Directors or other members of the Executive Committee, as these individuals are eligible for awards under the PSP.

The rules of all the Company's share option schemes are available for inspection at the registered office of the Company on request and will be on display at the Company's AGM.

Directors' interests in transactions

There have been no contracts or arrangements of significance during the year in which Directors of the Company were interested. Related party disclosures are set out in note 22 to the financial statements.

Service contracts

The terms and conditions of employment of all the Executive and Non-Executive Directors are available for inspection at the Company's registered office and will be available for inspection at the AGM.

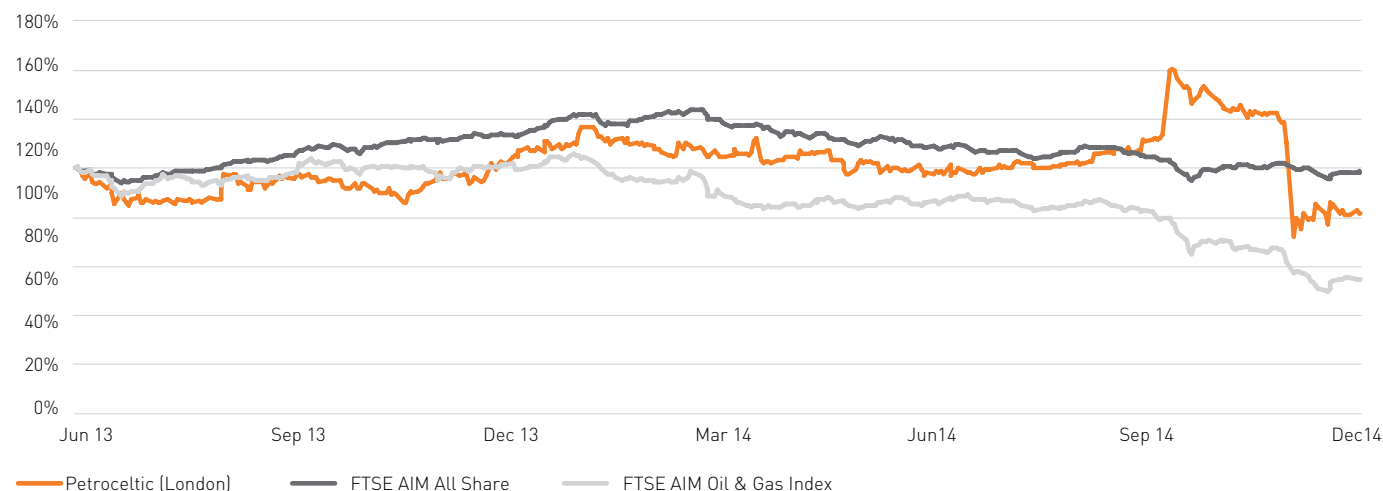
The service contracts of all Executive Directors are rolling twelve month contracts from the date they were entered into with a notice period of twelve months. The date of appointment of the Executive Director is as follows: Brian O'Cathain, 24 April 2007. David Thomas and Tom Hickey resigned as Executive Directors on 4 July 2014; Tom Hickey was subsequently re-appointed on 23 March 2015. David Thomas resigned his executive position with the Group on 10 April 2015.

Non-Executive Directors

The dates of appointment of the Non-Executive Directors to the Board of Petroceltic (or Melrose Resources prior to the merger) are as follows: Robert Adair, 10 October 2012 (10 June 1996); Ian Craig, 16 September 2013; Alan Parsley, 10 October 2012, [27 November 2008]; Neeve Billis, 26 February 2015; and Nicholas Gay, 26 February 2015. Joe Mach and Don Wolcott were both appointed on 4 July 2014 and both resigned on 27 February 2015. The Non-Executive Directors receive a fixed fee only by way of remuneration, and no ancillary benefits, incentive arrangements, or share option scheme participation is offered. The level of this fixed fee is determined by the Chairman and Executive Directors with reference to external industry and sector remuneration surveys taking account of the level of work and time commitment that the position entails.

Total Shareholder Return

The TSR of the Company since the PSP was approved in June 2013, relative to the FTSE AIM Oil and Gas Index and FTSE AIM All Share indices, based on closing values for each trading day, is shown below:



This graph shows the value, by 31 December 2014, of £100 invested in Petroceltic plc on 1 June 2013 compared with the value of £100 invested in the FTSE AIM Oil and Gas Index and the FTSE All Share Index on the same date.

For and on behalf of the Board

Dr Alan Parsley

Director and Chairman of the Remuneration Committee
29 June 2015