

COMPANY DIRECTORS



Robert Adair Non-executive Chairman

After graduating in geology from Oxford University, Robert qualified as a Chartered Accountant and then specialised in oil and gas taxation. Robert was the original founder and Chairman of Melrose Resources plc, which merged with Petroceltic in October 2012. He is Chairman of Skye Investments Ltd, a large shareholder of the Company and also is deputy Chairman of Urban&Civic plc. He also holds directorships in a number of other companies. Robert is Chairman of the Nominations Committee.

Brian O'Cathain Chief Executive Officer

Brian is a geologist and petroleum engineer with over 30 years' experience in senior technical and commercial roles in upstream oil and gas exploration and production companies. Brian previously held the positions of Managing Director of Tullow Oil's international business and Chief Executive of Afren. In senior management positions with Enterprise Oil and Shell International, he was principally involved with acquisitions, divestments and corporate strategy. He has experience working in North and West Africa, the North Sea, the Gulf of Mexico, South Asia, and Ireland. Brian is a member of the Nominations Committee.

Tom Hickey Chief Financial Officer

Tom was previously an Executive Director and Chief Financial Officer of Tullow Oil plc, from 2000 to 2008. During this time, Tullow grew via a number of significant acquisitions including the \$570m acquisition of Energy Africa in 2004 and the \$1.1 billion acquisition of Hardman Resources in 2006. Prior to joining Tullow, Tom was an Associate Director of ABN AMRO Corporate Finance (Ireland) Limited. Tom is a Fellow of the Institute of Chartered Accountants in Ireland, and a Non-Executive Director of PetroNeft Resources.

Ian Craig Independent Non-Executive Director

Ian is a Civil Engineer with over 30 years of operational, technical and commercial experience in upstream oil and gas development and production. He began his oil industry career with BP as a sub-sea engineer in the UK North Sea before being appointed to the board of Enterprise Oil plc as Technical Director. Following Shell's acquisition of Enterprise, he was appointed CEO of the Sakhalin Energy Investment Company, on behalf of the joint venture consortium of Gazprom, Shell, Mitsui and Mitsubishi where he was responsible for the development of over 4 Billion boe of reserves, from reservoir to consumer, including LNG processing, marketing, and shipping. Following on from this role, Ian served as EVP of Sub Saharan Africa for Shell until his retirement in April 2013. He joined Petroceltic as an independent Non-Executive Director in September 2013. Ian is a member of the Remuneration and Nominations Committees, and chairs the Project Advisory Committee for Algeria.

Alan Parsley Independent Non-Executive Director

Alan is a graduate of the University of Edinburgh, and holds both a BSc and a PhD in Geology. He initially joined Shell as an exploration geologist in 1969 before moving to Britoil in 1977. In 1988, Alan re-joined Shell in The Hague as the Head of Exploration New Ventures. He subsequently moved to Syria to take on the role of Chief Executive, Shell Syria, before returning to The Hague as Head of Exploration. Alan then moved to Australia where he was appointed as Chairman of Shell Australia, before retiring in 2004. Since retirement, he has been a member of the Court of Heriot-Watt University and is a member of the Advisory Board of Kerogen Capital, he is also a non-Executive Director of Buried Hill Energy. Alan was appointed an independent Non-Executive Director of Petroceltic in October 2012. Alan is Chairman of the Remuneration Committee and a member of the Audit Committee.



Neeve Billis **Senior Independent Non-Executive Director**

Neeve is a highly experienced oil and gas investment banker with over 30 years' oil sector experience advising both public and private companies on mergers, acquisitions, disposals, refinancings and capital raisings. Until March 2015, he was Global Co-Head of oil and gas at Rothschild. He began his career in the oil industry at Britoil subsequently working at the Prudential as its oil sector buy-side analyst prior to joining SG Warburg as a senior oil and gas equity analyst. Neeve joined Rothschild in 1992 where he managed a wide range of oil and gas company client relationships and has also advised on large scale initial public offerings, debt financings and privatisations. Neeve joined Petroceltic as an independent Non-Executive Director in February 2015 and was appointed as the Senior Independent Non-Executive Director from March 2015. Neeve is a member of the Audit, Remuneration and Nominations Committees.



Nicholas Gay **Independent Non-Executive Director**

Nicholas is a qualified chartered accountant and taxation specialist, and an experienced upstream executive with over 30 years' experience in the international oil and gas industry. His early career began with Arthur Andersen & Co and he went on to progress in finance and taxation roles in the UK North Sea with LL&E and Kerr McGee. Nicholas has extensive public markets experience having served in the positions of Chief Financial Officer of PetroKazakhstan and as Chief Executive Officer of PetroLatina Energy and Bitech Petroleum. Subsequently he was CFO, and then CEO, of Compact GTL. Nicholas was also a non-Executive director of Toreador Resources. Consequently, he has extensive experience in corporate governance and financial regulatory matters in addition to shareholder and investment relations activities and equity, loan and debt financing. Nicholas was appointed an independent Non-Executive Director of Petroceltic in 2015 and is the Chairman of the Audit Committee. He is also a member of the Nominations Committee.



Alasdair Robinson **Company Secretary, General Counsel**

Alasdair is a qualified solicitor and notary public who joined Petroceltic upon its merger with Melrose Resources. From 2007, he held the positions of Company Secretary and Corporate Finance Manager at Melrose. Prior to Melrose, Alasdair worked in law and corporate finance, latterly as a Director and Head of Corporate Finance Execution for the investment bank Noble Group which he joined in 1999. He is a law graduate of Aberdeen University, holds an MBA from Strathclyde Graduate Business School and is a member of the London Stock Exchange Regional Advisory Group.

SENIOR MANAGEMENT

Peter Dunne **Managing Director, Group Finance**

Peter is a Fellow of the Institute of Chartered Accountants in Ireland; he trained with KPMG in Dublin and subsequently spent four years in Australia working for a number of listed companies. Prior to joining Petroceltic in 2009 as Corporate Finance and Commercial Manager, he was Group Financial Controller and latterly Corporate Finance and Commercial Manager for London based, AIM listed, oil and gas exploration and production company, Regal Petroleum.

Stuart Harrower **Group HSES Manager**

Stuart has extensive industry experience acquired with BP and Hess in various roles including engineering, maintenance, operations, asset and HSES management. Most recently he has been working for Hess in the US as their Corporate Director of Health and Safety and Risk Management.

Didier Lechartier **Managing Director, Egypt, Bulgaria and Italy**

Didier is a Chemical Engineer with over 25 years of experience in Business Development and senior managerial roles in international E&P companies including: Enron Oil & Gas, Vermilion Resources, Maurel & Prom and Afren. Didier recently held the post of Head of Business Development with Perenco.

John Naismith **Head of Technical**

John holds an MSc in Petroleum Reservoir Engineering from Imperial College London and has over 35 years' experience in the oil and gas industry gained with Shell, Enterprise Oil, Canadian Natural Resources and Melrose, as well as in consultancy. His experience includes reservoir engineering, integrated subsurface studies, asset management, commercial and operations.

Ciaran Nolan **Geoscience Manager (Exploration and Development)**

Ciaran is a Petroleum Geologist/Geophysicist with 24 years' industry experience. He has had a wide variety of technical and leadership roles at Exxon, Enterprise Oil, Shell, Hunt Oil and Serica Energy. Ciaran is a Fellow of the Geological Society and has evaluated and helped secure a wide variety of opportunities across Africa, Europe and the Middle East. Ciaran is responsible for the coordination of Geoscience activities throughout Petroceltic.

Geoff Probert **Managing Director, Algeria**

Geoff has over 30 years of experience as a Petroleum Engineer and General Manager in both offshore and onshore settings. He started his career with Shell before joining BHP Petroleum in 1998 where his last role was with BHP Billiton Petroleum as Vice-president and Country Manager for Algeria. He has worked in the North Sea, the Netherlands, Oman and Algeria and has led operated deep water appraisal teams in the Gulf of Mexico.

Peter Shiner **General Manager, Italy**

Peter is a Geologist/ Geophysicist with 25 years' experience across the exploration-appraisal-development cycle and has worked in various countries around the Mediterranean and South China Sea, as well as in the North Sea. He started his career at BP before moving to Enterprise Oil and then Shell, where he managed deepwater exploration in Malaysia and the Philippines, before joining Petroceltic in 2010. Peter currently manages all aspects of Petroceltic's Italian business.

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements of Petroceltic International plc (the "Company") and its subsidiaries (collectively "the Group"), for the year ended 31 December 2014.

Directors

The following are the Directors of Petroceltic International plc – all of whom were in office for the full year except as stated:

Robert Adair, Non-executive Chairman

Brian O'Cathain, Chief Executive Officer.

Tom Hickey, Chief Financial Officer (resigned 4 July 2014 and re-appointed 23 March 2015)

David Thomas, Chief Operating Officer (resigned as director on 4 July 2014 and resigned as executive on 10 April 2015)

James Agnew, Non-Executive Director (resigned 11 January 2015)

Hugh McCutcheon, Non-Executive Director and Deputy Chairman (resigned 4 July 2014)

Rob Arnott, Non-Executive Director (resigned 4 July 2014)

Alan Parsley, Non-Executive Director

Ian Craig, Non-Executive Director

Joe Mach, Non-Executive Director (appointed 4 July 2014, resigned 27 February 2015)

Don Wolcott, Non-Executive Director (appointed 4 July 2014, resigned 27 February 2015)

Neeve Billis, Senior Non-Executive Director (appointed 26 February 2015)

Nicholas Gay, Non-Executive Director (appointed 26 February 2015)

Please refer to page 34 and 35 for biographical details of the Directors currently serving office.

Group activities and results

The Group is involved in oil and gas exploration and production and it has a portfolio of producing and high impact development and exploration assets. A detailed business review is included in the Chairman's Statement, the Chief Executive's Review and the Financial Review.

A loss of \$282m was recorded for the year (2013: loss of \$19m). Net assets of the Group at 31 December 2014 amounted to \$330m (2013: \$511m). No dividends are proposed (2013: no dividend).

Details of the state of the Group's affairs, the development of its various activities, key performance indicators and the Group's plans for 2015 are provided on pages 16 to 27.

The Group's policy in relation to managing financial and related risks is set out in note 24 of the financial statements and on pages 51 to 53 of the Corporate Governance Statement.

Going concern

The Group has announced on 29 June 2015, a proposed up to \$175m Bond Issue, further detail of which are set out in the Finance Review and in notes 1 and 27 to the financial statements. The Board has analysed the Group's cash flow requirements through to 30 June 2016 in detail. The principal assumptions underlying the forecast are that:

- The Senior Secured Bond Issue to be arranged by Pareto Securities and announced on 29 June 2015 completes as scheduled and funds become available in accordance with its terms
- The \$140m carry of Petroceltic's obligations in relation to the Ain Tsila development is expended in accordance with current forecasts
- Production revenue cashflows and operating and capital expenditure are in line with commitments and current expectations
- The Senior Bank Facility continues to operate in accordance with its amended terms

As at the date of approval of these financial statements, no commitment has been received in respect of the provision of new Bond financing to the Group and there can be no certainty that additional funding will ultimately be received.

These circumstances represent a material uncertainty that may cast significant doubt upon the Group and the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and taking appropriate professional advice, and considering the uncertainties described above, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the period set out above. For these reasons, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Further details on funding and liquidity are included in the Statement of Accounting Policies (note 1 to the financial statements).

Future developments

A review of future developments of the business is included in the Chairman's Statement and Chief Executive's Review on pages 2 to 13.

Legal proceedings

In July 2013, the Group issued legal proceedings in the Irish High Court against, inter alia, Mr Seghir Maza, Mr Samir Abdelly ("Mr Abdelly") and Abdelly and Associates International Consulting ("AAIC"), former consultants to the Group, seeking to set aside a number of consultancy agreements entered into in 2004 and 2005 with respect to the Group's North African business activities. In November 2013, the High Court of Ireland granted Petroceltic judgement, in default of appearance, against Mr Seghir Maza. Mr Abdelly and AAIC counterclaimed against the Company in the proceedings and in August 2014, the Company entered into a settlement agreement in respect of the proceedings. The Company has withdrawn all claims made in the proceedings. Mr Abdelly and AAIC have withdrawn their counterclaims against the Company and no other legal or contractual arrangements exist between the parties. The proceedings were brought to a conclusion and were struck out in the Irish High Court.

In December 2014, the Group was issued with legal proceedings by Worldview. Worldview alleged a number of breaches of a Shareholder Agreement entered into between the Group and Worldview, and sought specific performance of a business review and Capital Markets Day. On 21 May 2015, the English High Court dismissed Worldview's action and awarded costs on a standard basis to Petroceltic.

Principal risks and uncertainties

The Group has a risk management structure in place which is designed to identify, manage and mitigate business risk, details of which are as set out in the Corporate Governance Statement on page 51. Risk assessment and evaluation is an essential part of the Group's internal control system.

Share price

The share price movement in the year ranged from a low of Stg98.5p to a high of Stg221.0p (2013: Stg133.0p to Stg196.5p). The share price at year end was Stg128.5p (2013: Stg175.0p).

DIRECTORS' REPORT

CONTINUED

Directors' interests

The beneficial interests of the Directors and their families who held office at the date of approval of the Annual Report and at 31 December 2014 in the share capital of the Company are as follows:

	29 June 2015	31 Dec 2014	31 Dec 2013*
Robert Adair	41,136,078	41,136,078	41,136,078
Brian O'Cathain	377,733	377,733	171,073
Alan Parsley	11,608	11,608	5,760
Ian Craig	-	-	-
Joe Mach	-	-	-
James Agnew**	-	8,784	5,600
Don Wolcott	-	-	-
Neeve Billis	-	-	-
Nicholas Gay	-	-	-
Tom Hickey	349,314	349,314	249,314

* Or date of appointment if later.

** Resigned on 11 January 2015.

The beneficial interest of Robert Adair at 29 June 2015 includes 40,445,802 ordinary shares held by Skye Investments Limited, a company in which he has a controlling interest.

All the above shareholdings are beneficially held. No Director or any member of their immediate families had an interest in any subsidiary.

Details of the share options held by the Directors are contained in the Directors' Remuneration Report on pages 42 to 44.

Significant shareholdings

The Company has been informed that as at 22 June 2015, the following shareholders own 3% or more of the issued share capital of the Company:

	22 June 2015	31 Dec 2014
Worldview Capital Management SA	29.01%	28.14%
Robert Adair/Skye Investments Ltd	19.21%	19.21%
Dovenby Capital Limited	8.88%	8.88%
Ingalls & Snyder LLC	4.10%	4.10%
Lars Ernest Bader	3.63%	3.63%
Henderson Global Investors Ltd	3.34%	3.34%
Aberforth Partners LLP	3.20%	3.20%

The Directors are not aware of any other holding of 3% or more of the issued share capital of the Company.

Political and charitable donations

No political donations were made by the Group during the year (2013: nil). Charitable donations made by the Group during the year amounted to \$186,000 (2013: \$262,000).

Subsidiary undertakings

Details of principal subsidiary undertakings are given in note 25 to the financial statements.

Additional information

The rights and obligations attaching to the Company's Ordinary Shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained from the Company's website, Companies Registration Office or by writing to the Company Secretary. The holders of Ordinary Shares are entitled to receive the Company's Annual Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. The Company may amend its Articles of Association by special resolution at a general meeting.

Annual General Meeting

Your attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming AGM on Friday 24 July 2015 at 2.00 pm to be held at the Royal College of Physicians, 6 Kildare Street, Dublin 2.

Books and accounting records

The Directors are responsible for ensuring adequate accounting records, as outlined in Section 281 of the Companies Act 2014, are kept by the Company. The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with these requirements. These books and accounting records are maintained at 3 Grand Canal Plaza, Grand Canal Street Upper, Dublin 4.

Auditor

The auditor, KPMG, Chartered Accountants, will continue in office in accordance with Section 383(2) of the Companies Act, 2014.

On behalf of the Board



Robert Adair
Director
29 June 2015



Brian O'Cathain
Director

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.

DIRECTORS' REMUNERATION REPORT

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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.

DIRECTORS' REMUNERATION REPORT

CONTINUED

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.

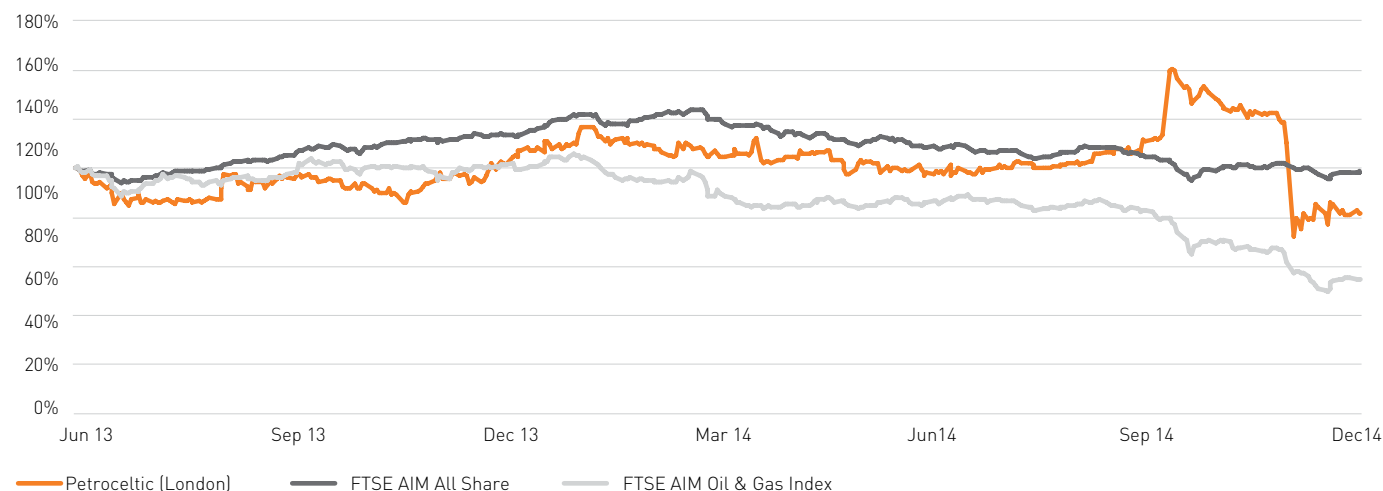
The service contracts of all Executive Directors are rolling twelve month contracts from the date they were entered into with a notice period of twelve months. The date of appointment of the Executive Director is as follows: Brian O'Cathain, 24 April 2007. David Thomas and Tom Hickey resigned as Executive 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

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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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

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

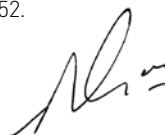
The Committee considers how to maintain an appropriate relationship with the Company's auditor and, at the conclusion of each year's audit process, the Committee conducts a formal evaluation of the audit team's performance covering areas from audit planning and approach, through to understanding of the 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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, and in accordance with AIM/ESM Rules, the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU¹ and as applied in accordance with the Companies Act 2014.

Under company law, the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year.

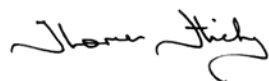
In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;-
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law, the directors are also responsible for preparing a Directors' Report that complies with the Companies Act 2014.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



Tom Hickey

Director

29 June 2015



Brian O'Cathain

Director