CHIEF EXECUTIVE'S REVIEW

Petroceltic had a busy year in 2014, with material activity both in our operations and strategic direction of the business. The Group's flagship project in Algeria was a key area of focus and success, with important posts filled, major contracts advanced, a second farmout successfully concluded and the Groupement, or joint operations team, functioning effectively. We also achieved our production guidance, successfully raised $100m through an oversubscribed share placing and renewed our Egyptian business through the acquisition of highly prospective new acreage. Less positively, however, we had a number of disappointments within our exploration portfolio, while the withdrawal of a proposal to acquire Petroceltic by Dragon Oil deprived shareholders the chance to consider a potential cash bid.

From an industry and market perspective, 2014 was especially challenging, with volatile oil pricing, weak equity market sentiment and mixed exploration outcomes being reflected in generally poor share price performance across the sector.

Algeria

During 2014, Petroceltic made significant progress on the Ain Tsila development, following the establishment of the Groupement Isarene ("Groupement"), the joint operating organisation staffed by seconded personnel from Petroceltic, Enel and Sonatrach, the national oil and gas company of Algeria. During 2014 a contract for Front End Engineering and Design ("FEED") was awarded to Chicago Bridge and Iron Company, which will define the detailed basis for Ain Tsila production facilities and infrastructure. The outputs from the FEED will be used in 2015 to tender the major Engineer, Procure and Construct ("EPC") contract for the project, with contract award and commencement of construction planned for late 2015 / early 2016. This timing should allow the project to benefit from an industry-wide softening in materials and construction prices. An additional critical milestone is the fully termed Gas Sales Agreement which was signed in September 2014. The development plan remains on schedule, and we are targeting first gas from the Ain Tsila field in the last quarter of 2018.

During 2014, Petroceltic successfully completed a second farm-out of an 18.375% interest in the Ain Tsila project to Sonatrach. The transaction required Sonatrach to pay Petroceltic an upfront cash payment of $20m, and fund $140m of Petroceltic's development expenditure obligations from the effective date of 4 July 2013. As at 31 December 2014, approximately $120m of the carry remained available, and based on forecast 2015 expenditure levels, the carry should ensure that Petroceltic's capital expenditure on Algeria will be fully funded until after work has commenced on the EPC contract and into Q2 2016. Post completion of the second farm-out to Sonatrach in July 2014, Petroceltic has a 38.25% interest and remains operator of the licence, Sonatrach has a 43.375% interest and Enel

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maintains its 18.375% interest. In addition, the recent approval for the transfer of Petroceltic's interest in Ain Tsila to a wholly owned subsidiary, Petroceltic Ain Tsila Limited, is an important support to our longer term funding plan for the asset.

The development plan for the Ain Tsila field, which was approved in late 2012, is expected to result in the field producing 355 MMscfpd for a wet gas plateau production period of 14 years and over the period of the licence, will result in approximately 2.1 tcf , or 24% of the currently estimated gas in place being recovered. This is regarded as a comparatively low recovery factor for a field such as Ain Tsila, and there are a number of regional analogues where ultimate recovery factors approaching 50% have been achieved or are anticipated based on field performance. Petroceltic also believes that the Ain Tsila field has significant potential to achieve similar levels of ultimate recovery should positive production and reserve data be demonstrated during the development and early production phase. To achieve higher daily production and recovery levels, significant investment in additional gas processing and transmission facilities would be likely to be required; such investments and the related incremental gas sales would be covered by the terms of the existing Isarene PSC and Gas Sales arrangements and thus would be expected to generate a positive return on investment.

In April 2015, the Groupement awarded the drilling rig contract to SINOPEC, a company with extensive experience in Algeria. The 1,500 horse power rig will drill up to 24 new development wells. The first 12 drilling locations, all in the northern region of the field, have already been selected and approved. This represents the achievement of a further milestone for the Ain Tsila project and will enable drilling to commence on schedule in 2015. Also in April, the Groupement launched the process to identify suitable companies to perform the EPC contract via publication of an invitation to pre-qualify in the Algerian Bulletin of Public Tenders in the Energy and Mine Sector. This demonstrates the significant progress that Petroceltic and its partners are making towards the development of the Ain Tsila gas condensate field. The project remains on track to deliver first sales gas in the last quarter of 2018.

Egypt

Production for 2014 benefited by 1.9 Mboepd due to reduced gas reinjection at the West Dikirnis field in Egypt in response to requests from the Egyptian Government to increase gas sales in the first three quarters of the year. Egypt is a core area for Petroceltic and in 2014 $38m was invested in a range of development and exploration activities. While the production figure for the year was positive, a small number of reservoir performance issues have required a downwards adjustment to booked reserves as at 31 December 2014. In particular, recent well performance on West Khilala has been negatively impacted by water and sand production, requiring a reduction to reserves of 35 Bcf; a more modest reduction was made in respect of West Dikirnis where heavier risking was applied to the gas reserves which will be recovered during the gas cap blowdown phase late in field life. The combination of these factors and the weaker oil price environment applying in 2015 necessitated the recognition of an impairment of $47m in the carrying value of our Egyptian tangible assets at 31 December 2014.

In 2015, the work programme includes three new infill production wells in the West Khilala and West Dikirnis fields and minor facilities investments aimed at infrastructure rationalisation and hence the reduction of long term operating costs. We also plan to convert three additional wells in the West Dikirnis field to gas injection to maximise hydrocarbon liquids recoveries.

Bulgaria

Production in Bulgaria averaged approximately 18.6 MMscfpd in 2014, with strong performance from the Galata field somewhat offset by increased water production and lower gas recovery from the Kaliakra field. We also conducted a detailed review of the remaining exploration potential of the greater Galata licence, with limited further prospectivity identified. Looking forward, our priority is thus to optimise future production from Galata and satellite fields, with a particular focus on completing the tie in of the Kavarna East discovery during 2015, and the active management of operating costs. The Kaliakra-1 well rate has continued to slowly decline to its current rate of 2 MMscfpd suggesting that the well is only in partial pressure communication with the main field area. Hence, the Company is considering an additional well (Kaliakra-3) to ensure all reserves are accessed and to fully drain the field. The Kavarna-1 well has experienced water breakthrough and is likely to be shut-in when the Kavarna East field comes on stream. Both Kaliakra-3 and Kavarna East contribute to the future capital expenditure required in Bulgaria and this has a direct impact on the net present value of the asset. An impairment charge of $33m in Bulgaria is principally due to lower projected gas prices and higher future capital expenditure estimates.

CHIEF EXECUTIVE'S REVIEW
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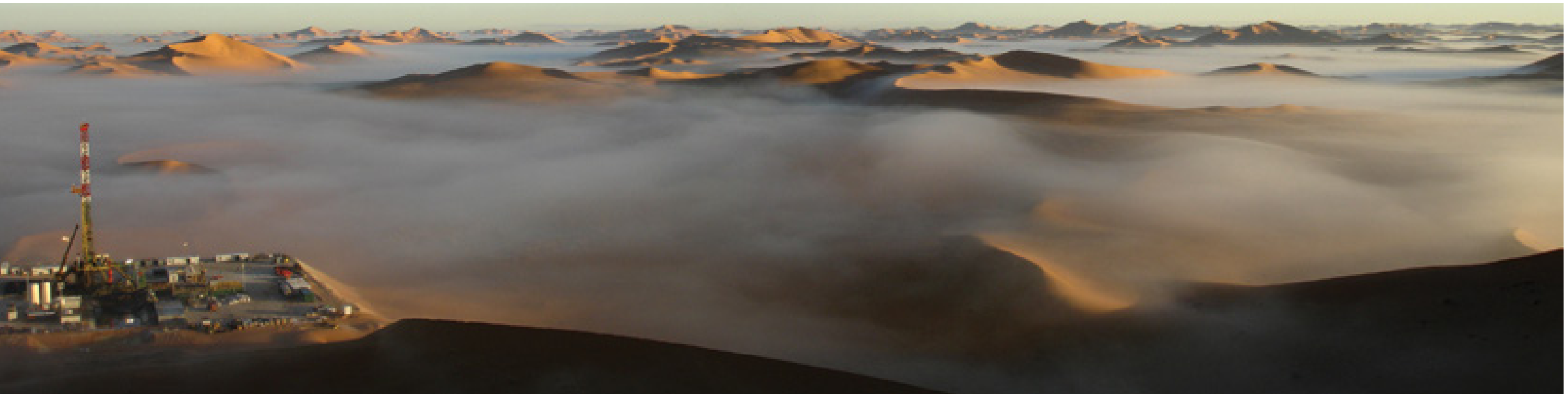

Kurdistan

Petroceltic entered Kurdistan in 2011, participating in two exploration licences, Shakrok and Dinarta, through a joint venture with Hess Corporation. Both blocks were in regions believed to be potentially prospective based on adjacent discoveries and geology, and each contained a number of structures with potential for material discoveries. The exploration programme in each licence consisted of a 2D seismic campaign and the drilling of an exploration well during the first 3 year licence period.

During 2012 and 2013, a significant amount of seismic acquisition and interpretation, surveying and geological modelling work was undertaken to increase the joint venture's understanding of the structures and associated exploration risks. From this work, the Shakrok structure on the Shakrok block and the Shireen structure on the Dinarta block were high graded for drilling.

The Shakrok prospect commenced drilling in late 2013 and reached its target depth in March 2014. While a number of prospective zones were identified and gas condensate was identified on logs, the production tests did not provide any encouragement as to the possibility for a commercial discovery and the joint venture took the decision to relinquish the licence in July 2014, and all costs in relation to the licence were written off.

The Shireen prospect commenced drilling in June 2014, and encountered significant delay due to operational challenges and security concerns which led to the evacuation of all international personnel in October 2014. The well ultimately reached a maximum depth of 1,430m in Jurassic formations in December 2014 before being suspended while forward options were reviewed. This review concluded that an additional well would be required to further evaluate the exploration potential of the prospect, and that further operational difficulties could not be ruled

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out. Following this analysis, and as all exploration work program obligations had been fulfilled, Hess and Petroceltic jointly elected to withdraw from the Dinarta licence without any further drilling. All costs in relation to the licence have thus been written off and a provision made for committed costs to exit the licences.

Romania

Over the last 18 months, Petroceltic and its partners have drilled two exploration wells offshore Romania, one in each of the Blocks 27 and 28 on high graded prospects defined by 3D seismic acquired in 2012. Both wells were located approximately 170 kilometres northeast of Constanta and drilled using the GSP Prometeu jack up drill rig. Unfortunately, neither well encountered commercial quantities of hydrocarbons and both were plugged and abandoned. While the Cobalcescu South-1 well in Block 28 did encounter good quality sandstones at the target Miocene stratigraphic levels, with gas shows while drilling indicating an active hydrocarbon system, the Muridava-1 well in Block 27 failed to demonstrate any significant prospectivity or encouragement for further exploration in the immediate vicinity.

The drilling results have confirmed an active hydrocarbon system and that good quality reservoir is present, but significantly increased the risk of discovering a commercial oil or gas accumulation from the remaining prospect inventory in either block. Accordingly, Petroceltic made the decision to withdraw from the licences and in June 2015, sold its regional operating subsidiary, Petroceltic Romania BV for a nominal consideration to GVC Investment B.V a company under common ownership with Petromar, which also held an interest in each licence.

Italy

In the Western Po Valley, the EIA for the Carpignano Sesia-1 well was submitted by the Operator, Eni, to the authorities in December 2014. This well is being designed to test a large oil prospect located some 25km west of the analogous Villafortua-Trecate Field, and has gross mean unrisked prospective resources of 237 MMboe. Petroceltic has a 47.5% equity interest in the licence, but has concluded farmout negotiations aimed at reducing the Group's exposure to drilling and testing costs, while maintaining a material participation in the prospect. Further details of this transaction will be announced upon completion of the interest transfers.

The Elsa oil discovery, offshore Abruzzo, contains 95 MMbbl of gross 2C contingent resources (Petroceltic 55%). The EIA for the Elsa-2 well was resubmitted in July 2014, following consultative discussions with the government and local institutions, and was approved from a technical perspective in March 2015 by the independent EIA Commission. The final step in this process will be the issue of a formal ministerial decree confirming the approval. Following this, Petroceltic will recommence its detailed well planning work, with the objective of drilling the Elsa-2 well in late 2016. As part of the preparations for drilling, Petroceltic will consider farmouts or similar partnering initiatives to mitigate our financial exposure to the project. Should Elsa be successful, a number of additional prospects within the Group's Italian portfolio would likely become the focus of accelerated exploration work.

Financial

The loss for the year was $282m (2013: $19m). The Group recognised an impairment charge of $86m of which $80m relates to its tangible oil and gas interests, principally driven by lower forecast commodity prices, an adjustment to the Group's reserves in Egypt and an increase in anticipated capital expenditure in Bulgaria and the remaining $6m relates to inventory write off in Egypt. Unsuccessful exploration costs of $183m, including $129m relating to Kurdistan, $47m relating to Romania and approximately $7m of Egyptian and other new venture costs, have also been recorded in the income statement.

Litigation

During 2014, the Company reached a settlement agreement in conclusion of legal proceedings issued by Petroceltic in 2013. The legal proceedings were against two former consultants, Seghir Maza and Samir Abdelly, and an associated company, AAIC, and were seeking to set aside a number of consultancy agreements entered into in 2004 and 2005.

In November 2013, the High Court of Ireland granted Petroceltic judgement, in default of appearance, against Seghir Maza and, in August 2014, a settlement agreement was reached in respect of the remaining proceedings against Samir Abdelly and AAIC. Under the settlement agreement, claims on both sides were withdrawn and no other legal or contractual arrangements exist between the parties.

In December 2014, the Company announced that legal proceedings against it had been issued by Worldview. The proceedings alleged that the Company had failed to undertake a review of its business and sought direction from the Court as to the manner in which the review was undertaken. On 21 May 2015, the English High Court dismissed Worldview's action and awarded costs on a standard basis to Petroceltic.

HSE

We saw a significant reduction in the number of Lost Time Injuries in 2014, from six in the prior year to two. In total, four Recordable Injuries occurred in 2014, with resulting Total Recordable Injury Rate ("TRIR") being upper second quartile when compared to industry peers. We believe that our focus on contractor management and hazard and risk awareness has had a positive effect in the occupational safety results we saw this year.

During 2014, we also made considerable progress in embedding the new HSES Management System into both existing and new operations. Particular emphasis was placed upon adoption of procedures addressing risk management, emergency response, contractor management, incident investigation and performance reporting.

Greenhouse Gas emissions increased in 2014 primarily as a result of additional compression use in both Egypt and Bulgaria. Operated drilling activity occurred in both Romania and Egypt during the year resulting in associated emissions.

Summary and conclusions

2014 was a year with significant highlights in the areas of production, development progress, portfolio management, reduction of net debt and equity raising, offset by disappointing well results from our exploration activities, a reduction of reserves and lower commodity prices which caused asset impairments, and a potential offer for the Company which did not materialise. I would like to thank all staff and stakeholders for their hard work and contribution during 2014.

In 2015, the Company is focussing its efforts on its core assets and away from high risk or low graded exploration. In difficult industry times, the ability to adapt is critical to succeed and we continue to focus on project delivery with a constant view towards increasing value for shareholders.

Brian O'Cathain
Chief Executive