

CORPORATE GOVERNANCE STATEMENT

The Board of Petroceltic International plc is firmly committed to business integrity, high ethical values and professionalism in all of its activities and operations. It is therefore committed to maintaining the highest standards of corporate governance. As an AIM/ESM listed company, Petroceltic is not required to, and does not, report on its application of the UK Corporate Governance Code ("the UK Code") as issued by the Financial Reporting Council in 2014. However, the Board has undertaken to design appropriate corporate governance arrangements having regard to best practice, taking into account the size of the Group and nature of its activities. The UK Code was revised and replaced in September 2014, for reporting periods beginning on or after 1 October 2014, and it is the Board's intention to consider its future corporate governance policies with regard to the changes contained therein. This Corporate Governance Statement, together with the Directors' Remuneration Report on pages 40 to 53, describe the corporate governance arrangements currently in place.

The Board

Role of the Board

The Board is responsible for presenting a fair assessment of the Group's position and prospects and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board is also collectively responsible for the success of the Group and is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. In order to achieve this, the Board directs and monitors the Group's affairs within a framework of prudent and effective controls which enable risk to be assessed and managed effectively. The Board sets the Group's strategic aims and reviews management and financial performance, ensuring all necessary resources are in place to achieve these aims. The Chairman encourages proper debate at Board meetings, inviting Non-Executive Directors to provide constructive challenge. All Directors are expected to faithfully, efficiently, competently and diligently perform their duties and act in what they consider to be the best interests of the Company and Group, consistent with any statutory requirements.

The Board has a formal schedule of matters specifically reserved to it for decision. Business matters which are considered to be of a routine operational nature and which are below a certain size threshold are delegated to executive management. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary ensures that Directors receive an appropriate induction to the Company and that the Board has access to appropriate and regular professional skills and knowledge development.

Composition

The Board is currently comprised of seven Directors: two Executive Directors and five Non-Executive Directors. The biographies of all the Directors appear in this Report on pages 34 and 35. In the context of the international nature of the Company's activities, it is considered that each of the Directors holds an extensive array of experience in the oil and gas industry. Historically, there has been a good balance of commercial, financial and technical skills which are appropriate to the requirements of the business with due regard to diversity, and there is a clear division of responsibilities between the Board members responsible for the running of the Company's business. The roles of Chairman and Chief Executive are separate and there is a clear division of responsibilities between them. Each Director is proposed for re-election every year and each new Director is subject to election at the first Annual General Meeting after appointment.

When reviewing the balance and independence of the Board, the Board has had regard to the UK Code. During the year, Joe Mach and Don Wolcott were appointed as Non-Executive Directors as a result of a shareholder agreement with Worldview which also resulted in Tom Hickey, David Thomas, Hugh McCutcheon and Robert Arnott leaving the Board. Following these changes to the Board, the Board comprised one executive director, Brian O'Cathain, three independent Non-Executive Directors (James Agnew, Alan Parsley and Ian Craig), two Non-Executive Directors nominated by a shareholder (Joe Mach and Donald Wolcott) and a non-executive Chairman (Robert Adair) representing a shareholder. Subsequently, one independent Non-Executive Director, James Agnew, resigned. The Group recognised that the composition of the Board was, therefore, not in full compliance with the UK Code and actively addressed this through resolutions proposed by the Company at the Extraordinary General Meeting held on 25 February 2015, following which two new independent Non-Executive Directors, Neeve Billis and Nicholas Gay, were appointed following shareholder resolutions. On 27 February 2015, Joe Mach and Donald Wolcott resigned. In addition, Tom Hickey was re-appointed to the Board as Chief Financial Officer on 23 March 2015. It is now considered that the current composition of the Board of Directors is appropriate for the Group.

Four of the current directors, Alan Parsley, Ian Craig, Nicholas Gay and Neeve Billis, are considered by the Board to be independent. Neeve Billis has been appointed as the Senior Independent Director.

Board meetings

The Chairman ensures that the Board meets for regular scheduled meetings to review the Group's operations and trading performance, to set and monitor strategy, and to consider business development initiatives. The Board will also meet for unscheduled meetings if there are specific matters which require Board discussion. The Company Secretary ensures that the Board receives Board papers, including an agenda and supporting documentation, in advance of these meetings. Minutes of previous meetings are distributed in a timely fashion for review and any concerns are recorded therein.

The Board met formally on 13 occasions during 2014. The following is a table of attendance at Board and Committee meetings:

Name	Full Board meetings	Remuneration Committee meetings	Audit Committee meetings	Nominations Committee meetings
Robert Adair	13/13			1/1
Hugh McCutcheon **	8/8		2/2	1/1
Brian O'Cathain	13/13			1/1
Tom Hickey ^^	8/8			
David Thomas **	8/8			
James Agnew ^	13/13	3/3	4/4	1/1
Rob Arnott **	6/8	1/1		1/1
Ian Craig+	11/13		4/4	
Alan Parsley+	12/13	3/3	4/4	
Joe Mach*	5/5	2/2		
Don Wolcott*	5/5		2/2	
Total meetings held	13	3	4	1

* appointed to the Board and Committees on 4 July 2014, resigned 27 February 2015

+ Board meetings missed due to pre-arranged vacation with meeting having been arranged at short notice

** resigned from the Board on 4 July 2014

^^ resigned from the Board on 4 July 2014, reappointed on 23 March 2015

^ resigned from the Board on 11 January 2015

The Directors had full and timely access to information necessary to enable them to discharge their duties. The Chairman ensures that senior management are available and may ask them to attend part of the meeting to provide further appropriate and timely information as required. The Directors are also able to take independent professional advice if this will facilitate the decision-making process.

Board committees

The following committees deal with specific aspects of Group affairs, each committee has written terms of reference approved by the Board and sufficient resources to undertake their duties. Please see the report of the Audit Committee on page 54 and 55.

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Remuneration Committee

Chaired by Dr Alan Parsley, the Remuneration Committee is currently comprised of three Non-Executive Directors, the other members being Ian Craig and Neeve Billis. During 2014, the Remuneration Committee comprised of three Non-Executive Directors being Dr Alan Parsley, James Agnew and Robert Arnott until his resignation in July 2014 when he was replaced by Joe Mach (following his appointment in July 2014). All members are independent of management. The committee determines the contract terms, remuneration and other benefits of the Executive Directors, together with awards under any share option scheme or performance share plan. None of the Executive Directors is involved in deciding his own remuneration. Full details are given in the Directors' Remuneration Report section of the Annual Report and Accounts. The terms of reference of the Remuneration Committee are detailed on the Company website (www.petroceltic.com). The Committee met three times during the year with full attendance.

Nominations Committee

Chaired by Robert Adair, the Nominations Committee is currently comprised of five Directors, the other members being Brian O'Cathain, Ian Craig, Neeve Billis and Nicholas Gay, and is responsible for identifying and proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. During 2014, the Nominations Committee comprised of four/five Non-Executive Directors being Robert Adair, Brian O'Cathain, James Agnew and Hugh McCutcheon and Robert Arnott until their resignation in July 2014 when they were replaced by Don Wolcott (following his appointment in July 2014). The Nominations Committee will regularly consider succession planning for Directors and other senior executives, and make recommendations to the Board with regard to membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee. Although the Nominations Committee is now deemed to be independent of management, it is recognised that there was a period of time during 2014 in which a majority of members of the Nominations Committee were not independent Non-Executive Directors. The Company engaged the services of an independent external recruitment agent, Preng & Associates, to seek external independent Non-Executive Directors and following an extensive search and interview process put forward Neeve Billis and Nicholas Gay for consideration by the Nominations Committee and the Board. Following the EGM held on 25 February 2015, Mr Billis and Mr Gay were appointed to the Board, having had the resolutions to elect them approved by shareholders. The terms of reference of the Nominations Committee are detailed on the Company website (www.petroceltic.com). The Committee met once during the year with full attendance.

Diversity policy

Petroceltic has a Diversity Policy in place which seeks to ensure that there is no discrimination against employees or consultants on the basis of their gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age. The Company will also seek to accommodate the religious observations and beliefs of all workers and consultants. The principle of non-discrimination and equality of opportunity applies equally to the treatment of former workers, visitors, customers and suppliers by members of the Group's current workforce.

The Group will follow the provisions of the Diversity Policy when considering an appointment to the Board and will review the Diversity Policy on a regular basis to ensure that its objectives are being met.

Board performance evaluation

The Board undertakes an annual evaluation of its own performance and of its Committees. The review covers a number of areas such as board composition, types of meetings, material required for meetings and strategic decisions. The evaluation is facilitated by an external consultant, Evalu8 Limited. In previous years, Board evaluations undertaken concluded that each of the Executive and Non-Executive Directors were committed to performing effectively in clearly defined functions and roles and that the Board as a whole operated in a competent manner.

The most recent Board evaluation highlighted that the balance and independence of the Board should be addressed, following Board changes made under the shareholder agreement with Worldview. This matter was addressed following the EGM of 25 February 2015, where a number of Board changes were effected. The Nomination Committee then subsequently reviewed the balance and composition of the board and determined that it was appropriate for the size and profile of the Company, in particular with regard to independent non-executive representation.

The exercise also includes an evaluation of the Chairman's performance, which was considered satisfactory, taking into account the views of the other Directors.

Relations with shareholders

The Group maintains regular contact with shareholders through meetings, conferences, publications such as the Annual Report and interim report, via press releases, the Group's website (www.petroceltic.com) and through communications from public relations agencies in Ireland and the UK. The Directors are responsive to shareholder telephone enquiries throughout the year and shareholders are invited to send emails to IR@petroceltic.com. The Company website also provides up-to-date share price information and financial results. Timely and accurate disclosure is made on all material matters through press releases and regular operational updates and presentations are posted to the website at the same time as they are released to the market. Shareholders are encouraged to register on the Group's website to receive e-mail alerts of Group announcements.

There is active dialogue and regular contact between the Group and institutional investors. A programme of meetings and briefings by the full-time Executive Director and senior management with institutional investors and analysts are held following the half-yearly and year-end results and, in addition, there are meetings with institutional investors and analysts throughout the year. There were numerous such meetings with institutional investors and attendances at investor conferences by Directors during 2014 and in January 2015, a Capital Markets' Day was held in London; these meetings ensure that the performance, strategies and objectives of the Group are clearly communicated to the investment community and provide the forum for institutional shareholders to address any corporate governance issues. Due to the size of the Company, the Chief Executive, rather than the Chairman, provides feedback from the shareholders to the Board as a whole to ensure that all Directors develop an understanding of the views of major shareholders about the Company. The current arrangements for communication between the Company and its shareholders are considered to be satisfactory and effective. The Senior Independent Director, and other Non-Executive Directors, are available to meet shareholders if required. The Board regards the AGM as a particularly important opportunity for shareholders, Directors and management to meet and exchange views, and it is attended by all Directors.

The Group's largest shareholder, Worldview, called an EGM which was held on 25 February 2015. Resolutions 1, 2 and 3 (that Brian O'Cathain be removed as a Director and that Maurice Dijols and Angelo Moskov be appointed as Directors) were proposed on behalf of Worldview and resolutions 4 and 5 (that Nicholas Gay and Neeve Billis be appointed as Directors) were proposed by Petroceltic. Votes in respect of approximately 85% of the issued share capital were cast in respect of each ordinary resolution and following these votes, resolutions 1, 2 and 3 were not passed and resolutions 4 and 5 were passed.

Communication with investors is considered a vital part of the Group's corporate governance standards. Each year, all shareholders receive, or have access to by electronic communication, a letter from the Chairman and a copy of the Annual Report and Accounts. The Board is committed to protect and facilitate the exercise of shareholders' rights and all shareholders are encouraged to attend the AGM, to engage fully with the Company and to ask questions. Wherever practical, all Directors are present and the Chair of the Audit, Remuneration and Nominations Committees are in attendance in order to answer questions on the activities of these committees. Following the AGM, details regarding the level of votes received, including proxy votes, for and against each resolution proposed are posted on the Company's website.

Significant shareholders

The Chairman of the Company, Robert Adair, through Skye Investments Limited ("Skye") and his personal holding, has an interest in 19.21% of the shares in issue. The Directors do not consider that the activities of Skye conflict with the interests of the Company. A relationship agreement has been signed between Petroceltic, Robert Adair and Skye to ensure that commercial transactions and relationships with Skye are conducted on an arm's length basis. Robert Adair and Skye will use all reasonable endeavours to procure that the Company carries on its business independently of Robert Adair and Skye and their associates, that all arrangements between any member of the Company and Robert Adair, Skye or their associates are conducted on arm's length terms and that they shall refrain from voting on related party transactions on which they are required by relevant market rules to abstain from voting.

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The interests of Robert Adair in Skye are formally declared at each Board meeting. Robert Adair and Skye have also agreed to a standstill agreement, pursuant to which they have agreed not to acquire or offer to acquire (and to procure that none of their associates or concert parties will acquire or offer to acquire) any securities in the Group which would result in their percentage holding in the Group increasing by 2%, or make an offer for all or any part of the share capital of the Group.

This standstill agreement shall terminate on the earlier of:

- the Company ceasing to be admitted to either the ESM or AIM, or the official lists maintained by the Irish Stock Exchange and the FSA and to trading on the main securities markets of the Irish Stock Exchange and the London Stock Exchange; or
- Robert Adair, Skye and their associates ceasing to be entitled to exercise or control the exercise of 10% or more of the voting rights in the Company.

In June 2014, the Company signed a formal agreement with Worldview which put in place an arrangement that Worldview would vote in favour of the implementation of the balance of an institutional placing of new shares announced by the Company in May 2014. In return, the Company would conduct a business review, host a capital markets day and Worldview would nominate two directors, Don Wolcott and Joe Mach, to the Board and Committees and four of the existing directors would resign. Worldview subsequently initiated a legal action against the Company alleging breach of the shareholder agreement due to non performance of a business review and a capital markets day and sought specific performance of these as directed by the Court. On 21 May 2015, the English High Court dismissed Worldview's action and awarded costs on a standard basis to Petroceltic.

Risk Management

The Board is responsible for reviewing risk management. The Group has established a process of internal controls to include financial, operational, strategic, political, corporate, health and safety, commercial and business ethics risk management. An element of risk is inherent to the activities of oil and gas exploration and development and it is the Board's objective to be aware of the risks through an identification process, to evaluate them and to mitigate them where possible, to insure against them where appropriate, and to manage any residual risk.

The corporate risk management process was revised and enhanced during 2014, to fully align with the risk management procedure in the Health Safety, Environment and Social Management System. This incorporates more comprehensive linkage between country/asset level risk management and the overall corporate risk management, and enhanced prioritisation and resource allocation for required control and mitigation actions.

An Enterprise Risk Management Committee has been formed comprising members of the senior leadership team, tasked with review of risks across the enterprise, and with oversight of control and mitigation actions. The committee meets quarterly, and the resulting risk register is reviewed at Board level twice a year. Risks are assessed based on agreed consequence and likelihood criteria, and any risks above set tolerability thresholds are subject to review at appropriate management levels. The Board review those risks deemed to have the potential to impact the Company's strategy or viability.

The Company has categorised key risks into five principal categories, each with a number of sub-categories. Each sub-category of risk is analysed on a regular basis to assess the extent of the risk, the mitigants in place, and to determine what actions are required to address the risk, if any. The assessment reviews the Company's forward twelve month activity plans and includes review of the underlying country / asset risks assessments, the current and emerging business environment, and relevant socio-economic and political context.

The categories and sub-categories of risk assessed are identified in the following table. Where risks have been assessed in a given sub-category as having the potential to impact the Company's strategy or viability, the associated control and mitigation actions are described:

Risk	Sub-category	Mitigants
Strategic & Corporate	Corporate acquisitions & divestments	Structured process to define value potential of corporate acquisition and divestment actions
	Business development Portfolio management Shareholder sentiment Organisation and resourcing Management processes and governance Business ethics	Board balance, alignment and shareholder engagement Strong business ethics policy in place
Political & Commercial	Work programme commitments Contracts and procurement Terrorism Appropriation	Optimise work plans with licence commitments Security action plan and close contact with relevant National security firms State sanctioned contracts and established in-country experience
	Operational	Project delivery Reserves
Health, Safety, Environmental, Social	Major HSE incident Security Environment Social Responsibility Management system effectiveness	Deliver against approved Ain Tsila project plan, optimise spend whilst not delaying first gas Progress safety upgrade work in Egypt. Deliver on security plan in Algeria Progress with HSES Management System assurance activities
	Financial	Cashflow and liquidity Recoverability of receivables Financing Tax Capital Commitments Commodity price fluctuations Foreign exchange
		Active management and regular forecasting of cash flows, taking account of convertibility of current and forecast cash balances in all currencies including Algerian dinars and Egyptian pounds Evaluate and implement production optimisation and cost reduction measures Monitor macro-economic environment and lobby through established relationships, where required Evaluate and execute financing options Long term plan to secure necessary financing for Algeria development obligations Internal structure in place to review tax exposure with external advisors Continual monitoring of commitments, licence terms and cash requirements Fixed price contracts Active treasury management to minimise funds held in foreign currencies and match with creditor balances

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The Directors believe that the frequency of Board and Executive Committee meetings and the level of detail presented at these meetings provide the appropriate process to identify, evaluate and manage these risks on an on-going basis. In addition, the Board has received presentations and gives active consideration to the longer term risks and risk management framework relevant to the enlarged Group. The process is regularly reviewed by the Board and accords with the guidance for directors in the UK Code.

Business ethics

Petroceltic operates a zero tolerance to bribery and corruption across its global operations and abides by the provisions of the UK Bribery Act 2010 (the "Act"). Staff are required to complete and pass assessments relating to this. In addition, staff are required to sign a certificate to comply with the Company's Business Ethics Policy. Petroceltic considers the Act to be important legislation and the principles of this policy can be found on the Group's website (www.petroceltic.com).

The Group intends to continuously review its policies and procedures and constantly refreshes its training programme and procedures to ensure that they are all in compliance with the provisions of this Act. This includes training for staff in all countries within the Group in relation to the UK Bribery Act. A Whistleblowing Policy allows members of staff with any concerns on financial or other matters to report these and the Board is satisfied that procedures are in place to ensure appropriate actions will be taken if necessary. In the year to 31 December 2014, there were no instances of whistleblowing reported throughout the Group.

Internal control

The Board confirms that the Group has complied with the Code provisions on internal control, having established the procedures necessary to implement the guidance originally issued in 1999 as the Turnbull Committee Report, subsequently updated by the Financial Reporting Council in their report "Internal Control: Guidance for Directors on the Combined Code" and further revised and replaced in September 2014, for accounting periods beginning on or after 1 October 2014, by the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". The Board further confirms that the Group reports in accordance with that guidance.

The Board considers that the system of internal financial controls which have been developed and implemented over many years meet the needs, risks and opportunities of the Group. These controls provide reasonable, but not absolute, assurance against material mis-statement or loss. The system of internal financial control is designed to give confidence that proper accounting records are maintained and that the financial information which is prepared for management and which is provided to shareholders is accurate and reliable. The Board has reviewed the operation and effectiveness of the Group's system for the period up to the date of approval of the financial statements in order to ensure that they are effective in managing risks to which the Group is exposed and are satisfied that this is the case.

The key elements of the system of internal controls are as follows:

Risk identification

As detailed above, the Board has established a process of identifying, evaluating and managing the key risks facing the Group's business. This risk identification and review process has been in place during the year under review and up to the date of approval of the Annual Report and Accounts. The key business risks identified are taken into account by the Board when assessing the Group's internal controls.

Controls and procedures

The Group has in place detailed operating and financial controls and procedures. The key points of the internal financial controls are the imposition of authority limits, division of responsibility, regular reporting of transactions and balances and review procedures. The operation of the Company's administrative team is closely supervised by the Executive Directors.

Monitoring of financial performance, operations and capital investment

A system is in place whereby financial performance is measured against a detailed annual budget prepared for the Group. A comprehensive budgeting system with an annual budget, based on production forecasts which are prepared internally, is reviewed by the Chief Executive and approved by the Board. The Board also monitors the regular revision of forecasts for the year, financial performance and the appropriate delegation of authorities to management. In addition, regular financial reports, including production, income statement information, analysis of expenditures, key performance indicator ("KPI") analysis, and a cash flow statement are prepared for and discussed by the Chief Executive and the Board. Capital expenditures are controlled within the budget by a stringent procedure for the authorisation of expenditures.

The Board has established treasury risk policies which are monitored and controlled by the finance function. Regular cash flow analysis is also provided to senior management and at Board meetings: this mitigates risk and ensures efficient use and monitoring of cash resources.

During 2014, the Company continued its on-going review of the key commercial and financial risks facing the Group, and of the effectiveness of the Group's system of internal control.

Among the processes applied as part of the system of internal control are the following:

- detailed annual budgets are prepared for review and approval by the Board, and, where necessary, budgets are revised with rolling estimates produced for the Board and senior management throughout the year;
- management accounts providing detailed budget versus actual results and expenditure and KPI analysis;
- the Group wide accounting systems allow for interaction and oversight by the head office finance function on a day to day basis. It has also served to increase the level of management information available to the Group and enhanced the Group's centralised monitoring and control function;
- all commitments for expenditure and payments are compared to previously approved budgets and are subject to approval by personnel designated by the Board of Directors. All expenditures are subject to approval under the Group's delegation of authority ("DOA") framework. The DOA stipulates the approval chain up to Board level for the differing levels of expenditure. Significant capital expenditure commitments are subject to authorisation for expenditure ("AFE") approval and this is also governed by the Group-wide DOA;
- appropriately qualified staff are in place to perform their duties, and on-going training is provided; and
- there is appropriate segregation of duties and there is a system of review performed on a continuing basis which ensures that procedures and controls are in place and operating effectively.

Annual General Meeting ("AGM")

The Company's AGM will be held on Friday 24 July 2015 at 2pm at the Royal College of Physicians, 6 Kildare Street, Dublin 2. In accordance with good corporate governance practice, the Company offers shareholders the opportunity to consider the election or re-election of all Directors on an annual basis. Resolutions will therefore be put forward at the AGM for the re-election of Robert Adair, Tom Hickey, Alan Parsley, and Ian Craig. Shareholders previously voted on the election/re-election of Neeve Billis, Nicholas Gay and Brian O'Cathain at the Extraordinary General Meeting held on 25 February 2015 and so these Directors will not be put forward for a further shareholder vote at the forthcoming AGM.

On behalf of the Board



Robert Adair
Director
29 June 2015



Brian O'Cathain
Director