2014 ANNUAL REPORT & ACCOUNTS

petroceltic

PETROCELTIC INTERNATIONAL PLC IS A PUBLICLY QUOTED OIL AND GAS EXPLORATION AND PRODUCTION COMPANY HEADQUARTERED IN DUBLIN WITH OFFICES IN ALGIERS, CAIRO, EDINBURGH, LONDON, ROME AND VARNA. PETROCELTIC'S SHARES ARE LISTED ON THE ALTERNATIVE INVESTMENT MARKET (AIM) OF THE LONDON STOCK EXCHANGE AND THE ENTERPRISE SECURITIES MARKET (ESM) OF THE IRISH STOCK EXCHANGE. PETROCELTIC IS AN EQUAL OPPORTUNITIES EMPLOYER.

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Business Review

1 2014 Highlights
1 Operations at a Glance
2 Chairman's Statement
6 Corporate Strategy
7 Business Model
8 Key Performance Indicators
9 Oil and Gas Reserves
10 Chief Executive's Review
14 Operational Review
28 Health, Safety, Environmental and Social Review
32 Financial Review

Corporate Governance

34 Company Directors
36 Directors' Report
40 Directors' Remuneration Report
46 Corporate Governance Statement
54 Audit Committee Report
56 Statement of Directors' Responsibilities

Financial Statements

57 Independent Auditor's Report
59 Consolidated Income Statement
60 Consolidated Balance Sheet
61 Consolidated Statement of Changes in Equity
62 Consolidated Cashflow Statement
63 Company Balance Sheet
64 Company Statement of Changes in Equity
65 Company Cashflow Statement
66 Notes to the Financial Statements

Other Information

102 Share Information
103 Statement of Licence Holdings
105 Glossary
107 Corporate Information

2014 HIGHLIGHTS

2014 PRODUCTION OF 22.5 MBOEPD

SIGNIFICANT PROGRESS ON THE AIN TSILA PROJECT IN ALGERIA; FRONT END ENGINEERING AND DESIGN AND GAS SALES CONTRACTS AWARDED

ALGERIAN FARM-OUT TO SONATRACH CONCLUDED, COSTS CARRIED TO Q2 2016

EGYPTIAN RECEIVABLE DECREASED BY 38% IN THE YEAR TO $50 MILLION (2013: $81 MILLION)

YEAR-END NET DEBT SIGNIFICANTLY REDUCED TO $153 MILLION (2013: $246 MILLION)

SHARE PLACING RAISED GROSS FUNDS OF $100 MILLION

CAPITAL EXPENDITURE OF $109 MILLION

OPERATIONS AT A GLANCE

	Production	Development/ Late Appraisal	Exploration	Further information
Algeria		●		14
Egypt	●		●	18
Bulgaria	●			22
Romania (relinquished)			●	24
Kurdistan Region of Iraq (relinquished)			●	25
Italy		●	●	26
Greece			●	27

CHAIRMAN'S STATEMENT

Dear Shareholder

I am pleased with Petroceltic's production and development business which performed well in 2014. Production was in line with guidance and a series of contract awards in respect of the Ain Tsila development asset in Algeria confirm the encouraging progress of this project. During 2015, we are focussing strongly on delivering value from our core producing assets and de-emphasising certain exploration initiatives, while maintaining exposure to long term growth.

Operations

Average 2014 production from the Company's interests in Egypt and Bulgaria was in line with guidance at 22.5 Mboepd on a working interest basis (11.9 Mboepd on a net entitlement basis). The average daily production rate for 2015 is expected to be in the range of 14 to 15 Mboepd, comprising approximately 85% gas and 15% liquids. Egypt and Bulgaria are expected to contribute 85% and 15% of the total production volume, respectively.

While production remains an important element of our business, the Algeria project is the largest asset in the portfolio, accounting for over 80% of proved plus probable reserves. The decision by Sonatrach to pre-empt the Ain Tsila farm-out is a clear indication of the high quality of the Ain Tsila asset and the quality of the relationship between Sonatrach and the Petroceltic team leading the development. A crucial milestone that was achieved during the year was the signing of the fully termed Gas Sales Agreement in September 2014. The carry by Sonatrach will enable a number of critical project activities to be achieved at no cost to Petroceltic; critical amongst these is the award of the Engineering Procurement and Construction (EPC) Contract and commencement of development well drilling before the end of 2015. While many other important workstreams are also making encouraging progress, these will be the key determinants of the schedule to ensure the delivery of plateau production – and thus return of joint venture partner investments – following first gas in 2018.

In Egypt, 2014 saw an encouraging return to economic and political stability, with presidential elections and the initiation of a more progressive economic policy including measures designed to mitigate the impact of subsidies on the state finances. These positive developments, combined with the strong payment performance demonstrated by EGPC during the year – Petroceltic's receivable reduced by over 30% and most other international oil and gas companies also recorded significant reductions - further support the attractiveness of Egypt as an investment location for oil and gas companies.

Our experience in Kurdistan is an illustration of the fundamental risks of exploration – the blocks are located in a prolific basin, very close to some of the largest discoveries of recent years and with numerous oil seeps evidencing the existence of a working hydrocarbon system. The joint venture conducted a structured and comprehensive programme of geological work, which strongly supported the potential for commercial discoveries. Unfortunately, the ultimate test – that of drilling the wells – did not yield the result we had hoped for, and did not suggest that any further work was justified. In recognition of this, and despite our investment of over $120m since 2011, Petroceltic (along with Hess as operator) took the decision to withdraw, and to refocus the business on regions where risks and costs are lower, particularly given the overall industry environment at present.

Petroceltic's Italian portfolio contains both onshore and offshore prospects of material scale and both made encouraging progress during 2014 and we are now at a point where all environmental permitting processes could be completed during 2015, leading to potential drilling in 2016. As part

While production remains an important element of our business, the Algeria project is the largest asset in the portfolio, accounting for over 80% of commercial reserves.

of the preparations for drilling, Petroceltic will consider farmouts or similar partnering initiatives to mitigate our financial exposure to these projects and has commercially concluded farmout negotiations for one of its Italian licences. In parallel, the passing of the "Restart Italy" decree in late 2014 represented an important advance in the planning and permitting framework for oil and gas projects and has already had a positive impact on the activities of Petroceltic and other operators.

Financing

The bulk of Petroceltic's 2014 revenue came from Egypt providing $106m of the total $157m, where improved availability of external capital to the Egyptian Government facilitated material payments to international oil and gas companies operating in the country, including Petroceltic. As a result, the level of receivables in Egypt at year end was $50m (2013: $81m) and net debt at year end was significantly reduced to $153m (2013: $246m). The remaining revenue of $51m was from gas sales in Bulgaria. The loss for the year was $282m (2013: $19m) which primarily arose from exploration costs written off of $183m and an impairment charge of $86m, of which $80m relates to oil and gas assets and $6m relates to inventory write off.

Petroceltic invested $109m in capital expenditure during 2014 and has a relatively active exploration and development programme scheduled for 2015 with forecasted capital expenditure of $167m (of which $79m relates to development of Ain Tsila to be carried by Sonatrach pursuant to the terms of the Algerian farm-out agreement completed in July 2014). Some of this planned exploration expenditure could be reduced if the farm-out initiatives currently under way are successfully concluded.

The year-end reserves adjustment in Egypt and Bulgaria and the current volatility in oil pricing has negatively impacted on the availability of funds under the Group's reserve based lending facility which has resulted in the Group working with the existing lenders and new providers of finance to put in place a finance solution that addresses the funding requirement for the Group. In June 2015, the Group announced plans to issue up to $175m 3 year Secured Bond; while further financing will be required to fully fund the Algerian development, successful conclusion of this Bond is a critical step in the Groups long term financing strategy. The Group has appointed Pareto Securities to advise and assist us in this process.

Board and Governance

The period since January 2014 has been one of major transition for the Board of Petroceltic, with only four Directors having served consistently throughout. As part of an agreement with Worldview Capital Management, the largest shareholder in the Company, the Petroceltic Board was reduced from nine to seven members in July 2014. Hugh McCutcheon and Dr Robert Arnott resigned as Non-Executive Directors; Rob and Hugh had been on the board since January 2010 and December 2011 respectively and we will miss their insights and support. David Thomas and Tom Hickey stepped down from the Board, but continued to hold their executive roles in the Company. David, who was formerly the CEO of Melrose from June 2007 to October 2012 and made a major contribution to the business, has since left the Company. The Company welcomed Don Wolcott and Joe Mach to the Board as Non-Executive Directors in July 2014.

In December 2014, James Agnew advised the Board of his intention to resign with effect from January 2015. James was on the Melrose Board from November 2007 and throughout his time on the Board, made a major contribution to the business. In January 2015, Worldview requisitioned an EGM to seek to remove Brian O'Cathain as a director and appoint two of its own nominees, Angelo Moskov and Maurice Dijols. Petroceltic in turn nominated Neeve Billis and Nicholas Gay as independent Non-Executive Directors. At the EGM, shareholders rejected all the Worldview resolutions, while Neeve Billis and Nicholas Gay were appointed to the Board with effect from February 2015. Don Wolcott and Joe Mach resigned from the Board in February 2015, and in March 2015, Tom Hickey was re-appointed to the Board. The series of changes to Board composition, coupled with uncertainty surrounding financing, has prevented the Group from progressing its plan to step up to the official lists of the London and Irish stock exchanges as previously planned. We remain committed to undertaking this at the earliest opportunity.

In December 2014, the Company announced that Worldview had issued legal proceedings against it. 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.

CHAIRMAN'S STATEMENT
CONTINUED

We expect to benefit from the current price weakness in oil markets to attract competitive bids for our main Ain Tsila EPC contract.

Dragon Oil Approach

In October 2014, the Company announced that it was in detailed discussions with Dragon Oil Plc ("Dragon Oil") regarding a possible offer to be made by Dragon Oil for the Issued, and to be issued, share capital of the Company.

Dragon Oil confirmed to the Company that it had completed its due diligence and planned to seek an irrevocable undertaking to support its making of an Offer of 230 pence Sterling per share in cash from its majority shareholder, the Emirates National Oil Company L.L.C. ("ENOC"). The Board of Petroceltic had agreed, subject to consultation with its shareholders, that it would be willing to recommend such an Offer to shareholders, if this irrevocable undertaking was obtained from ENOC, noting that such Offer would be subject to the approval of Dragon Oil's shareholders.

In December 2014, Dragon Oil announced that it would no longer be making an Offer at that time for the Company, citing prevailing oil and gas pricing market conditions. While we devoted significant resources to supporting the Dragon process, and were disappointed that Petroceltic shareholders did not get the opportunity to fully consider the potential offer, we continue to believe that Petroceltic has a strong and positive future as an independent company.

Sector and Market Sentiment

Oil and Gas is a global industry, with supply and demand driven by technology, pricing, global economic performance and geopolitical stability. Each of these factors has exerted a material influence on the prices received by producers, and caused a reduction of over 40% in the Brent oil price over the period since mid-2014; similar uncertainty also surrounds the forecasts of future pricing. Against this backdrop, smaller exploration and production companies have struggled to secure finance and attract investor attention, while larger ones have undertaken material portfolio rationalisation, with exploration budgets and personnel the most impacted. Petroceltic was no exception in this regard and in 2015 made 40% of Head Office and corporate personnel redundant as part of an overall effort to refocus the Company on its tangible reserve base of existing production, developments and discoveries.

While we greatly regretted doing this, and have lost talented colleagues as a result, our business is now significantly streamlined from a geographical and operational perspective, and a number of existing or anticipated farmout and portfolio management initiatives have materially mitigated our exposure to future capital investment. By taking these actions, we believe we have preserved and protected value in our core assets for the benefit of all shareholders, but also retained sufficient exposure to potentially material future exploration and appraisal projects to renew and expand our portfolio at modest cost as industry conditions improve. We also expect to benefit from the current price weakness in oil markets to attract competitive bids for our main Ain Tsila Engineer Procure Construct ("EPC") contract.

This environment has, however, provided a focus on delivering efficiencies and the recent restructuring of the organisation will ensure that Petroceltic is resourced appropriately to effectively deliver the planned work programme. Finally, the contemplated bond issue is a crucial step towards providing the financial resources to continue to implement the Group's long term strategy of delivering value from core assets.

Robert Fm Adair

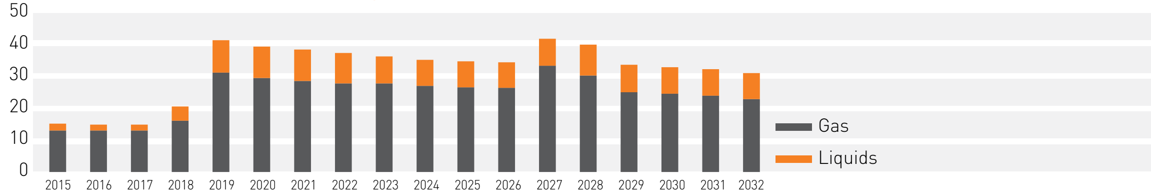
Robert Adair
Chairman

CORPORATE STRATEGY

Our strategy is to bring our development asset to first gas on schedule and to maximise the value of our producing assets through on-going investment, active reserves management and cost control. Through discovery of assets with material hydrocarbon resource potential, we develop these assets to deliver superior shareholder value. We focus on developing material asset positions in attractive fiscal regimes with strong partners that can add complementary skills as well as financial strength. Our geographical focus is Middle East-North Africa ("MENA"), the Black Sea and the Mediterranean basin.

Sustainable and clear long term production profile

Mboepd, Working Interest basis



2014 Key Achievements	Future Key Targets
Algeria: • Farm-out provides $160m funding to cover capex until Q2 2016 and further contingent payments of up to $20m • FEED and Gas Sales Agreement contracts awarded	• Award of Rig Contract (achieved in April 2015) and EPC contract • Project delivery on budget- circa $430m net capex spend to first gas (post carry) • First gas anticipated Q4 2018 with 14 year wet gas production plateau of 355 MMscfpd
Egypt: • Production of 19.3 Mboepd, generating revenue of $106m • Completion of two successful development wells and one workover • New acreage granted - portfolio renewal • Receivables reduced to $50m	• Maintenance of production- 2015 guidance of 12.5-13.3 Mboepd • Infill drilling and facilities investment • Gas injection to maximise liquids recovery • Farm-out exploration acreage to manage risk and financial exposure • Seismic acquisition on new licences
Bulgaria: • Production of 3.2 Mboepd generating revenue of $51m • Successful export compressor major overhaul	• Maintenance of production- 2015 guidance of 1.5-1.7 Mboepd • Kavarna East completion and tie back • Invest in Kaliakra to deliver existing reserves
Corporate/Other: • $100m share placing • Net debt reduced to $153m	• Progress financing strategy for Ain Tsila development expenditure • Divest or relinquish non-core/low graded exploration licences at minimal cost • Restructure the organisation to match reduced exploration • Retain high quality opportunities (while minimising cost)

BUSINESS MODEL

In line with our strategy, the business model has evolved to be a full cycle E&P company with a portfolio in North Africa and the Mediterranean region. The Development asset is the core driver of value and the Producing assets provide funding for the Group's activities. In difficult climates, the model can adapt and focus away from low graded or high risk exploration towards near term developments. Growth and increased value for shareholders is always a central focus.

EXPLORATION

Confined to core areas for portfolio renewal and licences where material resources are possible. Joint venture partnerships are used to mitigate risk, share costs and gain external knowledge and experience.

DEVELOPMENT

Putting the right team in place and awarding contracts to experienced suppliers to ensure proper execution of projects. Cost control, stable financing and a focus on the project delivery timetable is central to the development.

PRODUCTION

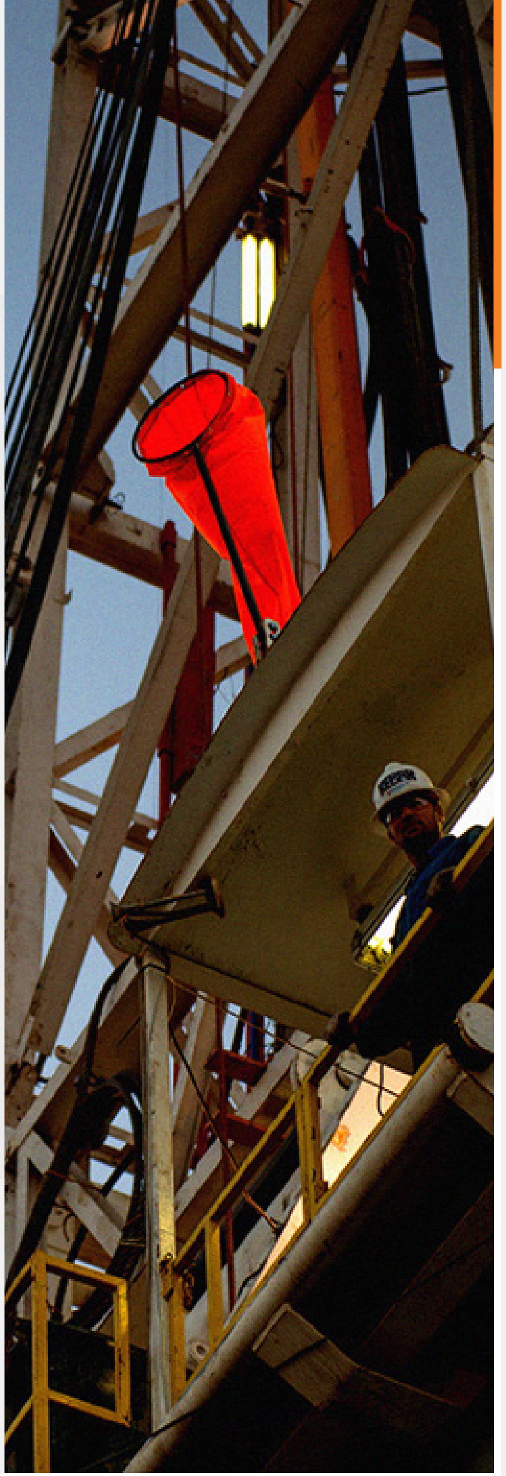
Maximise producing wells and reserves to generate a strong cash flow. Low operating costs and a stable mix of liquids and gas with predictable gas prices on long term contracts.

PORTFOLIO MANAGEMENT

As part of preparation for drilling or other significant capital expenditure programmes, farm-outs are considered to mitigate financial and operational risk.

GROWTH

Develop opportunities arising from the existing asset base. Delivering growth in shareholder value is the primary focus of the business model.



KEY PERFORMANCE INDICATORS

The Board assesses the Company's performance through the measurement of specific KPIs

- Production was in line with guidance for the year 2014
- Reserves decreased during 2014 primarily due to the farm-out to Sonatrach who acquired Algerian reserves of 97.3 MMboe
- The number of lost time injuries (LTI) reduced significantly in 2014

OPERATIONAL PERFORMANCE INDICATORS

Production - working interest (boepd)

Production - net entitlement (boepd)

Proved plus probable reserves - working interest (Mboe)

Lost time injuries

FINANCIAL PERFORMANCE INDICATORS

	2014	2013
Revenue ($ m)	157	197
EBITDAX ($ m)	102	145
Group net indebtedness ($ m)	153	246
Net indebtedness/EBITDAX	1.5	1.7
Interest cover	5.5x	6.6x
Operating costs ($ per boe -working basis)	3.1	2.3

INVESTMENT ACTIVITY

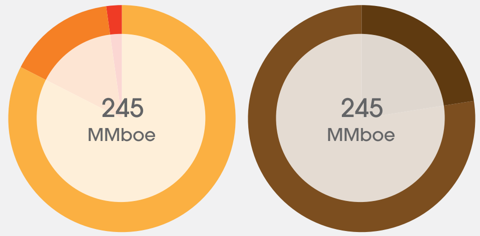
	2014	2013
Capital expenditure	109	161
Exploration	70%	34%
Development	30%	66%

OIL AND GAS RESERVES

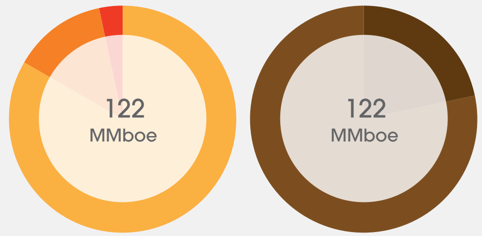
PROVED AND PROBABLE RESERVES AT 31 DECEMBER 2014

	Algeria Oil Mboe	Algeria Gas Mboe	Algeria Total Mboe	Egypt Oil Mboe	Egypt Gas Mboe	Egypt Total Mboe	Bulgaria Gas Mboe	Total Oil & Gas Mboe
Working interest basis								
Proved and probable reserves								
Proved developed	-	-	-	3,940	13,839	17,779	427	18,206
Proved undeveloped	25,579	83,819	109,398	1,693	4,312	6,005	1,849	117,252
Proved	25,579	83,819	109,398	5,633	18,151	23,784	2,276	135,458
Probable developed	-	-	-	1,767	7,045	8,812	834	9,646
Probable undeveloped	23,523	69,755	93,278	652	4,617	5,269	1,474	100,021
Probable	23,523	69,755	93,278	2,419	11,662	14,081	2,308	109,667
Total developed	-	-	-	5,707	20,884	26,591	1,261	27,852
Total undeveloped	49,102	153,574	202,676	2,345	8,929	11,274	3,323	217,273
Proved and probable	**49,102**	**153,574**	**202,676**	**8,052**	**29,813**	**37,864**	**4,584**	**245,125**
Movements on reserves during the year								
At 1 January	72,690	227,351	300,041	9,683	44,700	54,383	6,269	360,693
Disposals	(23,588)	(73,777)	(97,365)	-	-	-	-	(97,365)
Additions	-	-	-	-	-	-	-	-
Revisions	-	-	-	(601)	(8,888)	(9,489)	(517)	(10,006)
Production	-	-	-	(1,030)	(5,999)	(7,029)	(1,168)	(8,197)
At 31 December	**49,102**	**153,574**	**202,676**	**8,052**	**29,813**	**37,864**	**4,584**	**245,125**
Net entitlement basis								
Proved and probable reserves								
Proved developed	-	-	-	1,875	5,680	7,555	427	7,982
Proved undeveloped	13,591	46,280	59,871	806	2,041	2,847	1,849	64,567
Proved	13,591	46,280	59,871	2,681	7,721	10,402	2,276	72,549
Probable developed	-	-	-	34	875	909	834	1,743
Probable undeveloped	10,258	31,172	41,430	1,068	3,949	5,017	1,474	47,921
Probable	10,258	31,172	41,430	1,102	4,824	5,926	2,308	49,664
Developed	-	-	-	1,909	6,555	8,464	1,261	9,725
Undeveloped	23,848	77,452	101,300	1,874	5,990	7,864	3,323	112,487
Proved and probable	**23,848**	**77,452**	**101,300**	**3,783**	**12,545**	**16,328**	**4,584**	**122,212**
Movements on reserves during the year								
At 1 January	33,485	108,873	142,358	3,938	16,316	20,254	6,269	168,881
Disposals	(10,866)	(35,330)	(46,196)	-	-	-	-	(46,196)
Additions	-	-	-	-	-	-	-	-
Revisions	1,229	3,909	5,138	316	(1,075)	(759)	(517)	3,862
Production	-	-	-	(471)	(2,696)	(3,167)	(1,168)	(4,335)
At 31 December	**23,848**	**77,452**	**101,300**	**3,783**	**12,545**	**16,328**	**4,584**	**122,212**

Working interest



Net Entitlement



Algeria
Egypt
Bulgaria

Oil
Gas

Notes

1) The year end 2014, net entitlement reserves for Algeria and Egypt were calculated assuming an escalating Brent oil price of $58.82/bbl in 2015, $67.28/bbl in 2016, $70.67/bbl in 2017 then $85 per barrel (flat) (2013 - $90 per barrel (flat)).

2) A conversion factor of 5,800 is used for the calculation of barrel of oil equivalents for Bulgarian and Egyptian reserves.

3) Conversion factors for Algerian commodities are as follows; gas - 5,349 Mcf/boe, condensate - 1.15 bbl/boe, LPG - 1.61 bbl/boe.

4) The proved and probable oil reserves for Algeria includes LPG of 42,184 Mbbl and 20,522 Mbbl on a working interest basis and net entitlement basis respectively.

5) The proved and probable oil reserves for Egypt includes LPG of 2,110 Mbbl and 991 Mbbl on a working interest basis and net entitlement basis respectively.

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

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.

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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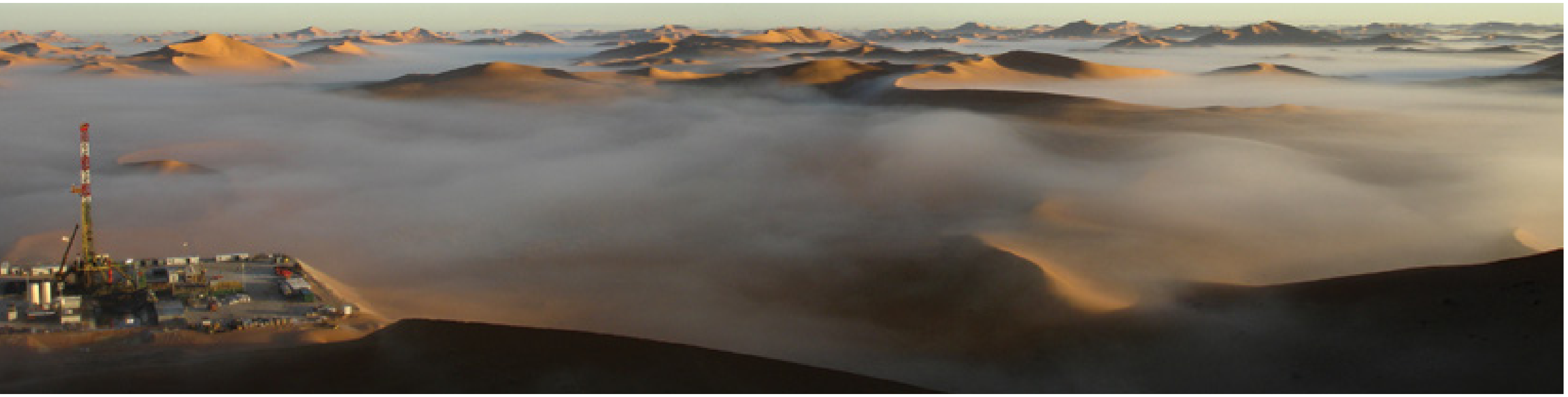


Kurdistan

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 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.

The Elsa oil discovery, offshore Abruzzo, contains 95 MMbbls of gross 2C contingent resources

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

OPERATIONAL REVIEW ALGERIA

Highlights

Ain Tsila development Front End Engineering and Design contract awarded

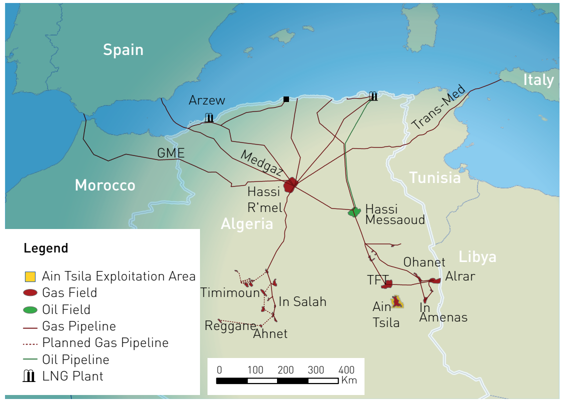
Contract awarded to Sinopec for drilling rig

First 12 development well locations agreed

Mobilisation of the Joint Operating Organisation to Hassi Messaoud complete

Fully termed Gas Sales Agreement signed and approved

Divestment to Sonatrach of an 18.375% interest in the field



During 2014, Petroceltic made significant progress towards the development of the strategically important Ain Tsila gas condensate field, which lies within the Isarene concession in the Illizi basin in south east Algeria.

An experienced Project Team has been established and the Joint Operating Organisation ("JOO" or "Groupement"), which is responsible for executing the field development plan, is now conducting operations on behalf of Sonatrach, Petroceltic and Enel. The Front End Engineering and Design ("FEED") contract was awarded in September and the Gas Sales Agreement was signed and approved by the Algerian authorities in November. By early 2015, the JOO had relocated from Algiers to the main Algerian oil and gas operating centre at Hassi Messaoud. Planning for the drilling programme is also well advanced with a rig contract awarded to Sinopec in April 2015 and contract award recommendations made for long lead time equipment, and the first 12 development well locations agreed.

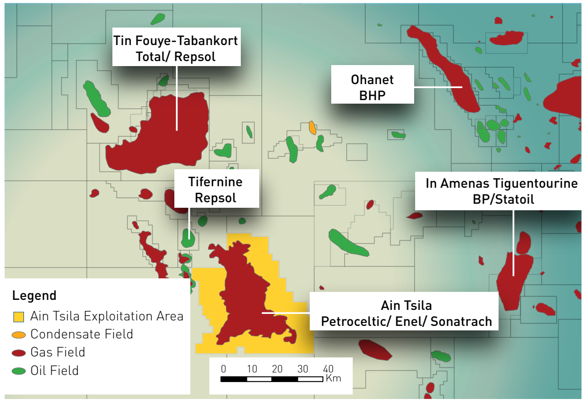
Of particular importance during the year was the successful completion of a second farm-out of a 18.375% interest in the Ain Tsila field to Sonatrach, the National oil and gas company of Algeria. The total consideration for the farm-out is $160m, with up to $20m of potential further payments contingent on certain project milestones. Under this agreement, Petroceltic's cost in the project will be carried until the second quarter 2016.

2015 will see the completion of the FEED studies and the tender and award of the EPC contract for the major project construction contracts. During the course of the FEED studies, the project cost estimate and schedule will also be updated. Subsurface engineering and geoscience activities will focus on optimising the development plan prior to the commencement of drilling late 2015. In April 2015, the Groupement successfully completed the tendering process for the rig contract resulting in the award and signature of the contract to SINOPEC. The 1500 horse power rig, which is now built and ready to ship, 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 will enable drilling to commence on schedule in 2015.

In June 2015 an amendment to the Algerian PSC approving the transfer of Petroceltic's interest in the Isarene development to a subsidiary company was signed by all parties; this amendment and the associated transfer will become effective on gazettal following approval by the Algerian Council of Ministers.

Background

Petroceltic was awarded operatorship of the Isarene PSC in April 2005 with a 75% equity interest, this was subsequently reduced to



2015 will see the completion of the FEED studies and the tender and award of the EPC contract for the major project construction contracts.

56.625% through the divestment of an 18.375% interest to Enel SpA in early 2012, and reduced further to 38.25% through divestment of a further 18.375% to Sonatrach in 2014.

After the initial Ain Tsila discovery in 2009, Petroceltic applied for a two year extension period, from the end of the exploration period in April 2010 through to 26 April 2012, to allow time for the appraisal of the gas accumulation. During this period, the Group drilled six appraisal wells on the Ain Tsila structure.

Approved development plan

Following the completion of the appraisal drilling campaign and technical and economic studies, a full field development plan was submitted to the Algerian authorities and approved in December 2012. The plan envisages the production of 2.1 Tcf of sales gas and 179 MMbbl of liquids (comprising 69 MMbbl of condensate and 110 MMbbl of liquid petroleum gas or "LPG") from the field during the 30 year Production Sharing Contract ("PSC") exploitation period. The initial plan will result in a recovery factor of 24% of the Gas Initially in Place ("GIIP") in the field and the Company anticipates that the recovery factor is likely to grow over time with additional well data and the potential installation of additional gas processing facilities.

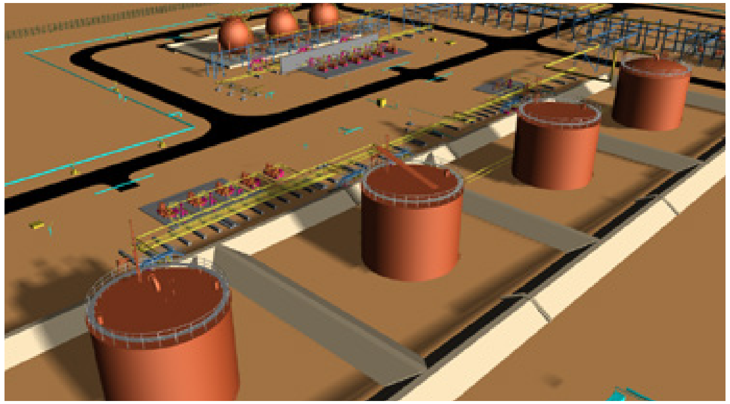
The field plateau production rate is forecast to be 355 MMscfpd gross wet gas and the plateau should last for some 14 years. The development plan involves the drilling and completion of 124 vertical development wells, of which 30 (including 6 existing wells) are scheduled to be available prior to first production. Along with basic in-field support infrastructure, the facilities will comprise a gas processing plant with water separation, condensate and LPG recovery equipment, gas compression, export pumps and metering facilities. The gas will be evacuated via a 95 kilometre pipeline which will tie into the main Algerian gas transmission network near the Tin Fouye Tabankort field. Dedicated condensate and LPG export lines will also be constructed to tie into liquids transmission infrastructure.

The gross project cost prior to first production is expected to be in the region of $1.6 billion with the majority of the expenditure incurred from 2016 through 2018. The capital estimate and phasing will be confirmed in more detail after the FEED studies have been completed and EPC contract awarded.

Gas commercialisation

Following the execution of a legally binding Heads of Terms for the Gas Sales Agreement with Sonatrach in 2012, the comprehensive Gas Sales Agreement detailing operation procedures and processes required for nominations and payments was signed in September 2014 and approved by the Algerian Energy Ministry in November 2014.

OPERATIONAL REVIEW ALGERIA
CONTINUED



Liquids
Condensate and stabilised LPG form a significant part of the reserves and revenues from the Ain Tsila field. Based on data from similar developments, the Company anticipates that both condensate and LPG will be sold in the local market at a price related to Brent.

Second farm-out
A process to divest an additional 18.375% of Petroceltic's equity in the Isarene PSC was initiated in 2012 as part of the Company's strategy to manage its overall financial and operational commitment to the Ain Tsila development. In early 2013, Petroceltic agreed a farm-out proposal from an international oil company and initialled a Sale and Purchase Agreement. However, in July 2013, Sonatrach exercised their right to pre-empt the transaction and acquire the interest on similar terms.

The agreement to effect the transfer of the interest to Sonatrach was signed in February 2014 and ratified by the relevant Algerian government authorities in June. The consideration included a $20m initial cash payment, a cost carry of up to $140m and two potential further $10m payments contingent on the achievement of certain key project milestones. Petroceltic retained a 38.25% interest in the project through to first gas.

The farm-out has resulted in a reduction in Petroceltic's booked proved plus probable reserves from 300.0 MMboe to 202.7 MMboe, which has been reflected in the Company's year end 2014 reserves figures.

Exploration licencing round
The Algerian government launched a new exploration licencing round in 2014. The Group evaluated the tendered blocks, but due to a combination of technical and commercial considerations decided against making a licence application in the round.

The agreement to effect the transfer of the interest to Sonatrach was signed in February 2014 and ratified by the relevant Algerian government authorities in June.

Isarene concession timeline

2005 - Award of Isarene Production Sharing Contract

2006 - First exploration drilling of two wells

2008 - 3D seismic acquisition

2009 - Five wells drilled, resulting in the Ain Tsila discovery, the year's 9th largest worldwide

2010 - Two year delineation licence extension awarded

2011 - Successful six well drilling campaign

2012
- Farm-out of 18.375% interest to Enel
- Declaration of Ain Tsila field commerciality
- Development Plan and Gas Sales Heads of Terms approval
- Award of 30 year exploitation licence
- Booking of 304 MMboe of proved plus probable reserves

2013
- Formation of Joint Operating Organisation to develop the field
- FEED tender issued to market

2014
- FEED contract awarded and studies commence
- Farm-out of 18.375% interest to Sonatrach
- Drilling contracts tendered

2015
- Mobilisation of Joint Operating Organisation to Hassi Messaoud
- Rig contract awarded
- Major project EPC contract to be tendered and awarded
- Commencement of development drilling

2016 - **2018** Project execution phase including, drilling 24 wells and constructing gas processing plant and related infrastructure

CASE STUDY
GROUPEMENT ISARENE

When the Isarene PSC was awarded in 2005, Petroceltic was qualified as an operator in Algeria. During the initial exploration and appraisal phase of activity, almost 10,000 km of 2D and 900 sq km of 3D seismic were shot, processed and interpreted, supporting the drilling and testing of 13 wells and the preparation of a field development plan for the Ain Tsila gas field. Enel joined Petroceltic as an investor in the field in 2012 and Petroceltic remained as joint venture operator.

Following approval of that development plan by the Algerian authorities at the end of 2012, Sonatrach joined the venture as a paying participant in the exploitation phase. Upon commencement of this phase, consistent with the requirements of the PSC, the responsibility for the execution of petroleum operations on the Isarene permit passed to a newly constituted Joint Operating Organisation called "Groupement Isarene". This entity was set up in mid-2013 under the control of the PSC parties. It is financed by monthly cash calls to the Isarene PSC partners and is directed by a management council with representation of all the PSC parties.

Prior to the constitution of the Groupement Isarene, Petroceltic and Sonatrach negotiated the organisational structure and the allocation of positions between the parties, and, through the course of 2013, Petroceltic has redeployed or recruited more than 50 experienced professionals on behalf of itself and Enel to take up these positions, primarily in management, supervisory, finance and technical roles. These secondees are located alongside their Sonatrach counterparts in the Groupement offices, initially in Algiers through to the end of 2014, prior to their deployment to major contractor sites, the field and Hassi Messaoud (the oil and gas operating and logistical centre of Algeria).

Through 2014, the Groupement project team concentrated on the preparation of the contract tender packages for the Ain Tsila production facilities and infrastructure FEED and development drilling. The FEED contract was awarded to Chicago Bridge & Iron BV in the Netherlands, while at year end the drilling rig had been identified and the contract was subsequently awarded in 2015, to Sinopec International Petroleum Services Corporation.

In January 2015, the Groupement relocated its main office from Algiers to Hassi Messaoud to allow access to a larger resource pool of Sonatrach secondees, and from there development operations will ramp up with the preparation of the tenders for the main production facilities construction packages, the award of those construction packages, and the commencement of drilling. In the Ain Tsila field, a forward operations base and basic infrastructure will be constructed, allowing for the mobilisation of drilling rigs and construction crews in the second half of the year. Opportunities were taken during 2014 to optimise the timing of drilling start-up which will now take place in Q4 2015. This will ensure that the required number of wells are available to be hooked up for production at first gas in Q4 2018.

In line with other operators in Algeria, the Company has prepared and issued a Development Security Philosophy to ensure appropriate security controls for all in-country activities. The FEED study will address a number of these critical controls – physical, procedural, organisational – and ensure that best practice is designed and engineered into all aspects of construction and subsequent operation of the project facilities.

> Through 2014, the Groupement project team concentrated on the preparation of the contract tenders packages for the Ain Tsila production facilities and infrastructure FEED and development drilling.

OPERATIONAL REVIEW EGYPT

Highlights

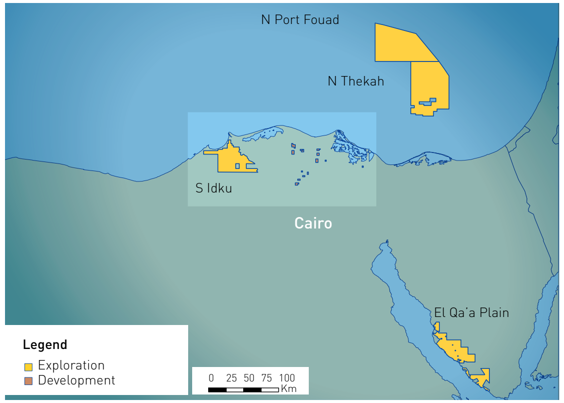
Average production of 95.3 MMscfpd of gas and 2,821 bopd of hydrocarbon liquids

Completion of two successful development wells and one workover

Commissioning of the West Khilala and South Damas compression projects

Ratification of two new exploration licences and the award of a third

EGPC receivables reduced from $81m to $50m



Petroceltic's core area of operations in Egypt is in the onshore Nile Delta where it holds a 100% operated interest in 12 producing fields in 14 development concessions in the El Mansoura and the South East El Mansoura concession areas. The field development operations are managed through a Joint Operating Company called Mansoura Petroleum Company jointly owned by Petroceltic and the Egyptian Government.

During 2013 and 2014, the Company has significantly renewed its exploration portfolio in Egypt and in January 2014 PSCs were signed for two new licences. These include a 75% interest in the onshore South Idku concession and a 50% interest in the exciting, deep water North Thekah block, which is thought to contain an extension of the prolific Levantine basin exploration play. In the second half of the year, the Company was also awarded a 50% interest in the North Port Fouad block, which is adjacent to North Thekah, and the PSC was signed in January 2015. These licences, combined with the Company's existing 37.5% interest in the El Qa'a Plain concession, provide Petroceltic with a diversified exploration portfolio, containing oil and gas prospectivity and with high volume potential.

Political and economic situation

2014 marked a return to political stability in Egypt with a number of key developments taking place. In January the new Egyptian constitution was approved by referendum and this was shortly followed by Presidential elections in May. The winner of the elections was President El Sisi who assumed office in June and swiftly formed a new Government. Preparations are now underway for Parliamentary elections in 2015.

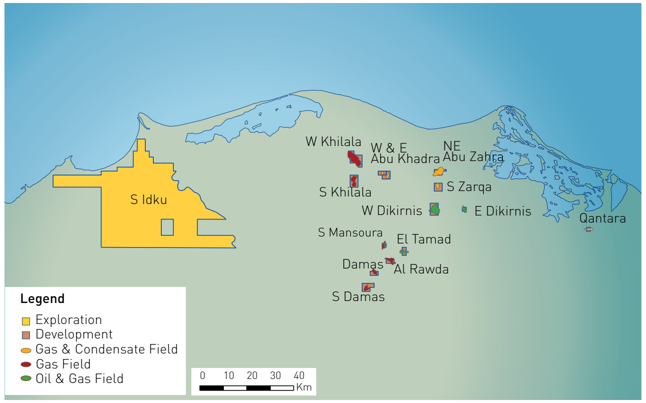
The economy continued its gradual path of improvement during the year and the country's credit rating and outlook were raised by Standard & Poor's and Fitch twice from "CCC+/C" to "B-/B" with a "stable" outlook. Several initiatives are being pursued by the government to attract foreign investment and the decision in the summer of 2014 to reduce fuel subsidies by an average of 30% was a clear sign of the government's desire to begin to implement important market reforms.

During the year, the Government continued to address the issue of payment arrears with the international oil and gas companies and in December made a significant disbursement amounting to the equivalent of $2.1bn. This brought the total paid to the industry since December 2013 to around $5bn (over 60% of the arrears).

Petroceltic received payments totalling $120m in 2014, and the receivables were reduced from $81m to $50m over the course of the year. The payments were made in cash and also by means of the allocation of sales proceeds from part cargoes of crude and crude oil products.

Production and reserves

In 2014, Petroceltic's daily production in Egypt averaged 19,256 boepd on a working interest



basis, which is equivalent to 8,675 boepd on a net entitlement basis. The working interest production split between hydrocarbon types was 95 MMscfpd of gas and 2,821 bpd liquids (oil, condensate and LPG) representing an 85%/15% split on a volume basis. Approximately 74% of the production was derived from the West Dikirnis, South Damas, and the West and South Khilala fields, with the remainder from eight smaller accumulations.

Throughout the year, the Company continued to invest in its producing assets with new compression facilities installed at the West Khilala field to reduce the well head flowing pressures and hence maximise gas recovery, and a small booster compressor commissioned for the South Damas field. The Company also drilled and completed two successful development wells during the year, namely West Khilala-4ST and East Abu Khadra-1ST and conducted work-overs to re-establish production from the West Dikirnis-2 and 8 wells. 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 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.

West Dikirnis field

The West Dikirnis field, which contains a 70 foot oil rim, overlain by a gas cap, was discovered In 2005. The field commenced production in 2007 and to date, the Company has focused on maximising the hydrocarbon liquids recovery by drilling a combination of vertical, high angle and horizontal wells and installing Liquid Petroleum Gas ("LPG") extraction and Gas Reinjection facilities. These facilitates are used to strip the hydrocarbon liquids out of any gas which is produced with the oil, and then to re-inject the gas back into the reservoir to maintain the reservoir pressure.

An active reservoir management programme is in place for the field, and individual well withdrawal rates are managed to prevent excessive quantities of water, sand or gas being produced. We are also planning to implement an Enhanced Oil Recovery Scheme using a form of miscible gas flood. This will take advantage of the fact that the West Dikirnis crude oil is highly volatile and can be vapourised in the reservoir if it is contacted by re-injected gas. To implement the scheme, Government approval is being sought to convert 3 redundant oil wells to gas injection in 2015/16 (to supplement the one existing gas injector) and to increase the gas cycling rate in the field. Two more additional producers will also be drilled in 2015/16.

During the year, a successful workover was performed on the West Dikirnis-8 well to correct a safety problem (tubing to casing pressure communication) and the well was returned to production at 200 boepd. A low cost rig-less workover was also conducted on West Dikirnis-2 to add perforations and the well, which had been shut-in due to water production, resumed production at 400 bopd.

The field's average production rate in 2014 was 1,967 bopd of oil, condensate and LPG, and approximately 33 MMscfpd of gas. Approximately 19 MMscfpd of the produced gas were re-injected into the reservoir, 11 MMscfpd were sold to the local market and the remainder used to run the facilities. Gas sales were maintained sporadically during the year until the end of September in response to a request from the Government to supply gas during periods of domestic supply shortfall (particularly during the summer months).

The field's ultimate proved and probable reserves are estimated at 18.2 MMbbl of hydrocarbon liquids and 62.4 Bcf of gas. By the end of 2014, the field had produced 10.9 MMbbl of liquids and 26.2 Bcf of gas.

West Khilala field

The West Khilala gas field was discovered in 2005 and came on stream in February 2007. The average production rate during 2014 was 30 MMscfpd of gas and 30 bopd of condensate from six wells.

The field is now relatively mature and the focus of the field management programme is to minimise the impact of water and sand production on individual well performance and surface flowlines and facilities. As part of a programme, the Company has standardised on open hole gravel packs as being the best downhole completion design and in early 2014 the watered out West Khilala-4 well was sidetracked and successfully

OPERATIONAL REVIEW EGYPT
CONTINUED

completed with a gravel pack and returned to production at 6 MMscfpd. At the end of the year, the West Khilala-3 well was also sidetracked but unexpectedly encountered a swept area of the reservoir and was plugged and abandoned in early 2015.

The year end 2014 ultimate proved plus probable reserves are 250 Bcfe and the remaining reserves estimated at 42 Bcfe. These figures reflect a downward revision of some 35 Bcfe based on the West Khilala-3 sidetrack results and other recent well performance data. This reserve write-down had a direct impact on the NPV of the asset and this contributed to the impairment charge at year end.

South Khilala field

The South Khilala field was discovered in May 2009 and was placed on production in October 2009 through the West Khilala processing facilities. The average production rate in 2014 was 9 MMscfpd of gas and 13 bopd of condensate from two wells. A third well (South Khilala-3) is under consideration to drain the most crestal part of the field, to help maintain the field's production rate and maximise reserves. The field's remaining reserves as at year end 2014 are estimated at 24 Bcfe and the cumulative gas production to date is 30 Bcfe.

Damas and South Damas fields

The Damas and South Damas fields were discovered in 2008 and 2010 respectively. Damas was brought on production during 2009 but was temporarily shut in during 2010 to enable the South Damas field to flow through a common pipeline to the South Mansoura production facilities. In November 2014, the flow line pressure was decreased by transferring a booster compressor from the South Batra gas plant to the South Mansoura gas plant. This allows for the continuity of the production from this field and potential upgrade of its ultimate recoverable reserves.

The South Damas field has performed exceptionally well since inception and the field's initial gas in place has been progressively upgraded to 67 Bcf. The field is being drained by 2 wells, with one completed with a gravel pack to control sand production. The average production rate for the year was 18 MMscfpd of gas and 144 bopd of condensate.

The ultimate proved plus probable recoverable reserves are estimated at around 58 Bcfe and the field had produced about 25 Bcfe by year end 2014.

The South Damas field has performed exceptionally well since inception and the field's initial gas in place has been progressively upgraded to 67 Bcf.

Other fields

The Group also operates eight smaller fields in the Nile Delta which contributed 5,244 boepd of the total production in 2014.

The Tamad field gas cap blow down commenced in 2013 and, in 2014, the field contributed 10.4 MMscfpd and 93 bopd of condensate.

The South Zarqa field, which has a very active aquifer and produces from a single gravel packed well, contributed 7.9 MMscfpd of gas and 254 bopd of condensate.

In the East Abu Khadra field, an old watered out production well was successfully sidetracked to an updip location during the year and the new wellbore is currently producing at a rate of 3 MMscfpd.

The East Dikirnis oil and gas field, which has a thin oil rim, was tied back to the West Dikirnis facilities in January 2013 and the single production well is currently flowing at approximately 226 bopd and 0.9 MMscfpd under rate control.

Exploration

Petroceltic has been expanding its exploration portfolio in Egypt during 2013 and 2014 in order to replenish the prospect inventory. The Company now has interests in four exploration concessions as follows:

El Qa'a Plain (Petroceltic 37.5%, Dana 37.5% (operator), Beach Energy 25%)

This concession is located in an under-explored sub basin on the eastern shore of the Gulf of Suez and contains a substantial number of oil leads identified on existing 2D seismic data. The gross unrisked mean prospective resource potential is estimated at 140 MMbbl. The concession was ratified in October 2013 and signed in January 2014 and the forward plan is to acquire 450 sq km of 3D seismic in 2015 followed by the drilling of one or more exploration wells in 2016. The seismic contract was tendered, evaluated and signed by Q2 2015.

South Idku (Petroceltic 75% (operator), Edison 25%)

This concession was awarded in April 2013 and is located in an under explored part of the onshore Nile Delta on trend with Edison's offshore producing Abu Qir field (1.5 Tcf + 40 MMbbl). A number of amplitude supported leads have been identified in the Miocene formations on 2D seismic and the total prospective resources are estimated to lie in the range 400 Bcf to 1900 Bcf. A tendering process is underway for the acquisition of a 3D seismic survey and exploration drilling is likely to occur in 2016.

North Thekah (Petroceltic 50%, Edison 50% (operator))

This concession was also awarded in April 2013 and is located in the deepwater Nile Delta within an underexplored part of the Levantine Basin. The primary exploration target in this block are Nile Delta Oligocene and Levantine Basin Miocene plays on trend with the giant Leviathan and Tamar discoveries in Israel. A number of potentially significant leads and prospects have been identified on existing 2D seismic. 3D seismic acquisition is now completed and although there are no commitment wells in the current exploration period, a decision will be made with respect to exploration drilling following evaluation of the new 3D seismic survey.

North Port Fouad (Petroceltic 50%, Edison 50% (operator))

The concession which was awarded in September 2014, is adjacent to North Thekah in the deepwater Nile Delta and has similar plays and objectives. 3D seismic tendering will start later in 2015 and a decision will be made with respect to any exploration drilling which is likely to occur in 2018/2019.

Exploration in Development Concessions (Petroceltic 100%)

Exploration well South Dikirnis-1 was drilled in May 2014 to test the extension of Qawasim formation reservoir in a tilted fault block within the West Dikirnis development concession. The well results showed minor gas shows in Qawasim formation which indicated the main reason for failure was the ineffective lateral seals in the well.

OPERATIONAL REVIEW BLACK SEA BULGARIA

Highlights

Average gas production rate of 18.6 MMscfpd

Kavarna East development planning completed

Successful export compressor major overhaul

Petroceltic has a 100% operated interest in three producing gas fields and one future development in the Galata Exploration Block, which is located in shallow water, offshore Bulgaria, in the Black Sea. The producing fields were developed using an unmanned platform located on the main Galata field, to which the Kaliakra and Kavarna fields have been tied-back using subsea completions.

Production

The combined production rate from the Galata, Kaliakra and Kavarna fields averaged 18.6 MMscfpd during the year, with a cumulative production volume of 6.8 Bcf. The gas was sold to two customers, Bulgargaz (the state gas utility company) and Agropolychim (an independent fertiliser plant) at an average price of $8.34/Mcf giving total revenues of $51m.

The Galata field continued to perform well during 2014 and data acquisition surveys run in the wells have confirmed a relatively static water level in the field and continued gas recharge into the main reservoir from the remote areas of the field. Consequently, the field was capable of producing at an average rate of 9.7 MMscfpd during the year.

Given the positive field performance, the Company is evaluating the technical merits of performing a low cost wireline workover to potentially restore production from the GP-2 well. This well was shut-in in late 2008 due to the onset of water production but data shows there has been limited movement in the gas water contact ("GWC") in the vicinity of the well and there is still a significant interval of gas bearing perforations above the GWC. The workover would involve the mechanical isolation of the water bearing interval, enabling production to be resumed from the gas bearing zone.

The two smaller fields, Kaliakra and Kavarna produced a combined average rate of 8.9 MMscfpd during the year, which was slightly below forecast. The Kaliakra-1 well rate has continued to slowly decline suggesting that the well is only in partial pressure communication with the main field area. Hence, the Company is actively considering whether an additional well will be required to

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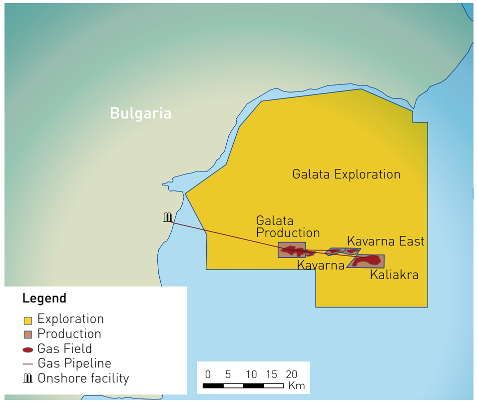


The Kavarna East field was discovered in 2010 and contains approximately 9.6 Bcf of gas reserves.

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.

Given the recent field performance, the year end 2014 reserves for the Bulgarian fields have been marginally downgraded and the combined remaining reserves are estimated at 26.6 Bcf.

In November, all the Company's Bulgarian fields were shut-in for a period of 20 days to complete a planned overhaul of the high pressure export compressor. This involved the replacement of the compressor bundle and main drive unit and the work was completed for a cost of $2.5m. Excluding the compressor related work activity, the production facilities uptime in Bulgaria continues to be world class at over 99 percent.

Development

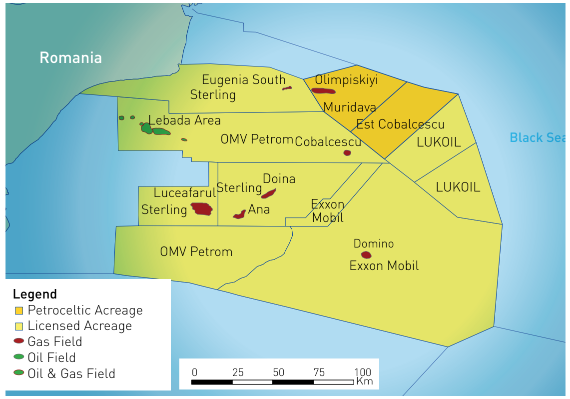
The Kavarna East field was discovered in 2010 and contains approximately 9.6 Bcf of gas reserves. The field will be developed using a single subsea well tied back to a manifold near the Kavarna field and, from there, the gas will flow to the Galata platform using the existing Kavarna flowline. As this is an existing discovery with pipeline laid, the development involves re-entry and completion of the existing well. The project execution plans are well advanced with all the long lead time equipment procurement activities completed. The exact project timing is now dependent on rig and diving support vessel availability.

OPERATIONAL REVIEW BLACK SEA ROMANIA

Highlights

Safely completed the drilling of South Cobalcescu-1 and Muridava-1 exploration wells

Licences divested in June 2015



During 2014, Petroceltic operated two offshore exploration concessions in the Romanian sector of the Black Sea with a 40% operated interest in each. The licences, Block 27 Muridava and Block 28 Est Cobalcescu, are located in shallow water and have a combined area of approximately 2,000 sq km. Both blocks cover an area that has historically been under-explored due to a previous maritime border dispute.

The Block 27 Muridava partnership comprised Petroceltic Romania B.V. (40% equity and operator), Midia Resources S.R.L. which is a wholly owned subsidiary of Sterling Resources Ltd (40% equity) and Petromar Resources S.A. (20% equity). The Block 28 Est Cobalcescu partnership comprised Petroceltic Romania B.V. (40% equity and operator), Beach Petroleum S.R.L. which is a wholly owned subsidiary of Beach Energy Ltd (30% equity) and Petromar Resources S.A. (30% equity). The initial minimum work programme for each Block comprised seismic acquisition and three wells.

The Joint Venture partners has now drilled two wells, one in each of the Blocks, on the highest graded prospects as defined using the 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 of the wells encountered commercial quantities of hydrocarbons and both were subsequently plugged and abandoned. 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 exploration well in Block 27 licence was drilled to a total depth of 2,747 metres but failed to encounter commercial quantities of hydrocarbons in the primary Eocene, Paleocene and Upper Cretaceous reservoir targets.

The disappointing drilling results confirmed an active hydrocarbon system and that good reservoir quality is present, but significantly increased the risk to the residual prospect inventory. A detailed technical review of the remaining prospectivity in each licence was conducted and the conclusion was that the remaining prospects were either sub-commercial from a scale perspective or of unacceptable technical risk to justify further investment.

In June 2015, Petroceltic completed the sale of the entire share capital of Petroceltic Romania B.V (which held the interests in Block 27 and Block 28) to GVC Investment B.V, a private limited company which has considerable oil and gas assets in the region.

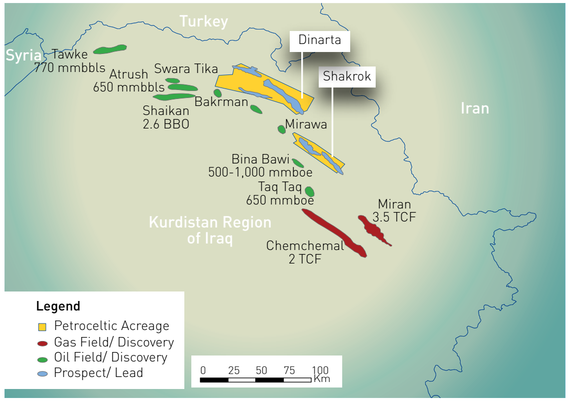
Following the completion of this sale to GVC, Petroceltic has no remaining obligations in Romania.

OPERATIONAL REVIEW KURDISTAN REGION OF IRAQ

Highlights

Shakrok 1 well plugged and abandoned and the Shakrok licence relinquished

Shireen 1 well encountered operational problems and without positive indications of commercial hydrocarbons the Dinarta licence was relinquished



Petroceltic has been active in the Kurdistan Region since 2011 when the Shakrok and Dinarta blocks were awarded with Petroceltic holding a 16% interest (20% paying interest) in each Production Sharing Contract ("PSC") in the northern area of the Kurdistan Region of Iraq ("KRI"). The blocks were awarded in partnership with the operator, Hess Middle East New Ventures Ltd ("Hess"), with a 64% participating interest (80% paying interest) and the KRG with a 20% carried interest.

The work programme for each block consisted of 2D seismic and the drilling of two exploration wells, one on each block. The Company's first exploration well in the KRI, Shakrok-1, was spudded in August 2013 and reached a total depth of 3,538 metres in the Triassic Geli Khana formation in March 2014. Drill Stem Tests were carried out over four prospective zones in the Jurassic. No hydrocarbons flowed to surface although the water flow rates confirmed the presence of some very high quality fractured reservoirs. Wireline logging and fluid sampling established the presence of a 27 metre gas-condensate column in the Triassic formation but this was not viewed as commercial. Hence the well was plugged and abandoned as a sub-commercial gas discovery in May 2014. All work program commitments have been fulfilled on the Shakrok PSC and it was formally relinquished in July 2014.

Operationally, the focus on the Dinarta block in 2014 was the preparation for and drilling of the Shireen-1 well. This was the highest elevation well ever drilled in Kurdistan with a surface location 2,100 metres above sea level. In addition to the logistical hurdles provided by well site excavation and access route construction, further challenges were encountered due to the karstified nature of the near-surface geological environment, the pervasive fracturing of the carbonate stratigraphy and the execution of drilling, casing and cementing operations in the shallow section above the water table.

The Shireen-1 well was spudded in June 2014, using the Parker 247 rig, and the top hole section was successfully drilled and cased. However, in August, a degradation of the regional security environment occurred due to the ISIS incursion into Northern Iraq from Syria. While these developments did not directly impact exploration activities, in line with other operators in the region, it was decided to temporarily secure and suspend operations at Shireen-1 and to evacuate non-essential personnel as a precautionary measure. Further to this temporary suspension announced in August, drilling operations resumed at the Shireen-1 exploration well in October. Subsequently, the well encountered a further series of operational problems which ultimately resulted in its premature suspension in the Jurassic formation. Prior the well suspension, no positive indications of commercial hydrocarbons had been observed.

Following a detailed review of the Shireen-1 well data and the remaining prospectivity on the Dinarta concession, a decision was taken by the Joint Venture partners to relinquish the block. All PSC work program obligations were fulfilled other than the required final remediation of the well sites. All costs associated with both the Shakrok and Dinarta licences were written off as unsuccessful exploration costs, including a provision for 2015 exit costs, in the year ended 31 December 2014.

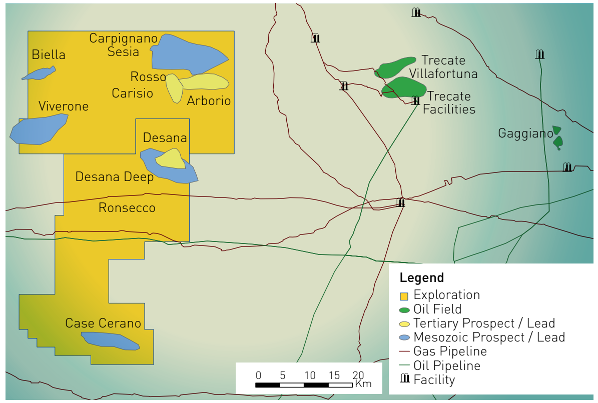
OPERATIONAL REVIEW ITALY

Highlights

Re-submission of Environmental Impact Assessments for approval for Elsa and Carpignano Sesia

International certification of country level HSES Management System

Purchase of 750km 2D seismic data over the high-graded offshore Turchese prospect



The past year has seen steady progress on the Company's Italian assets, with significant milestones achieved on key projects in the Central Adriatic and in the Po Valley. The primary focus has been on recommencing the environmental permitting process in key projects, supported by ongoing engagement with national and local institutions to demonstrate that exploration activity can deliver tangible benefits to local communities and the Government in a safe and environmentally responsible fashion. A significant milestone was achieved in June 2014 when DNV certified the country level HSES management system as meeting the requirements of ISO14001 for environmental management and OHSAS18001 for occupational health and safety management. This brings Italy into line with the Company's other operating areas which also have the international accreditation.

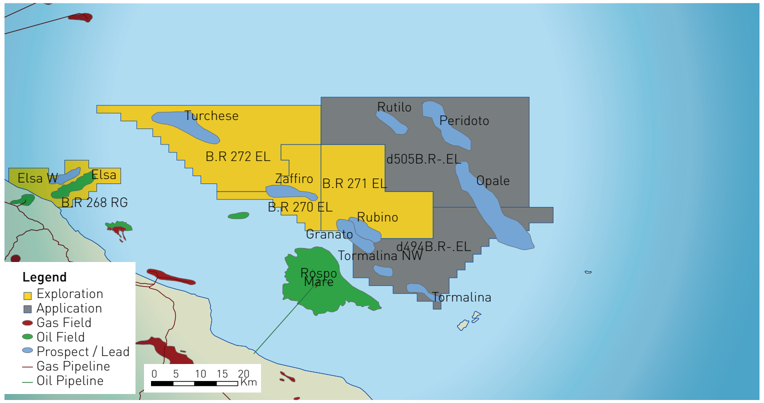
The "Restart Italy" decree, passed into law in November 2014, builds on the National Energy Strategy of 2013 in reaffirming the strategic nature of domestic hydrocarbon exploration and production activities and contains a number of measures aimed at facilitating progress in the sector whilst aligning regulation with offshore safety EU directive. These include the introduction of the "Single Permit" which aims at simplifying permitting by combining exploration and production phases into a single licence and transferring the responsibility for onshore environmental permits from the Regions to the Ministry of the Environment.

Western Po Valley

The Environmental Impact Assessment ("EIA") for the Carpignano Sesia-1 well was resubmitted by the Operator, Eni, to the authorities in December 2014, following revisions aimed at addressing stakeholder concerns relating to the proximity of the well location to the village of Carpignano Sesia. This well is being designed to test a large oil prospect located some 25km west of the analogous Villafortua-Trecate Field, which has gross mean unrisked prospective resources of 237 MMboe. Petroceltic has a 47.5% equity interest in the licence. The process to farm-out a portion of Petroceltic's interest in the block is at an advanced stage and commercial discussions with a potential farminee have been concluded.

Central Adriatic

The Group's main operated asset in Italy is the Elsa oil discovery, offshore Abruzzo, which is expected to contain 95 MMbbl of gross 2C contingent resources (Petroceltic 55%, paying interest 70%). The discovery requires further appraisal drilling and the EIA for the Elsa-2 well was resubmitted in July 2014, following consultative discussions with the government and local institutions. The Elsa-2 well aims at establishing potential production rates and acquiring a high quality fluid sample, both necessary to establishing the basis for



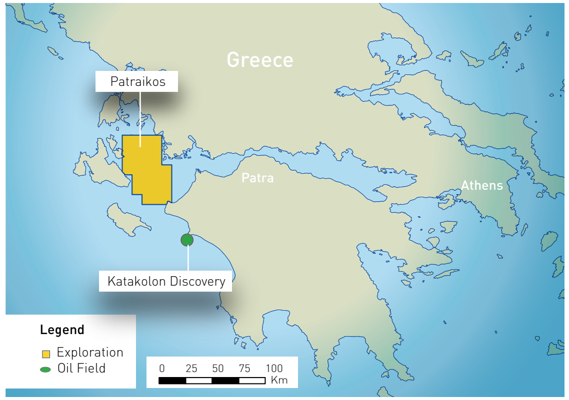
commercial development of the field. In March 2015, technical approval was issued by the EIA Commission, EIA final decree is expected soon, paving the way for the Elsa-2 well which will be started most likely in late 2016.

Further offshore from the Elsa field but in the same exploration play, the Company holds an interest in the B.R272.EL permit which contains the high graded Turchese prospect. This permit was awarded on a 100% basis to Petroceltic, however, Orca Exploration Group Inc retains an option to acquire a 15% interest in the licence. The Company purchased access to 750km of 2D seismic data over the block during the year to further evaluate the prospectivity.

For more information, please see our Petroceltic Italia website www.petroceltic.it

The Group's main operated asset in Italy is the Elsa oil discovery, offshore Abruzzo, which contains 95 MMbbl of gross 2C contingent resources

OPERATIONAL REVIEW GREECE



The award of the Patraikos block (Petroceltic, Hellenic (operator) and Edison 33.3% each) was formally ratified by the Greek parliament in October 2014.

The licence is located in the Gulf of Patra and covers an area of 1,892 sq km with water depths principally in the range of 100 to 300 metres. The concession is potentially oil prospective in the Jurassic, Cretaceous and Eocene formations and the regional hydrocarbon system has been proven by the Katakolon oil discovery wells drilled in 1982, approximately 35 kilometres south of the block. There are also several known oil seeps around the Gulf of Patra area. There is extensive 2D seismic data already available over the block and the unrisked mean prospective resources for the mapped prospects lie in the range of 80 MMbbl to 360 MMbbl.

The Group is currently considering divestment of this licence.

HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL REVIEW

At Petroceltic, we are committed to maintaining high standards of health, safety, environmental and social performance across all our operations. Our aim is to create a well governed, sustainable business with a strong sense of social responsibility which has a positive impact in the countries in which we operate.

Consistent with our guiding business principles and as declared in our HSES Policy, we strive to:

- Avoid harm to all people involved in, or affected by, our operations
- Minimise the impact of our operations on the environment
- Comply with all applicable legal and regulatory requirements
- Act in an ethical manner and ensuring transparency in our business dealings
- Have a positive impact on the people and communities directly affected by our activities and
- Achieve continuous improvement in our HSES performance.

Health, Safety, Environmental and Social performance is integral to the success of our Company, and is managed alongside all other facets of the business. In recognition of the Company's current portfolio and forward programmes, we have taken significant steps to further enhance our HSES management capability.

During 2014, we 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.

Land transport safety remains a highly ranked risk for Petroceltic, as it is for the industry. We have reviewed and enhanced our land transport safety programmes in both Algeria and Egypt, adopting recognised industry practice to improve our approach regarding equipment, driver competency and journey management.

Enhanced HSES reporting was introduced at the start of 2014 encompassing a broader and deeper range of HSES performance metrics, including the introduction of process safety metrics in line with industry guidance, focused on loss of primary containment events. This has enabled improved understanding of underlying performance and effectiveness of our management system.

Brian O'Cathain, Chief Executive Officer, has been designated as the Executive Board member responsible for the HSES Policy and Management System and formally reports on these matters on a regular basis to the Board. A HSES update is also provided at each monthly meeting of the Executive Management Committee.

Managing HSES Risks and Performance

Central to the HSES Management System Framework is the process of identifying and addressing potential health, safety, environmental and social risks at all stages of the lifecycle, from new business development, to exploration activities, subsequent development and ongoing operations.

Key HSES indicators are identified and monitored throughout the year. Performance against these is reported regularly to the Board and, when required, to regulators, investors and financial stakeholders. The results are consolidated at the end of each year and overall performance

is reviewed by the Senior Management team where areas for improvement are identified and integrated into forward plans.

Safety Performance Data

Historically Petroceltic has monitored a focused set of HSES key performance metrics at corporate level, in line with recognised industry benchmarks. These are reported here for 2014 and 2013, and include the additional metrics introduced in 2014 to enable a deeper level of monitoring and review.

Performance data is presented for all activities under Petroceltic operational control. Injury data includes both staff and contractor personnel. Contractors represent over 60% of the Company's total workforce. Included in the "other" category are Petroceltic office locations in Dublin, Edinburgh, London and Rome.

2014	Algeria	Bulgaria	Egypt	Romania	Other	Total
Safety Data						
Fatalities	-	-	-	-	-	-
Lost Workday Cases	-	-	2	-	-	2
Lost Time Injury Frequency -per million hours worked						0.77
Total Recordable Injuries	-	-	3	1	-	4
Total Recordable Injury rate						1.54
Loss of Primary Containment Events	-	-	26	-	-	26
Environmental Data						
Greenhouse Gas Emissions tCO2e		37,566	81,224	2,652	-	121,442
Produced Water Disposal Mbbl	-	118	839	-	-	957
Produced Water Reinjected Mbbl	-	-	346	-	-	346

2013	Algeria	Bulgaria	Egypt	Romania	Other	Total
Safety Data						
Fatalities	-	-	-	-	-	-
Lost Workday Cases	-	1	4	1	-	6
Lost Time Injury Frequency -per million hours worked	-	-	-	-	-	2.09
Environmental Data						
Greenhouse Gas Emissions tCO2e	-	29,207	84,652	3,548	-	117,407
Produced Water Disposal Mbbl*	-	220	560	-	-	780
Produced Water Reinjected Mbbl	-	-	700	-	-	700

*Produced water treatment & disposal in both Egypt and Bulgaria is by third party provider

Health, Safety, Environmental and Social performance is integral to the success of our Company, and is managed alongside all other facets of the business.

HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL REVIEW
CONTINUED

The Group 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. In all cases the injured parties have made full recoveries and the incidents were each subject to full investigation with appropriate remedial actions identified and implemented. We believe that our focus on contractor management and hazard and risk awareness has positively affected the occupational safety results achieved this year.

Twenty six loss of primary containment events occurred in our Egypt operations during 2014, predominantly relating to near wellhead erosional issues in valves and flowlines arising as water and sand production increase as the reservoirs mature. Specific actions have been taken in light of this data, including piping redesign and reconfiguration, enhanced ultrasonic inspection and sand monitoring, and we have seen positive results through the second half of 2014. Further review of our integrity management strategy in light of changing reservoir conditions is planned for 2015.

Environmental Performance Data

For this report, Greenhouse Gas ("GHG") emissions are reported as gross operated CO2e for all countries, using UK Defra / DECC guidance on measurement and reporting of GHG emissions, aligned to the GHG Protocol, the internationally recognised standard for the corporate accounting and reporting of GHG emissions.

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

Total produced water volumes remained at prior year levels, however operational problems with one of our injection wells in Egypt reduced the amount of produced water re-injected and this was managed by increased safe water disposal.

Social Projects

Petroceltic is keenly aware of the potential social impacts of its oil and gas operations on local communities and strives to respect and accommodate cultural, religious and social diversity. The Company's HSES Policy formally recognises this and provides the basis for an on going programme to actively seek appropriate social investment and development initiatives. There is no pre-determined policy on the level of contribution to social projects and each is taken on its merits with a preference towards sustainable initiatives focused on education, health and job creation.

During 2014, we reviewed and refreshed our social responsibility strategy in Egypt, and as a result launched the new Mis El Kheir ("MEK") micro financing programme in the villages of Sherenkash and Salama Selim, both of which are located near the main South Batra plant facilities. The launch events took place in September and were attended by around 150 local people, the regional Governor and his support staff, the Mansoura PetCo Chairman and Petroceltic and MEK representatives.

Petroceltic also continues to financially support the school near West Dikirnis which opened in 2011 and comprises 28 classrooms for over 200 local children.

In Bulgaria, the Company provides financial and logistical support to Karin Dom, a day centre for the rehabilitation and social integration of children with special needs from the Varna region. The Company also provides support for the staff, funding training and team building events.

2015 HSES Priorities:

Our top HSES priorities in 2015 will be:

- Maintaining occupational safety performance, using TRIR as our primary measure
- Delivering a significant reduction in loss of primary containment events in our Egypt operations
- Establishing Petroceltic "Life Saving Rules" in readiness for field activity in Algeria
- Implementing Land Transport Safety programmes fully in Egypt and Algeria
- Updating our integrity management strategy and programme in Egypt
- Refreshing stakeholder mapping and assessments for all countries in support of our operations

Petroceltic is keenly aware of the potential social impacts of its oil and gas operations on local communities and strives to respect and accommodate cultural, religious and social diversity.

CASE STUDY
ELSA 2 EIA

Our aim at Petroceltic is to create a well governed, sustainable business with a strong sense of social responsibility. Acting in an ethical manner, ensuring transparency, minimising the impact of our operations on the environment and striving to build enduring relationships with the communities in which Petroceltic operates are some of the key principles of the Company's HSES Policy.

These principles are reflected in our current approach to the Elsa 2 well Environmental Impact Assessment ("EIA") process.

Petroceltic's objective since the beginning of the EIA process has been to establish and maintain open dialogue and constructive relations with stakeholders based on transparency, mutual respect and evidence-based discussion.

The Environmental Impact Study ("EIS") was prepared by leading Italian practitioners in Environmental Assessment, with the aim of providing in-depth high quality information to all stakeholders involved.

Prior to submission of the EIS, Petroceltic met with both the central and local institutions involved in the EIA process, in order to present the Company and the project. Furthermore, the Company undertook a series of actions to render the EIS documentation as accessible as possible, including the publication of the study and a specific Q&A document on the Petroceltic Italia website www.petroceltic.it. Subsequently, Petroceltic produced a further document in January 2015, which attempts to provide responses, based on factual scientific information, to each and every observation submitted by local stakeholders to the Ministry of Environment. This document was also made available on the Italian website. Meetings with stakeholders are still an essential part of the process.

In regards to the Elsa project, in the current phase we place emphasis on working with stakeholders, transparency and compliance. Should we move to development phase, we would aim to contribute to the local community through job creation and supporting social investment projects.

Petroceltic's objective since the beginning of the EIA process has been to establish and maintain open dialogue and constructive relations with stakeholders based on transparency, mutual respect and evidence-based discussion.

FINANCIAL REVIEW

The Group's financial results for 2014 reflect what has been a challenging period for the oil and gas sector with the significant decline in the oil prices and the resultant impact on both direct revenue and also the balance sheet values of assets. Given the nature of Petroceltic's production portfolio which generates the majority of its revenue from gas production, the Group's 2014 revenue has not been materially affected by the reduction in commodity prices. However, the current low price environment does impact on the asset value of the Group's oil and gas assets, which has contributed to the significant impairment charges reflected in the 2014 results.

The Group's policy is to fund operations through a combination of operating cash flow, available financial facilities and the proceeds of portfolio management. The approval for the transfer of Petroceltic's Interest in Ain Tsila to a subsidiary company in June 2015 is an important step in the overall financing process. This process has also enabled the launch of the recently announced contemplated Bond Issue for up to $175m which will be a crucial step towards providing the financial resources to continue to implement the Group's strategy with regards to delivering shareholder value from the core assets and in particular Algeria.

Revenue and Commodity Prices

The Group recorded revenue in 2014 of $157m (2013: $197m) which comprised of $106m for oil and gas sales in Egypt and $51m for gas sales in Bulgaria. Working interest production was in line with guidance and averaged 22.5 Mboepd, a decrease of 10% for the year (2013: 25.2 Mboepd). The Group's gas production in Egypt is sold under long term fixed contracts with the average price for 2014 being $2.76/Mcf, whilst the average price achieved in 2014 for sales in Bulgaria was $8.34/Mcf. On average, the liquid prices in 2014 were lower than in 2013 due to the oil price falling significantly in the second half of 2014. However sales of liquids in Egypt constituted approximately 30% of the Group's revenue for 2014 and liquids revenue averaged approximately $90.57/bbl during the year.

Operating costs, impairments and expenses

The Group operates in low cost environments with an average operating cost in 2014 of $3.12 per boe (working interest basis) (2013: $2.29 per boe), this increase is due to the decrease in production levels versus prior year. Cost of Sales of $118m (2013: $119m) includes depletion and decommissioning cost of $89m and production costs of $30m.

The Group recognised an impairment charge of $86m of which $80m relates to its producing 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. Unsuccessful exploration costs of $183m, including $129m relating to Kurdistan, $47m relating to Romania and approximately $7m of Egypt and other new venture costs, have also been recorded in the income statement.

Financing activities and net debt

In June 2014, Petroceltic successfully completed a share placing raising approximately $100m in gross funds through an issue of new ordinary shares by way of a placing with institutional investors at a share price of Stg£1.57, a modest premium to the share price prior to the announcement. The Company also welcomed the participation of a new strategic shareholder, Dovenby Capital, who subscribed for approximately $50m as part of the placing. The funds raised through this process in conjunction with the Group's senior secured debt facility provided the Group with the financial flexibility to continue with the pace of progress on the Ain Tsila development pending the completion of the second farm-out to Sonatrach and also to progress the planned exploration programmes that were being undertaken.

The Company received $120m in the year from EGPC which has significantly reduced the year end receivable balance to $50m (2013:$81m).

As at 31 December 2014, the Group had bank loans, net of capitalised arrangement fees and amounts held in reserve accounts set aside for capital repayment, totalling $196m. The overall debt position of the Group continued to reduce in the year, with Net Debt position of $153m at 31 December 2014 (2013:$246m).

The year-end reserves adjustment to Egypt and Bulgaria, coupled with the on-going volatility in oil pricing has negatively impacted on availability under the Group's reserve based lending facility. The Group has been working with its existing lenders and new providers of finance to remedy this and to put in place a solution that addresses the Group's funding requirement. As part of this process, the Group's existing lenders have agreed to suspend the half yearly redetermination process under the Senior Financing Facility until 30 September 2016, in return for a scheduled programme of repayment totalling $77m over the same period. In conjunction with this, the recently announced proposed up to $175m Bond Issue is an important addition to the Group's overall financing mix and while further funding will be required as the Ain Tsila development progresses over the coming years, the Bond Issue will, once completed, represent the first step in diversifying the Group's funding base as part of its long term financing plan for Ain Tsila.

Profit/loss for the year

The loss for the year was $282m (2013: $19m). This loss primarily arose as a result of exploration costs written off of $183m (2013: $37m) and an impairment charge of $86m (as discussed above).

Dividend policy

No dividend is proposed in respect of 2014 (2013: Nil). However, the future dividend policy of the Group will be regularly reviewed based on performance, investment obligations and overall shareholder value.

Portfolio Management

In July 2014, the Group announced the completion of the farm-out of an 18.375% interest in the Isarene PSC to Sonatrach, the National oil and gas company of Algeria. The terms of the agreement with Sonatrach provide for a consideration of up to a maximum of $180m, of which $20m was due on completion with a further $140m to be payable by Sonatrach towards the Company's share of the development costs in Algeria. In addition, contingent payments of up to $20m are based on the achievement of certain milestones. Based on current forecasts, Sonatrach are expected to pay the Company's share of developments costs throughout 2015 and to Q2 2016. On the basis of the stage of development, the Group accounted for the farm-out transaction in accordance with the Group's accounting policy for farm-out arrangements in the exploration phase. Consequently, the initial $20m payment has been offset against the carrying value of the asset at the completion date and no gain or loss recognised.

Subsequent payments received under the carry arrangement have been directly offset against the related capital expenditure. As at 31 December 2014, approximately $120m of the carry remained available. The Group's Algerian asset is now separately disclosed on the Balance Sheet and a new note to the accounts has been prepared under the heading 'assets under development' this is to distinguish it clearly from the Group's producing assets which are held as "property, plant and equipment" and where the Algerian asset was included in the prior year.

Capital expenditure programmes

During 2014, capital expenditure amounted to $109m, which was primarily invested in the on-going development activity in Egypt and exploration drilling in Romania, Kurdistan and Egypt.

Based on current work programmes and budgets, capital expenditure for 2015 is forecast to be circa $167m, of which $79m relates to development work on the Ain Tsila gas development in Algeria which is to be funded by Sonatrach following the completion of the farmout agreement. The Group is currently engaged in a number of farm-out initiatives relating to planned exploration activity and, should they be successfully completed, expenditure levels will be correspondingly reduced.

Corporate restructure

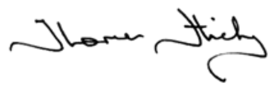
At the capital markets day in January 2015, the Group announced that in light of the current oil price and the planned investment focus and activity levels over the coming years, it would undertake a Group reorganisation to simplify the structure of the Group. This has now been completed and has resulted in a reduction in head count of 27, from 171 in December 2014 to 144 in May 2015 comprising 75 in operations and exploration and 69 in finance and administration.

Investor relations

During 2014, the CEO, COO and CFO as well as other members of the Petroceltic management team held regular meetings with analysts and institutional investors. In addition to these regular meetings, as part of the 2014 equity placing senior management held meetings with all the Group's major shareholders in addition to a number of prospective new holders. In January 2015 the Group held a successful capital markets day in London where Petroceltic senior management presented a detailed update on the significant progress that the Group has made in Egypt and Algeria to institutional investors and other finance professionals.

Accounting policies

The Group's accounting policies and standards comply with IFRS as adopted by the EU and as required by the rules of the AIM and the ESM Markets.



Tom Hickey
Chief Financial Officer

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.

Business Review
Corporate Governance
Financial Statements
Other Information

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 Associes 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 Fm Adair

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
CONTINUED

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, JKX 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:

irector 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.

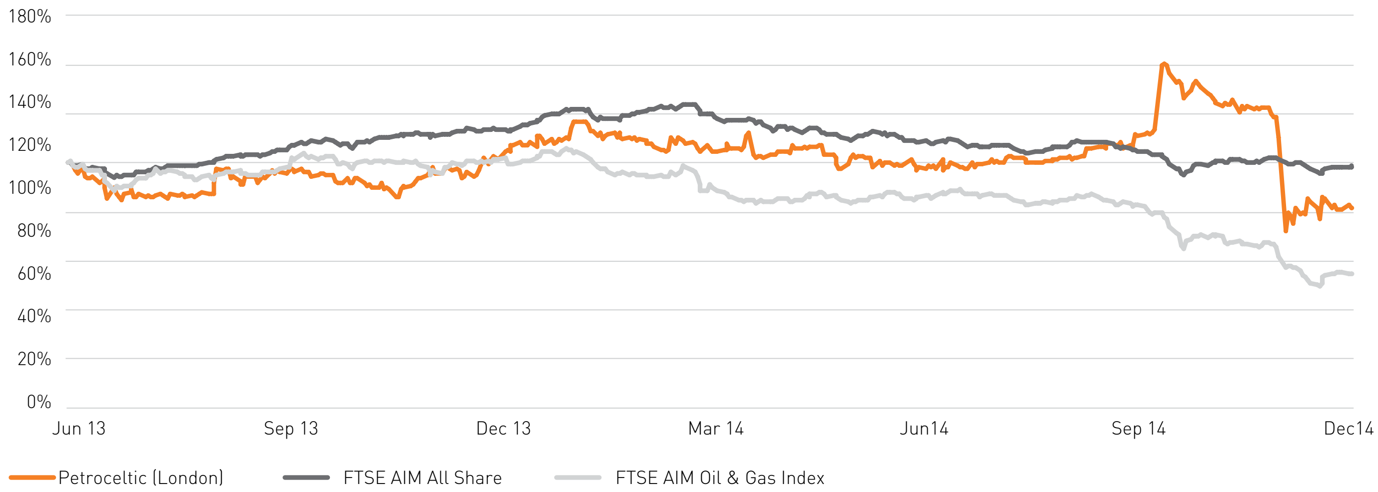
The service contracts of all Executive Directors are rolling twelve month contracts from the date they were entered into with a notice period of twelve months. The date of appointment of the Executive Director is as follows: Brian O'Cathain, 24 April 2007. David Thomas and Tom Hickey resigned as Executive 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 al 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 a 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 Business development Portfolio management Shareholder sentiment Organisation and resourcing Management processes and governance Business ethics	Structured process to define value potential of corporate acquisition and divestment actions 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	Deliver against approved Ain Tsila project plan, optimise spend whilst not delaying first gas
Health, Safety, Environmental, Social	Major HSE incident Security Environment Social Responsibility Management system effectiveness	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 FM Adair

Robert Adair
Director
29 June 2015

B O'Cathain

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 EU[1] 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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PETROCELTIC INTERNATIONAL PLC

We have audited the Group and Company financial statements ("financial statements") of Petroceltic International plc for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2014 and of its loss for the year then ended;
- the Company Balance Sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2014;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company Balance Sheet has been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company Balance Sheet have been properly prepared in accordance with the requirements of the Companies Act 2014.

2 Our opinion on the financial statements is accompanied by an emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group and Company's ability to continue as a going concern. As set out in that note, the Company has announced plans to raise further financing by way of a Senior Secured Bond, in conjunction with which, it has reached an agreement with its lenders in respect of certain amendments which will be made to its senior facility in the event of the successful completion of the Bond offering. Should these processes not conclude successfully, or not be completed in accordance with the terms currently contemplated, the Company will be required to pursue additional funding strategies. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

3 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

4 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PETROCELTIC INTERNATIONAL PLC
CONTINUED

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 56, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions, it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Meagher
for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland

29 June 2015

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 $'000	2013 $'000
Revenue	2	**157,242**	196,698
Depletion and decommissioning	2	**(88,498)**	(92,107)
Other cost of sales	2	**(29,914)**	(27,316)
Total cost of sales		**(118,412)**	(119,423)
Gross profit		**38,830**	77,275
Administrative expenses	2	**(21,596)**	(19,865)
Impairment of oil and gas assets	3	**(86,390)**	-
Share-based payments expense	2,7	**(3,759)**	(5,017)
Profit from operating activities before exploration costs		**(72,915)**	52,393
Exploration costs written off	2	**(183,384)**	(36,704)
Results from operating activities		**(256,299)**	15,689
Finance income	4	**2,858**	1,671
Finance expense	4	**(18,539)**	(21,837)
Loss before tax		**(271,980)**	(4,477)
Income tax expense	6	**(9,610)**	(14,356)
Loss for the year	2,5	**(281,590)**	(18,833)
Basic loss per share (cents)	8	**(143.50)**	(10.73)
Diluted loss per share (cents)	8	**(143.50)**	(10.73)

The loss for the year is derived entirely from continuing operations and is 100% attributable to equity shareholders of the Company.

There was no other comprehensive income during the current or prior year.

The accompanying notes on pages 66 to 101 form an integral part of these financial statements.

On behalf of the Board

Tom Hickey
Director

Brian O'Cathain
Director

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014 $'000	2013 $'000
Non-current assets			
Intangible assets	9	**29,752**	125,611
Assets under development	10	**161,927**	183,697
Property, plant and equipment	11	**281,088**	412,592
Other receivables	14	**14,610**	8,798
Deferred tax assets	19	**2,619**	2,000
Total non-current assets		**489,996**	732,698
Current assets			
Inventories	13	**16,256**	21,290
Trade and other receivables	14	**82,762**	114,677
Cash and cash equivalents	15	**52,773**	53,869
Total current assets		**151,791**	189,836
Total assets	2	**641,787**	922,534
Current liabilities			
Trade and other payables	16	**40,916**	48,049
Loans and borrowings	17	**38,000**	45,750
Derivative liability	4	**-**	574
Provisions	18	**10,259**	871
Current tax liabilities		**2,267**	1,961
Total current liabilities		**91,442**	97,205
Non-current liabilities			
Provisions	18	**31,846**	29,252
Deferred tax liabilities	19	**30,242**	43,772
Loans and borrowings	17	**158,365**	241,446
Total non-current liabilities		**220,453**	314,470
Total liabilities	2	**311,895**	411,675
Net assets		**329,892**	510,859
Equity			
Share capital	20	**103,715**	87,249
Share premium	20	**626,688**	546,290
Other capital reserves		**(883)**	(883)
Share-based payment reserve		**18,272**	16,810
Retained deficit		**(417,900)**	(138,607)
Total equity		**329,892**	510,859

The accompanying notes on pages 66 to 101 form an integral part of these financial statements.

On behalf of the Board

Tom Hickey
Director

Brian O'Cathain
Director

29 June 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
31 DECEMBER 2014

	Share capital	Share premium	Other capital reserves	Share-based payment reserve	Retained deficit	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2013	87,249	546,290	(883)	13,854	(121,835)	524,675
Total comprehensive income						
Loss for the financial year	-	-	-	-	(18,833)	(18,833)
Transactions with owners of the Company						
Share-based payment charge	-	-	-	5,017	-	5,017
Effect of share options exercised or lapsed	-	-	-	(2,061)	2,061	-
Balance at 31 December 2013	87,249	546,290	(883)	16,810	(138,607)	510,859
Balance at 1 January 2014	**87,249**	**546,290**	**(883)**	**16,810**	**(138,607)**	**510,859**
Total comprehensive income						
Loss for the financial year	**-**	**-**	**-**	**-**	**(281,590)**	**(281,590)**
Transactions with owners of the Company						
Shares issued	**16,466**	**80,398**	**-**	**-**	**-**	**96,864**
Share-based payment charge	**-**	**-**	**-**	**3,759**	**-**	**3,759**
Effect of share options and warrants exercised or lapsed	**-**	**-**	**-**	**(2,297)**	**2,297**	**-**
Balance at 31 December 2014	**103,715**	**626,688**	**(883)**	**18,272**	**(417,900)**	**329,892**

The accompanying notes on pages 66 to 101 form an integral part of these financial statements.

On behalf of the Board

Tom Hickey
Director

Brian O'Cathain
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
Cash flows from operating activities		
Loss before tax	**(271,980)**	(4,477)
Adjusted for:		
Finance income	**(2,858)**	(1,671)
Finance expense	**18,539**	21,837
Depletion and decommissioning	**88,498**	91,192
Depreciation	**552**	739
Impairment of property, plant and equipment	**80,478**	-
Impairment of inventory	**5,912**	-
Exploration costs written off	**169,897**	33,053
Cost of share-based payments	**3,759**	5,017
Income tax charge on Egyptian revenue	**(19,775)**	(20,151)
Provision for Kurdistan exit	**9,994**	-
Cash flows from operations before changes in working capital	**83,016**	125,539
(Increase) in inventories	**(878)**	(966)
Decrease in trade and other receivables	**30,820**	35,324
Decrease in trade and other payables	**(2,733)**	(35)
Income taxes paid	**(3,677)**	(14,713)
Net cash from operating activities	**106,548**	145,149
Cash flows from investing activities		
Expenditure on intangible exploration and evaluation assets	**(91,559)**	(60,033)
Share of expenditures funded by joint venture partners	**14,815**	6,805
Expenditure on assets under development	**(51,913)**	(14,680)
Share of expenditures funded by joint venture partners	**38,726**	3,564
Expenditure on production assets	**(23,612)**	(115,647)
Proceeds from farm-outs	**20,000**	29,724
Interest received	**716**	1,623
Net cash from investing activities	**(92,827)**	(148,644)
Cash flows from financing activities		
Proceeds from the issue of new shares	**100,139**	-
Payment of share issue transaction costs	**(3,275)**	-
Interest paid	**(12,769)**	(14,109)
Borrowing fees paid	**(3,983)**	(15,102)
Drawdown of borrowings	**-**	300,000
Repayment of borrowings	**(94,000)**	(280,000)
Net cash from financing activities	**(13,888)**	(9,211)
Net decrease in cash and cash equivalents	**(167)**	(12,706)
Effect of foreign exchange fluctuation on cash and cash equivalents	**(929)**	(623)
Cash and cash equivalents at start of year	**53,869**	67,198
Cash and cash equivalents at end of year	**52,773**	53,869

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014 $'000	2013 $'000
Non-current assets			
Assets under development	10	**161,927**	183,697
Investments in subsidiaries	12	**338,668**	550,621
Other receivables	14	**2,164**	6,008
Deferred tax asset	19	**-**	2,000
Total non-current assets		**502,759**	742,326
Current assets			
Trade and other receivables	14	**16,745**	133
Cash and cash equivalents	15	**475**	2,710
Total current assets		**17,220**	2,843
Total assets		**519,979**	745,169
Current liabilities			
Trade and other payables	16	**6,280**	2,782
Loans and borrowings	17	**38,000**	45,750
Derivative liability		**-**	574
Current tax liability		**934**	-
Total current liabilities		**45,214**	49,106
Non-current liabilities			
Decommissioning provisions	18	**2,746**	3,569
Loans and borrowings	17	**158,365**	241,446
Total non current liabilities		**161,111**	245,015
Total liabilities		**206,325**	294,121
Net assets		**313,654**	451,048
Equity			
Share capital	20	**103,715**	87,249
Share premium	20	**626,688**	546,290
Other capital reserves		**(883)**	(883)
Share-based payment reserve		**18,272**	16,810
Retained deficit		**(434,138)**	(198,418)
Total equity		**313,654**	451,048

The accompanying notes on pages 66 to 101 form an integral part of these financial statements.

On behalf of the Board

Tom Hickey
Director

Brian O'Cathain
Director

29 June 2015

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital $'000	Share premium $'000	Other capital reserves $'000	Share-based payment reserve $'000	Retained deficit $'000	Total equity $'000
Balance at 1 January 2013	87,249	546,290	(883)	13,854	(130,631)	515,879
Total comprehensive income						
Loss for the financial year	-	-	-	-	(69,848)	(69,848)
Transactions with owners of the Company						
Share-based payment charge	-	-	-	5,017	-	5,017
Effect of share options exercised or lapsed	-	-	-	(2,061)	2,061	-
Balance at 31 December 2013	87,249	546,290	(883)	16,810	(198,418)	451,048
Balance at 1 January 2014	**87,249**	**546,290**	**(883)**	**16,810**	**(198,418)**	**451,048**
Total comprehensive income						
Loss for the financial year	**-**	**-**	**-**	**-**	**(238,017)**	**(238,017)**
Transactions with owners of the Company						
Shares issued	**16,466**	**80,398**	**-**	**-**	**-**	**96,864**
Share-based payment charge	**-**	**-**	**-**	**3,759**	**-**	**3,759**
Effect of share options and warrants exercised or lapsed	**-**	**-**	**-**	**(2,297)**	**2,297**	**-**
Balance at 31 December 2014	**103,715**	**626,688**	**(883)**	**18,272**	**(434,138)**	**313,654**

The accompanying notes on pages 66 to 101 form an integral part of these financial statements.

On behalf of the Board

Tom Hickey
Director

Brian O'Cathain
Director

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
Cash flows from operating activities		
Loss before tax	**(235,002)**	(71,504)
Adjusted for:		
Finance income	**(574)**	(51)
Finance expense	**17,886**	16,436
Impairment provision against intercompany loans	**250,000**	-
Cash from operations before changes in working capital	**32,310**	(55,119)
Decrease/ (increase) in trade and other receivables	**3,843**	(6,137)
Increase in trade and other payables	**2,325**	357
Income taxes paid	**(80)**	(7,905)
Net cash from operating activities	**38,398**	(68,804)
Cash flows from investing activities		
Expenditure on assets under development	**(51,913)**	(14,680)
Share of cash calls funded from joint venture partners	**38,726**	3,564
Proceeds from farm-out	**20,000**	29,724
Amounts advanced to subsidiary	**(34,288)**	(218,702)
Interest received	**-**	51
Net cash from investing activities	**(27,475)**	(200,043)
Cash flows from financing activities		
Proceeds from the issue of new shares	**100,139**	-
Payment of share issue transaction costs	**(3,275)**	-
Interest paid	**(12,769)**	(14,156)
Borrowing fees paid	**(3,202)**	(14,944)
Drawdown of borrowings	**-**	300,000
Repayment of borrowings	**(94,000)**	-
Net cash from financing activities	**(13,107)**	270,900
Net (decrease) /increase in cash and cash equivalents	**(2,184)**	2,053
Effect of foreign exchange fluctuation on cash and cash equivalents	**(51)**	-
Cash and cash equivalents at start of year	**2,710**	657
Cash and cash equivalents at end of year	**475**	2,710

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

1. Statement of Accounting Policies

Petroceltic International plc ("Petroceltic" or "the Company") is a company incorporated in Ireland. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group").

The Group and Company financial statements were authorised for issue by the Directors on 29 June 2015. The accounting policies have been applied consistently for all periods presented in these financial statements as set out below.

A. Statement of compliance

As required by AIM and ESM rules and permitted by Company Law, the Group financial statements have been prepared in accordance with IFRS as adopted by the EU. The individual financial statements of the Company (Company financial statements) have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Act 2014, which permits a Company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 304(2) of the Companies Act 2014, from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRSs adopted by the EU as applied by the Company and Group in the preparation of these financial statements are those that were effective for accounting periods ending on or before 31 December 2014 or which were early adopted as indicated below.

The accounting policies adopted are consistent with those of the previous year except for the following new and amended IFRSs which were adopted by the Group as of 1 January 2014:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in Other Entities
- IAS 27 (revised) Separate financial statements
- IAS 28 (revised) Investments in associates and joint ventures
- IAS 32 (amended) Financial instruments: Presentation
- IAS 36 (amended) Impairment of assets
- IAS 39 (amended) Financial instruments: Recognition and measurement

The Group undertook an exercise to assess the impact of the requirements of each of these new and amended standards and confirms that none had a significant impact on the results or financial position of the Group for the year ended or as at 31 December 2014 nor required any restatement to prior year numbers. The Group also reviewed the presentation of its balance sheet and accounting policies and made a number of changes to enhance the presentation for stakeholders, namely to include a separate category for assets under development in the Balance Sheet and corresponding note to the accounts.

Forthcoming requirements

A number of new standards or amendments to existing standards as set out below have been published and are mandatory for the Group in future accounting periods. The Group does not plan to adopt these standards early. In due course, the Group's ongoing assessments to fully assess the extent of the impact of the changes prescribed by these standards on the Group's accounting policies will be finalised. Our current expectations are as follows:

- IFRS 9 Financial Instruments (2010) (Effective 1 January 2018): Introduces new requirements for classifying and measuring financial assets, for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements for IAS 39 Financial Instruments. The standard could materially change the classification and measurement of the Group's financial instruments; (not fully EU endorsed)
- IFRS 15 Revenue from contracts with customers (Effective 1 January 2017): New standard addressing the accounting treatment in respect of customer contracts (not yet EU endorsed)

- Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture (not yet EU endorsed)
- IFRS 11 (amended) Joint arrangements: Accounting for acquisition of interests in Joint Operations (not yet EU endorsed)
- Amendments to IAS 16 (amended) Property, plant and equipment and IAS 38 Intangible assets: Clarification of acceptable methods of depreciation and amortisation (not yet EU endorsed)

In addition, other changes to standards as a result of the International Accounting Standards Board's Annual Improvements Process, together with some minor amendments to other existing standards, are being assessed by the Group.

B. Basis of preparation

The Group and Company financial statements are prepared on the historical cost basis, except for assets acquired under business combinations and derivative instruments, which are carried at fair value, and equity settled share option awards and warrants which are measured at grant date fair value. The accounting policies have been applied consistently by all Group entities. The financial statements are presented in US dollars, rounded to the nearest thousand.

C. Going concern

In 2013, the Group concluded a Senior Bank Facility, with availability driven by the estimated future cash flows of its interests in Egypt and Bulgaria. This facility, which is subject to periodic borrowing base reviews, includes financial covenants and lender approval requirements typical for financing of this nature. During 2015, a combination of adjustments to reserves arising from the 2014 Independent Engineers report, the recent fall in oil pricing and a reduction in credit availability related to planned capital investment programmes in relation to the Group's assets in Egypt and Bulgaria has impacted on this facility, requiring material repayments which the Group has not to date been in a position to fully satisfy. The Group has received waivers in respect of potential breaches to the terms and covenants of the Senior Bank Facility to the latest review date.

The Group is currently pursuing a number of independent strategies to secure additional financing, create liquidity or reduce financial commitments. In particular, in recognition of the significant value and currently ungeared status of the Group's Algerian interests, the Board believes a financing wholly or partly secured against this asset represents the best way to provide the necessary funding to strengthen the Group's financial position. In that regard, the Group has retained Pareto Securities AS to arrange a Senior Secured Bond financing process to raise up to $175 million and this process was launched on 29 June 2015. In conjunction with the contemplated Bond Issue, the Group's existing lenders have agreed to suspend the half yearly redetermination process under the outstanding bank debt until 30 September 2016 in return for a scheduled programme of repayment over the same period. The Group is also considering alternative debt funding arrangements as well as the potential sale of certain producing interests. The aim of these discussions is to support the Group's financing plans in respect of the Ain Tsila development and enable the Group to continue to exploit its portfolio of reserves and prospects. Regardless of the outcome of these processes, further financing is likely to be required to meet future development expenditure in respect of the Ain Tsila asset.

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 $140 million 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

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.

Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group or Company was unable to continue as a going concern.

D. Accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are set out as follows:

Item:	Refer to note
Assessment of tax – 2nd Algerian Farmout	6
Carrying value of property plant and equipment	11
Impairment testing	11
Depletion	11
Recoverability of receivables	14
Decommissioning estimates	18
Recoverability of deferred tax assets	19
Share-based payments: determination of fair values	21

E. Consolidation

The consolidated financial statements comprise the financial statements of Petroceltic International plc and its subsidiaries for the year ended 31 December 2014.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

F. Business combinations

Business combinations are accounted for using the acquisition method on the date on which control is transferred to the Group.

G. Joint arrangements
The Group is engaged in oil and gas exploration, development and production which are generally undertaken through unincorporated joint arrangements; where control is established by contractual agreement including production sharing agreements and farm-in or farm-out arrangements. These are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where the Group acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

The Group's oil and gas exploration, development and production assets are classified within the Group balance sheet as follows:
- Intangible exploration and evaluation assets relate to the Group's interests in assets located in Bulgaria, Egypt, Italy, Kurdistan Region of Iraq and Romania
- Assets under development relate to the Group's interests in Algeria
- Production assets are located in Bulgaria and Egypt
- The Group also has a royalty right over certain Kinsale gas fields in Ireland.

Intangible exploration and evaluation assets
Intangible exploration and evaluation assets are accounted for in accordance with IFRS 6, 'Exploration for and Evaluation of Mineral Resources'. Expenditure incurred prior to obtaining the legal rights to explore an area is written off immediately to the consolidated income statement. Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis based on the fair value of the consideration paid. Exploration and evaluation expenditure incurred, including directly attributable borrowing costs, in the process of determining exploration targets on each licence is also capitalised. This expenditure is held undepleted within the exploration licence asset until such time as the exploration phase on the licence area is complete or commercial reserves have been recognised, subject to any impairment losses recognised.

Exploration and evaluation drilling costs are capitalised on a well by well basis within each licence until the success or otherwise of the well has been established. Unless further exploration and evaluation expenditure in the area of the well has been planned and agreed or unless the drilling results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial, drilling costs are written off on completion of a well.

Assets under development
All field development costs associated with assets under development are capitalised, subject to impairment consideration. No depletion or amortisation charge is applied until the field enters production.

Production assets
All costs associated with the further development of production fields are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy as set out below.

Depletion
Depletion of development and production assets is calculated on a field or a concession basis as appropriate. The calculation is based on proved and probable reserves using the unit of production method; any changes are recognised prospectively.

Impairment and ceiling test of oil and gas assets
Exploration and evaluation expenditures which are held as intangible assets under IFRS 6 are reviewed at each reporting date for indicators of impairment. If such indicators exist then the assets are tested for impairment by allocating the relevant item to a Cash Generating Unit ('CGU') or a group of CGUs. An impairment test is also carried out before the transfer of costs related to assets which are being transferred to development and production assets following a declaration of commercial reserves. This impairment test is carried out in accordance with IAS 36, 'Impairment of Assets', which requires that the impairment be calculated on the basis of a CGU, which in the Group's case is defined to be a field or a concession, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

A review for impairment indicators is also carried out at least annually on the capitalised costs in the assets under development and production assets categories. This is carried out on a field or a concession basis, as appropriate. Under oil industry standard practice this impairment test is calculated on a value in use basis by comparing the net capitalised cost with the net present value of future pre-tax cash flows which are expected to be derived from the field or concession. Key assumptions and estimates in the impairment models relate to commodity prices which are based on commercial reserves and the related cost policies. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Farm-out arrangements
Farm-outs generally occur in the exploration phase and are characterised by the transferor giving up future economic benefits, in the form of reserves, in exchange for reduced future funding obligations. In the exploration and evaluation phase, the Company accounts for farm-outs on a historical cost basis. As such, no gain or loss is recognised; any consideration received is credited against the carrying value of the related asset.

Non oil and gas assets
Plant and equipment is stated at cost less accumulated depreciation. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. Non oil and gas plant and equipment is depreciated over its expected useful economic life on a straight-line basis at the following rates:
• IT infrastructure: 33.3% straight-line
• Furniture & equipment: 10% to 33% straight-line

The residual value and useful lives of plant and equipment are reviewed annually and adjusted if appropriate at each reporting date.

On disposal of property, plant and equipment the cost and related accumulated depreciation are removed from the financial statements and the net amount, less any proceeds, is taken to the consolidated income statement.

Royalty asset
The royalty asset is carried at cost, net of accumulated amortisation. Amortisation is charged in the proportion that the current year's production bears to the total anticipated production from the start of the financial year to the end of the gas field's life. Changes in estimated production are accounted for prospectively.

H. Decommissioning provisions
Provisions are made for the decommissioning or abandonment of oil and gas wells and associated infrastructure. A provision is recognised when the Group has an obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised as a provision is the estimated cost of decommissioning and a corresponding amount is added to the carrying value of the related asset. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset. The decommissioning provision is reviewed annually.

I. Revenue recognition

Revenue from the sale of oil, oil liquids and gas in Egypt and Bulgaria is recognised at the fair value of consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer and it can be reliably measured. The revenue of the Group in Egypt is calculated under the terms of production sharing agreements between the Group and its partner (a state owned company). Revenue is reported to include income taxes and royalties payable which are settled on the Company's behalf by the Egyptian authorities. Other revenue represents royalty income. Realised gains and losses arising from cash flow hedges relating to oil and gas pricing are added to or deducted from turnover.

J. Foreign currency

The Directors have determined that, in accordance with IAS 21, the functional currency of the Company and its subsidiaries is the US dollar. The Group and Company financial statements are presented in dollars and accordingly no foreign currency translation reserve arises.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. For practical reasons, this is taken as the monthly average exchange rate where these rates are a reasonable approximation of actual rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date of the transaction. Ordinary share capital denominated in Euro is translated to the functional currency at the date of issue and is not remeasured thereafter.

K. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

L. Retirement benefit obligations

The Group contributes to defined contribution pension schemes for certain members of staff. Pension scheme costs are accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

M. Share-based compensation and warrants over shares

The Group issues share options and makes conditional grants of performance shares (PSP shares) as an incentive to certain key management and staff (including Executive Directors). In the Group financial statements, the fair value of share options and PSP shares granted to employees is recognised as an expense with a corresponding credit to the share-based payments reserve. The cost of share-based payments relating to employee share options and PSP shares is borne by subsidiary companies as the employees are employed in the subsidiary. Consequently, the grant date fair value of share options granted to employees under the Company's option schemes is recognised as an increase in investment in subsidiaries with a corresponding credit to the share-based payments reserve. In the subsidiary company, the cost of share options granted to employees is recognised as an expense with a corresponding credit to the capital contribution reserve.

The fair value is measured at grant date and this is expensed in the consolidated income statement with the charge being spread over the period during which the awards vest. The fair value is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. A discount for market conditions has been applied to the fair values determined by the binomial model based on a Monte Carlo simulation analysis. The options issued are subject to both market based and non-market based vesting conditions. Market conditions are included in the calculation of fair value at the date of the grant. Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the number of equity instruments that are expected to vest. Nil-cost options granted under the PSP are only exercisable if the TSR of Petroceltic's shares equals or exceeds the median of the peer group TSR over the vesting period, because of the nature of this market performance condition, the Monte Carlo simulation technique has been used to calculate the fair value. This involves simulating one possible path of the TSR for Petroceltic's shares and possible paths of the TSR of peer group companies. It is then tested to see whether the Company's TSR has outperformed the peer group. This process is then repeated many thousands of times and the option value is the average value from all the simulations.

The Group has issued warrants in connection with a number of transactions with third parties. Where the fair value of the goods and services provided by the third party as compensation for the warrant issuance is observable, the warrants are measured on that basis. In other instances, the fair value of warrants issued is determined in accordance with IFRS 2 based upon a valuation model.

The proceeds received on exercise of options or warrants, net of any directly attributable transaction costs, will be credited to share capital (nominal value) and share premium when options or share warrants are converted into ordinary shares.

N. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and warrants.

O. Operating leases

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

P. Financial instruments

(i) Non-derivative financial assets

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Restricted cash

Restricted cash comprises cash held by the Group but which is ring fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is carried at amortised cost.

Trade and other receivables

Trade and other receivables are stated at cost less impairment, which approximates fair value given the short-term nature of these assets.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial assets and liabilities

Derivatives are recognised initially at fair value in the balance sheet; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

(iv) Equity financial instruments

Share capital

Ordinary shares are classified as equity instruments. Costs directly attributable to the issue of ordinary shares and share options are recognised as a reduction in share premium.

Q. Finance income and costs

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expense comprises interest arising on borrowings calculated using the effective interest rate method, foreign currency losses and unwinding of the discount on provisions. Borrowing costs, which include all directly attributable costs and fees together with the deemed cost of warrants or other equity instruments issued in connection with borrowing, that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the costs of the asset, in accordance with IAS 23 'Borrowing Costs'. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale, such as intangible assets during the development period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

R. Segmental information
In accordance with IFRS 8: 'Operating Segments', the Group has four principal reportable segments which are the Group's strategic business units as follows:
Algeria: Oil and gas development in Algeria
Egypt: Oil and gas production in Egypt
Black Sea: Oil and gas exploration and production in Bulgaria and Romania
Kurdistan Region of Iraq: Oil and gas exploration in the Kurdistan Region of Iraq

Other operations "Corporate & other Europe" includes cash resources held by the Group, interest income earned and other operational expenditure incurred by the Group including Italy, Greece and royalty income from certain gas fields in Ireland. These areas are not within the definition of an operating segment.

The chief operating decision maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources and the Group has determined the operating segments based on this reporting.

The Executive Directors consider the business from a geographic perspective and assess the performance of principal reporting segments based on results from operations. The information provided to the chief operating decision maker is measured in a manner which is consistent with the financial statements.

2. Revenue and segmental information

2014	Algeria	Egypt	Black Sea	Kurdistan	Corporate & Other Europe	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Gas	-	53,471	51,318	-	-	104,789
Oil/condensate/liquids	-	52,162	-	-	-	52,162
Royalty	-	-	-	-	291	291
Total revenue	-	105,633	51,318	-	291	157,242
Depletion and decommissioning	-	(54,143)	(34,328)	-	(27)	(88,498)
Other cost of sales	-	(18,461)	(11,453)	-	-	(29,914)
Gross profit	-	33,029	5,537	-	264	38,830
Administrative expenses*	-	(3,697)	(1,200)	-	(16,699)	(21,596)
Impairment of oil and gas assets	-	(47,130)	(33,348)	-	-	(80,478)
Impairment of Egyptian inventory	-	(5,912)	-	-	-	(5,912)
Share-based payments expense	-	-	-	-	(3,759)	(3,759)
Exploration costs written off**	-	(3,440)	(46,928)	(129,222)	(3,794)	(183,384)
Reportable segment result from operating activities	-	(27,150)	(75,939)	(129,222)	(23,988)	(256,299)
Finance income					2,858	2,858
Finance expense					(18,539)	(18,539)
Loss before income tax					(39,669)	(271,980)
Income tax credit/ (expense)	(934)	(7,975)	1,380	-	(2,081)	(9,610)
Loss for the year					(43,538)	(281,590)
Reportable segment assets	176,432	315,788	97,696	-	51,871	641,787
Reportable segment liabilities	(7,156)	(58,593)	(22,681)	(16,794)	(206,671)	(311,895)

* Administrative expenses incurred in Algeria, Kurdistan, Romania and Italy have been capitalised within the assets.
** Includes $9.9m provision for Kurdistan exit costs and $3.5m of new venture exploration costs recognised directly in the income statement and not previously capitalised.

2013	Algeria $'000	Egypt $'000	Black Sea $'000	Kurdistan $'000	Corporate & Other Europe $'000	Total $'000
Revenue						
Gas	-	54,855	81,555	-	-	136,410
Oil/condensate/liquids	-	59,828	-	-	-	59,828
Royalty	-	-	-	-	460	460
Total revenue	-	114,683	81,555	-	460	196,698
Depletion and decommissioning	-	(51,966)	(40,095)	-	(46)	(92,107)
Other cost of sales	-	(13,681)	(13,635)	-	-	(27,316)
Gross profit	-	49,036	27,825	-	414	77,275
Administrative expenses*	-	(3,598)	(1,924)	-	(14,343)	(19,865)
Share-based payments expense	-	-	-	-	(5,017)	(5,017)
Exploration costs written off	-	(4,180)	(27,717)	-	(4,807)	(36,704)
Reportable segment result from operating activities	-	41,258	(1,816)	-	(23,753)	15,689
Finance income					1,671	1,671
Finance expense					(21,837)	(21,837)
Loss before income tax					(43,919)	(4,477)
Income tax credit/ (expense)	-	(15,050)	(961)	-	1,655	(14,356)
Loss for the year					(42,264)	(18,833)
Reportable segment assets	186,538	401,211	191,350	85,643	57,792	922,534
Reportable segment liabilities	(4,206)	(78,486)	(27,495)	(4,273)	(297,215)	(411,675)

*Administrative expenses incurred in Algeria, Kurdistan, Romania and Italy have been capitalised within the assets.

Oil and gas revenues are generated in Egypt and Bulgaria and the Royalty is based on a percentage of gas sales from Kinsale Gas Fields offshore Ireland. Three of the Group's customers accounted for more than 10% of revenue in 2014 (2013: three customers). All Egyptian revenue in 2013 and 2014, as set out in the tables above, is receivable from EGPC, an Egyptian state owned company. Bulgarian revenues include $25.1m (2013: $45.8m) from Bulgargaz EAD, a Bulgarian state owned company, and $26.2m (2013: $35.7m) from Agropolychim, an independent chemicals company.

For segmental analysis of capital expenditure see notes 9, 10 and 11.

Reconciliation of capital expenditure to cash flow statement

	Intangible assets $'000	Assets under development $'000	Property plant and equipment $'000	Total $'000
Capital expenditure additions (see notes 9,10 and 11)	**76,744**	**(867)**	**32,774**	**108,651**
Non cash movement on decommissioning provision	**-**	**(903)**	**2,544**	**1,641**
Effect of working capital	**-**	**14,957**	**(11,706)**	**3,251**
Cash flow statement (expenditure net of share of cash calls funded by joint venture partners)	**76,744**	**13,187**	**23,612**	**113,543**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

3. Impairment of oil and gas assets

	2014			2013
	Egypt	Bulgaria	Total	Total
	$'000	$'000	$'000	$'000
Impairment of oil and gas assets	**47,130**	**33,348**	**80,478**	-
Stock provision	**5,912**	**-**	**5,912**	-
Total	**53,042**	**33,348**	**86,390**	-

An impairment review was conducted on the Group's producing assets in Egypt and Bulgaria at the year end. In Egypt, a lower NPV arose as a result of a revision to reserves in West Khilala and commodity price downgrades. In Bulgaria, the lower NPV arose principally as a result of lower gas prices and increased future capex estimates. See note 11 for further information.

4. Finance income and expense

	2014	2013
	$'000	$'000
Interest income	**716**	1,623
Foreign currency gain	**1,568**	-
Change in fair value of derivative liability relating to exercised warrants	**574**	48
Total finance income for the year	**2,858**	1,671
Interest expense	**(11,387)**	(12,494)
Foreign currency loss	**-**	(940)
Amortisation of loan fees	**(4,504)**	(6,064)
Finance and arrangement fees	**(1,866)**	(1,649)
Unwinding of discount on decommissioning provision	**(651)**	(644)
Other finance expense	**(131)**	(46)
Total finance expense for the year	**(18,539)**	(21,837)
Net financing cost	**(15,681)**	(20,166)

5. Statutory information

	2014 $'000	2013 $'000
The loss for the financial year is stated after charging:		
Auditor's remuneration		
- audit services	**231**	292
- other assurance services	**155**	416

Amounts paid to the Company's auditors in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information has been disclosed on a consolidated basis. The auditor's remuneration for audit services to the Company was $0.06m. Other assurance services provided by the auditors in 2013 and 2014 related primarily to the deferred step up to the main stock exchange listing.

For details of Directors' emoluments during the year see Directors' Remuneration Report.

For details of operating leases see note 23.

As permitted by Section 304 (2) of the Companies Act 2014, the Company income statement has not been separately presented in these financial statements. The loss reported in the Company income statement for the year was $238.0m (2013: $69.8m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

6. Income tax expense

	2014 $'000	2013 $'000
Current tax expense		
Current year	**23,759**	24,199
Deferred tax expense		
Origination and reversal of temporary differences	**(14,149)**	(9,843)
Income tax expense	**9,610**	14,356

The difference between the total current tax shown above and the amount calculated by applying the standard rate of Irish corporation tax to the loss before tax is as follows:

	2014 $'000	2013 $'000
Loss before tax	**(271,980)**	(4,477)
Tax credit on Group loss at standard Irish corporation tax rate applicable to the Company of 25%	**(67,995)**	(1,119)
Effects of:		
Non deductible expenses/(non chargeable income)	**46,568**	(1,163)
Tax charge on farmout consideration not recognised in profit or loss	**934**	-
Other temporary differences	**(15,711)**	-
Losses utilised	**9,637**	-
Deferred tax not recognised (arising primarily on tax losses)	**24,413**	11,852
Prior year losses not previously recognised	**-**	(980)
Under/(over) provided current tax in prior years	**249**	534
Effect of tax rate in foreign jurisdictions	**11,515**	5,232
Income tax expense	**9,610**	14,356

Tax treatment on farm-out transaction

In June 2014, the completion of the Algerian farm-out was effected by way of a sale and purchase agreement, under which Sonatrach acquired a further 18.375% interest in the Isarene PSC covering Blocks 228 and 229a. The consideration comprised $20m payment on completion of the transaction; a further US$140m carried payment of Petroceltic's share of Ain Tsila project development cost from the effective date of 4 July 2013, and contingent payments of up to US$20m based on the achievement of certain project related milestones. Tax payable in respect of the Algerian farm-out is US$0.9m.

7. Employee data

	2014 $'000	2013 $'000
Employee costs included within the income statement for the year were as follows:		
Salaries and bonuses	**15,694**	18,932
Social insurance costs	**1,690**	1,921
Pension contributions to defined contribution schemes	**1,099**	1,223
Cost of share awards in respect of employee service	**3,759**	5,017
	22,242	27,093
Additional employee costs capitalised in the balance sheet for the year were as follows:		
Salaries and bonuses	**10,287**	9,335
Social insurance costs	**2,167**	1,898
	12,454	11,233

Weighted average number of employees of the Group	2014 Number	2013 Number
Operations and exploration	**90**	89
Finance and administration	**78**	78
	168	167

At 31 December 2014, the total number of employees across the Group was 171 (2013: 171).

8. Earnings per share

	2014	2013
Basic and diluted loss per ordinary share:		
Loss for the year ($'000)	**(281,590)**	(18,833)
Number of ordinary shares in issue - start of year	**175,537,405**	175,537,405
Shares issued during the year	**38,556,896**	-
Shares in issue at end of year	**214,094,301**	175,537,405
Weighted average number of ordinary shares in issue - basic and diluted	**196,225,498**	175,537,405
Basic loss per ordinary share (cents)	**(143.50)**	(10.73)
Diluted loss per ordinary share (cents)	**(143.50)**	(10.73)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

The average market value of the Company's shares which would be used for the purposes of calculating the dilutive effect of share options and warrants was based on quoted market prices for the period in which the options and warrants were outstanding during the reporting period. However, the Group reported a loss for the year and therefore the dilutive impact of share options and warrants is to reduce the loss per share and therefore is not dilutive. Consequently, the reported diluted loss per share is the same as the basic loss per share. Share options and warrants in issue as at 31 December 2014 would increase the weighted average number of shares by 6,369,448 (2013: 2,471,453).

9. Intangible exploration and evaluation assets

Group

	Egypt $'000	Black Sea $'000	Kurdistan $'000	Other Europe $'000	Total $'000
At 1 January 2013	2,241	26,397	62,849	13,949	105,436
Additions	4,648	23,894	22,794	3,116	54,452
Transfer to property, plant and equipment	(1,224)	-	-	-	(1,224)
Unsuccessful exploration costs	(4,180)	(27,718)	-	(1,155)	(33,053)
At 31 December 2013	**1,485**	**22,573**	**85,643**	**15,910**	**125,611**
At 1 January 2014	**1,485**	**22,573**	**85,643**	**15,910**	**125,611**
Additions**	**14,931**	**24,355**	**33,584**	**3,874**	**76,744**
Transfer to property, plant and equipment	**(2,706)**	**-**	**-**	**-**	**(2,706)**
Unsuccessful exploration costs*	**(3,658)**	**(46,928)**	**(119,227)**	**(84)**	**(169,897)**
At 31 December 2014	**10,052**	**-**	**-**	**19,700**	**29,752**

* Relates to the costs associated with drilling exploration wells which were unsuccessful and the write off of other capitalised costs where a decision has been made to exit a licence. Black Sea exploration was fully written off in the year as were the Shakrok and Dinarta permits in the Kurdistan region of Iraq. Included in this balance were write-offs of $25.1m relating to Muridava (Block Ex-27) in Romania; $21.8m relating to Est Cobalcescu (Block Ex-28) in Romania; $3.7m in relation to the South Dikirnis exploration well in Egypt; $51.4m relating to the Shakrok Permit in the Kurdistan region of Iraq and $67.8m relating to the Dinarta permit in the Kurdistan Region of Iraq. In addition, a provision has been recognised in respect of a further $9.9m relating to 2015 costs arising in the Kurdistan Region of Iraq up to the exit date.

** Additions include a credit amount of $14.7m (2013: $22.5m) relating to Romanian costs billed to joint venture partners.

The Group's strategy is focussed on delivering from its core producing and development assets, whilst maintaining balanced exposure to longer term exploration, for this reason and following two unsuccessful exploration wells in Romania, a decision was made to divest from its exploration acreage in Romania and the write off of all associated costs, see note 27 for further information.

In Kurdistan, the Shakrok prospect commenced drilling in August 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 1430m 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 out. Following this analysis, and as all PSC 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 also been written off.

The Directors continue to assess the impact of the environmental legislation in Italy on the carrying value of the Group's assets of $18.1m, the "Restart Italy" decree, passed into law in November 2014, builds on the National Energy Strategy of 2013. In light of this new legislation, the Group has re-submitted the Environmental Impact Assessments ('EIA) for approval for both BR268 Elsa and Carpignano Sesia. The EIA for the Elsa-2 well was resubmitted in July 2014 with Carpignano Sesia being submitted in December 2014. In 2015, technical approval was received for the Elsa-2 EIA, while the Group is awaiting formal approval, this increases the probability that the Elsa-2 well will be drilled although the timing remains uncertain.

The Directors have considered the licence, exploration and appraisal costs capitalised in respect of all exploration and evaluation assets, which are carried at historical cost to the Group. These assets have been assessed for impairment, in particular with regard to remaining licence terms, likelihood of licence renewal, requirement for further expenditures and on-going appraisal for each area, details of which are further described in the Chairman and Chief Executive's statements. The Directors have considered whether there are any indicators of impairment at 31 December 2014 and note that future realisation of the value of these oil and gas interests is dependent on further successful exploration activities. The Directors formed the view that no write off or impairment charge; except for those disclosed, is required.

10. Assets under development

Group and Company	Algerian oil and gas assets under development 2014 $'000	2013 $'000
At 1 January 2014	**183,697**	172,692
Expenditure capitalised in the year*	**(867)**	11,115
Upfront farm-out payment	**(20,000)**	-
Non cash movement on decommissioning obligations	**(903)**	(110)
At 31 December 2014	**161,927**	183,697

* Credits set against expenditure capitalised in the year includes $7m (2013: $3.7m) relating to Algerian cash calls funded by joint venture partners and $31.7m (2013: $nil) relating to the Sonatrach farm-out carry (consisting of $19.4m credited during the year and $12.3m accrued receivable).

Farm-out of Algerian asset

During the year, the Group completed the sale of an 18.375% interest in the Isarene PSC to Sonatrach, the National Oil and Gas Company of Algeria. The terms of the agreement with Sonatrach provide for a consideration of up to a maximum amount of US$180 million. The consideration receivable under the contract comprises US$20 million payment on this completion of the transaction, a further US$140 million payment of Petroceltic's share of Ain Tsila project development cost from the effective date of 4 July 2013, and contingent payments of up to US$20 million based on the achievement of certain project related milestone. Post completion, Petroceltic has a 38.25% interest, Sonatrach has a 43.375% interest, and Enel maintains its 18.375% interest. Petroceltic remains operator of the license.

The development plan, which remains on schedule, targets first gas from the Ain Tsila field in Q4 2018. A contract for Front End Engineering and Design ("FEED") was awarded in 2014. The major Engineer, Procure and Construct ('EPC') contract for the project, is expected to be tendered for and awarded in 2015.

On the basis of the stage of development, the directors deemed it appropriate to account for the farm-out transaction in accordance with the Group's accounting policy for Farm-outs arrangements in the pre-production phase. Consequently, the initial US$20 million payment has been offset against the carrying value of the asset at the completion date and no gain or loss recognised. Subsequent payments received under the carry arrangement have been directly offset against the related capital expenditure. As at 31 December 2014, approximately $120 million of the carry remained available.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

11. Property, plant and equipment

	Oil and gas production assets				
Group	Egypt $'000	Black Sea $'000	Other Europe $'000	Non oil and gas assets $'000	Total $'000
Cost					
At 1 January 2013	283,938	145,420	376	2,377	432,111
Additions	54,132	40,565	-	524	95,221
Transfer from intangible assets	1,224	-	-	-	1,224
Movement on decommissioning obligations	2,096	2,088	-	-	4,184
At 31 December 2013	341,390	188,073	376	2,901	532,740
Depletion and depreciation					
At 1 January 2013	13,439	12,247	98	840	26,624
Depletion	52,645	40,095	45	-	92,785
Depreciation	-	-	-	739	739
At 31 December 2013	66,084	52,342	143	1,579	120,148
Net book value					
At 31 December 2013	275,306	135,731	233	1,322	412,592
Cost					
At 1 January 2014	**341,390**	**188,073**	**376**	**2,901**	**532,740**
Additions	**26,235**	**5,770**	**-**	**769**	**32,774**
Transfer from intangible assets	**2,706**	**-**	**-**	**-**	**2,706**
Movement on decommissioning obligations	**1,270**	**1,274**	**-**	**-**	**2,544**
At 31 December 2014	**371,601**	**195,117**	**376**	**3,670**	**570,764**
Depletion and depreciation					
At 1 January 2014	**66,084**	**52,342**	**143**	**1,579**	**120,148**
Depletion	**54,143**	**34,328**	**27**	**-**	**88,498**
Impairment	**47,130**	**33,348**	**-**	**-**	**80,478**
Depreciation	**-**	**-**	**-**	**552**	**552**
At 31 December 2014	**167,357**	**120,018**	**170**	**2,131**	**289,676**
Net book value					
At 31 December 2014	**204,244**	**75,099**	**206**	**1,539**	**281,088**

Reserves and depletion

The volume of recoverable proved plus probable reserves which it is estimated will be recovered from the Group's oil and gas properties has a direct impact on the calculation of the depletion charge in respect of production assets. This volume has been estimated by the Directors based on evaluations by independent consultants and on evaluations by senior management of the Group as audited by independent consultants Senergy and AGR Tracs. These reserves are set out on page 9. The effective depletion rate for the Bulgarian assets is 20% and for the Egyptian assets is 15.7%. Additional costs to complete included in the depletion calculation are $39.6m for Egypt and $45.5m for Bulgaria. As at 31 December 2014, the average recovery factors applied to the in place volumes of gas and liquids in deriving the 2P recoverable reserves for Bulgaria and Egypt are 78%, and 68% (on a weighted average basis for oil and gas) respectively. The 2P reserves values declared capture the economic cut off point when it becomes sub-economic to continue production in the various jurisdictions.

Valuation of oil and gas production assets

These assets are reviewed annually for indicators of impairment or more frequently when there is an indication that the CGU may be impaired. The impairment assessment is undertaken by comparing the future discounted cash flows expected to be derived from production of commercial reserves (the value in use) against the carrying value of the asset. The cash flows are long term in nature, up to 20 years, and justified by the period required in order to complete the extraction of the oil and gas reserves. The assumptions involved in impairment measurements include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain.

The net present value of future cash flows expected to be derived from the field/ concession was estimated based on the following pricing and volume assumptions:

	2014	2013
Pricing assumptions		
Oil per bbl forthcoming year	**$58.82**	$87.30
Oil per bbl -2016	**$67.28**	$87.30
Oil per bbl -2017	**$70.67**	$87.30
Oil per bbl every year thereafter	**$85.00**	$87.30
LPG per bbl	**$44.42**	$56.75
Gas (Egypt) per mcf	**$2.75**	$2.75
Gas (Bulgaria) per mcf forthcoming year	**$7**	$8.50
Gas (Bulgaria) per mcf every year thereafter	**$8**	$8.50
Volume assumptions		
Oil/ liquids (Mbbl)	**3,783**	3,939
Gas (MMcf)	**99,349**	130,990

These assumptions reflect current prices received on either the open market or from long term contracts and an assessment of future prices based upon externally available information. No growth in oil or gas prices has been assumed beyond a period of 5 years. In both Egypt and Bulgaria, a discount rate of 9% (2013: 9%) was applied. Key assumptions are also made in respect of the future cost profiles of the ongoing development and production of each field/ concession. The estimates used are consistent with detailed field development or production plans which form a core part of the Group's operating strategy.

Impairment of producing assets

Following an impairment review, the carrying values of the producing assets in Egypt and Bulgaria have been revised downwards.

In Egypt, the impairment is due mainly to commodity price downgrades affecting the projected value of the liquid resources and also due to a gas reserve write down in the West Khilala field. The year end 2014 ultimate proved plus probable reserves at West Khilala are 250 Bcfe and the remaining reserves estimated at 42 Bcfe. These figures reflect a downward revision of some 35 Bcfe based on the West Khilala-3 sidetrack results and other recent well performance data. This reserve write-down had a direct impact on the NPV of the asset and this contributed to the impairment charge at year end.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

In Bulgaria, the impairment is due to lower projected gas prices increased future capex estimates and a downward revision to reserves, mainly in the Kavarna field. The Kaliakra-1 well rate has continued to slowly decline to its current rate of 2 MMcfpd suggesting that the well is only in partial pressure communication with the main field area. Hence, the Company is considering an additional well (Kaliakra-2) 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-2 and Kavarna East contribute to the increased future capex estimate required in Bulgaria and this has a direct impact on the NPV of the asset and therefore the impairment charge.

The net present value of the assets are calculated using a discount rate of 9% as set out above. A 1% increase in the discount rate would cause a $7.4m reduction of the carrying value. Pricing assumptions are set out above, a $1/mcf reduction of the gas price would cause a $16.5m reduction of the carrying value of the producing assets and a $10/bbl reduction would cause a $37.4m reduction of the carrying value of the producing assets.

12. Investment in subsidiaries

Company	2014 $'000	2013 $'000
Balance at beginning of year	**550,621**	326,902
Increase in respect of share-based payments	**3,759**	5,017
Impairment provision against intercompany loans	**(250,000)**	-
Net movement on parent company loans	**34,288**	218,702
Balance at end of year	**338,668**	550,621

The Directors have considered the carrying value of the Company's investments in subsidiaries, including loans advanced by the Company to various Group entities. Arising from write-downs in the values of various assets held by subsidiary undertakings, particularly Kurdistan and Romania, the recoverable value of these loans has been determined to be impaired and a provision of $250m has been recognised in the year in the Company financial statements. The directors have determined that the remaining carrying value of the interests in subsidiaries after impairment provisions is, in each case, supported by the recoverable value of assets held by these entities which comprise, in particular, the Group's interests in various exploration and evaluation assets, production assets and receivables from third parties.

Details of subsidiaries are set out in note 25.

13. Inventories

Group	2014 $'000	2013 $'000
Engineering inventories held at year end - at gross cost	**24,612**	21,290
Egypt inventory impairment	**(5,912)**	-
Romania inventory written down as unsuccessful exploration costs	**(2,444)**	-
Engineering inventories carrying value at year end	**16,256**	21,290

The Group has assessed the carrying value of its inventories at year end and to account for the risk that some of its older inventory may not hold its existing value, the Group has provided against 50% of all Egyptian inventory older than 3 years.

The Group has assessed the carrying value of its Romanian inventory and has provided for a write down of 65% of the inventory balance; this is based on an external valuation of the inventory held at year end.

14. Trade and other receivables

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Amounts falling due within one year				
Trade receivables	**72,340**	88,512	**16,691**	-
Prepayments and other receivables	**10,195**	25,975	**54**	133
Corporation tax recoverable	**227**	190	**-**	-
	82,762	114,677	**16,745**	133
Amounts falling due after one year				
Other receivables*	**14,610**	8,798	**2,164**	6,008
	14,610	8,798	**2,164**	6,008

* Included is an Egyptian cash deposit of $5.6m, a Greek cash deposit of $3.5m and a Bulgarian cash deposit of $3.3m held to cover licence commitment obligations. The balance relates to a debt service reserve account of $2.2m which is held for security on loan interest repayments.

During 2014, Petromar, a joint venture partner on the Group's Romanian licences, defaulted on its payments and the Group sought to address its exposure via legal proceedings against Petromar and an affiliate company and under the terms of the JOA. $7.5m of the Petromar debt was partially recovered from the other JOA partners. Of the remaining Petromar debt, $14.1m was recategorised from receivables to intangible assets on the basis that if Petromar had not been a partner on the licence, this element would have been classified as intangible assets, and this was subsequently written off. The remaining Petromar debt of $4.3m is included in trade and other receivables and comprises the balance recoverable from other JOA partners of $2.5m and includes $1.8m of VAT incurred by the Group.

See note 27 for further information.

The Group's exposure to credit and currency risks related to trade and other receivables is set out in note 24.

15. Cash and cash equivalents

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Cash at bank	**52,773**	53,869	**475**	2,710

In addition to cash at bank at 31 December 2014, the Group also maintained a balance of $2.2m (2013: $6.0m) in a debt service reserve account (note 14).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

16. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amounts falling due within one year				
Trade payables	**21,221**	22,458	**55**	114
Other payables	**5,908**	2,929	**-**	-
Accruals	**13,787**	22,662	**6,225**	2,668
	40,916	48,049	**6,280**	2,782

The Group's exposure to currency and liquidity risks related to trade and other payables is set out in note 24.

17. Loans and borrowings

	2014	2013
Group and Company	$'000	$'000
Amounts falling due within one year		
Bank loan	**38,000**	45,750
Amounts falling due after one year		
Bank loan	**158,365**	241,446
Total*	**196,365**	287,196

* Includes $9.6m (2013:$13m) of loan fees capitalised to give a carrying value of the loan of $206m (2013: $300m)

The Group and Company's interest-bearing loans and borrowings are measured at amortised cost. In April 2013, the Group signed a financing agreement for up to $500m with a syndicate of international banks including mandated lead arrangers HSBC, the IFC (a member of the World Bank Group), Nedbank and Standard Chartered Bank. As of 31 December 2014 and 31 March 2015, the Group had gross interest bearing debt of $214m (carrying value of $206m is net of $8m repayment funds held on account) and $208m respectively, all of which was drawn under the Bank Facilities. The Bank Facilities originally consisted of two tranches – Tranche A and Tranche B. Tranche A is an amortising senior reserve-based lending tranche of up to USD 375 million ("Tranche A"), while tranche B was originally intended to be a development financing tranche of up to USD 125 million ("Tranche B"). Tranche B has never been drawn and it is intended that Tranche B will be cancelled in full on or prior to issuance of the $175 million Bonds announced on 29 June 2015. The amount available under Tranche A is currently USD 208 million and the facilities are currently fully drawn. The Company and the Lenders have agreed that the amortisation schedule in respect of Tranche A, as at the date of issuance of the Bonds, will not be amended until 30 September 2016. Thereafter, the facilities may reduce on pre-agreed redetermination dates and will be limited by reference to the value of the reserves (according to pre-agreed valuation methodology) of certain petroleum assets of the Group in Egypt and Bulgaria.

The Bank Facilities contains extensive representations, undertakings and events of default, as is typical for facilities of this nature, which regulate the activities of the Group.

In addition to amounts disclosed as due within one year, a further amount of $35m will be repaid from Senior Secured Bond proceeds upon gazettal of the Avenant to the Isarene PSC permitting the transfer of Petroceltic's interest to a subsidiary. As there is no formal timetable for this process, and as there are no specific obligations to effect this repayment on or by a specific date, this amount has been classified as due after one year.

18. Provisions

	Group		Company
	Non current	Current	Non current
	$'000	$'000	$'000
Decommissioning provisions			
At 1 January 2013	26,733	265	3,539
Additions	144	606	-
Utilised in the year	(1,549)	-	-
Changes in estimate	3,280	-	(110)
Unwinding of discount	644	-	140
At 31 December 2013	29,252	871	3,569
At 1 January 2014	**29,252**	**871**	**3,569**
Additions	**-**	**-**	**-**
Utilised in the year	**-**	**(303)**	**-**
Changes in estimate	**1,944**	**(303)**	**(903)**
Unwinding of discount	**650**	**-**	**80**
At 31 December 2014	**31,846**	**265**	**2,746**
Other provisions			
At 1 January 2014	**-**	**-**	**-**
Additions	**-**	**9,994**	**-**
At 31 December 2014	**-**	**9,994**	**-**
Total Provisions At 31 December 2014	**31,846**	**10,259**	**2,746**

Decommissioning provisions relate to the best estimates of costs expected to be incurred in fulfilment of the Group's obligations regarding the decommissioning of Algerian (historic exploration and appraisal), Bulgarian and Egyptian wells and these costs are expected to be incurred between 2015 and 2030 (2013: 2014 and 2030). The provision at 31 December 2014 represents the present value of the estimated cost, using existing technology at current prices (which are adjusted for estimated inflation), of decommissioning the Group's oil and gas wells and production facilities in Egypt, Bulgaria and Algeria in accordance with best oilfield practice and applicable accounting standards. The discount factor used reflects an applicable risk free rate, taking into account the currency in which the provision will be settled. The discount factor used in 2014 was 2% (2013: 3%).

Other provisions relate to the remaining costs required to close out operations in Kurdistan for the Shakrok and Dinarta permits. This provision is the Group's best estimate of the outstanding obligations provided at the balance sheet date for costs to be incurred in 2015 relating to exit costs, demobilisation of the rigs, abandonment and reclamation works for the well sites which are a condition of relinquishing the licence.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

19. Deferred tax

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Property, plant and equipment	**-**	-	**(2,942)**	(515)	**(2,942)**	(515)
Acquisition of exploration and development rights	**-**	-	**(28,800)**	(44,600)	**(28,800)**	(44,600)
Provisions	**1,500**	1,343	**-**	-	**1,500**	1,343
Tax losses carried forward	**2,619**	2,000	**-**	-	**2,619**	2,000
Tax assets/(liabilities)	**4,119**	3,343	**(31,742)**	(45,115)	**(27,623)**	(41,772)
Set-off of tax (liabilities)/assets	**(1,500)**	(1,343)	**1,500**	1,343	**-**	-
Net tax assets/(liabilities)	**2,619**	2,000	**(30,242)**	(43,772)	**(27,623)**	(41,772)

Movement in deferred tax during the year

Group	01 Jan 2013 $'000	Recognised in income $'000	31 Dec 2013 $'000	Recognised in income $'000	31 Dec 2014 $'000
Property, plant and equipment	(1,944)	1,429	(515)	**(2,427)**	**(2,942)**
Acquisition of mineral rights	(50,792)	6,192	(44,600)	**15,800**	**(28,800)**
Provisions	1,121	222	1,343	**157**	**1,500**
Tax losses carried forward	-	2,000	2,000	**619**	**2,619**
Net tax liabilities	**(51,615)**	**9,843**	**(41,772)**	**14,149**	**(27,623)**

Company					
Tax losses carried forward	-	2,000	2,000	**(2,000)**	**-**
Net tax assets/(liabilities)	-	2,000	2,000	**(2,000)**	**-**

Deferred tax assets have arisen within the Group as a result of losses in one of Petroceltic's Bulgarian subsidiaries. These will be fully offset against profits in future accounting periods.

Unrecognised deferred tax assets and liabilities

Group

Deferred tax assets not recognised in the Group, all of which relate to unrecognised tax losses, amounted to $42m (2013: $28m).

Company

Unrecognised deferred tax assets in the Company as at 31 December 2014, all of which related to unrecognised tax losses, amounted to nil (2013: $7.1m).

20. Share capital

	2014 €	2013 €
Authorised		
400,000,000 Ordinary shares of €0.3125	**125,000,000**	125,000,000
200,000,000 Deferred shares of €0.114276427	**22,855,285**	22,855,285
	147,855,285	147,855,285

Issued, called up and fully paid	No of shares	Ordinary share capital $'000	Share premium $'000
At 1 January 2013	175,537,405	87,249	546,290
At 31 December 2013	175,537,405	87,249	546,290
At 1 January 2014	**175,537,405**	**87,249**	**546,290**
Shares issued during the year	**38,556,896**	**16,466**	**80,398**
At 31 December 2014	**214,094,301**	**103,715**	**626,688**

During the year, the Group raised $96.6 million (net of directly attributable share issue costs) by way of a share placing. Shares were issued in two tranches at a share price of £1.57. The first tranche of 8,776,870 shares was issued in May 2014 and a further tranche of 29,163,130 shares were issued in June 2014. In January 2014, Macquarie exercised their subscription rights relating to the first tranche of 600,000 warrants granted to them in October 2011 at a subscription price of £1.13. The Total Received Ordinary Shares ('TROS') amounted to 240,845 ordinary shares and the aggregate nominal value paid in consideration of these shares was €75,264. These new shares were admitted to trading on the AIM and ESM exchanges on 14 January 2014. In October 2014, Macquarie exercised their subscription rights relating to their remaining warrants set out below:

Date of Grant	No. of Warrants	Subscription Price GB£
08-Nov-11	600,000	1.4025
1-Dec-11	113,692	1.715
3-Jan-12	316,841	1.95
3-Jan-12	400,000	1.95
10-Feb-12	332,259	2.06

The Total Received Ordinary Shares ('TROS') amounted to 376,051 ordinary shares and the aggregate nominal value paid in consideration of these shares was €117,516. These new shares were admitted to trading on the AIM and ESM exchanges on 22 October 2014.

At year end, Directors hold 19% (2013: 24%) of ordinary shares and 21% (2013: 26%) assuming that all outstanding share options vest and are exercised. The maximum number of share options which can be outstanding is 10% of issued share capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

21. Share-based payments: Share options and warrants

Group share schemes

The Group has made awards to employees under a number of share based payments arrangements, the '2004 Incentive Scheme', the '2009 Incentive Scheme', the '2013 Share Option Plan'; and the '2013 Performance Share Plan'. All awards made are equity-settled share-based payments as defined in IFRS 2. This standard requires that a recognised valuation method be employed to determine the fair value of awards. The fair value of awards has been arrived at through applying a binomial lattice model, with a discount for market conditions applied to the fair value determined by this model based on a Monte Carlo simulator analysis. Under the 2004 and 2009 Schemes, options awarded may only be exercised if predetermined growth rates in the Company's share price are achieved. In 2013, two further share option schemes were established- the PSP 'Performance Share Plan' and the SOP 'Share Option Plan'. The PSP scheme is open to executive directors and senior management with the SOP scheme being open to certain Petroceltic staff.

PSP Scheme: Awards are exercisable only if the total shareholder return ("TSR"), the combination of any share price increase and any dividends paid, of Petroceltic's shares equals or exceeds the median TSR of a peer group of comparable listed entities over the three year vesting period. 25% vesting is achieved for median TSR and 100% vesting is achieved for upper quartile TSR performance. There is straight line vesting between median and upper quartile. The TSR is compared with a number of Peer Group companies over the three-year performance period. No part of the Award will vest if the Company's performance is below the median of the peer group and the whole of the award will vest if it is above the upper quartile. All or part of Awards which do not vest lapse immediately. A scheme member will be able to exercise their Award to acquire Shares, to the extent it has vested, at any time during the six-month period following the third anniversary of the Grant Date (the "Normal Vesting Date"). The Award expires at the end of that six-month period.

SOP Scheme: Awards are exercisable at any time after the third anniversary of the Grant date until the Option expires on the seventh anniversary of the grant date or the tenth anniversary in the case of UK based employees under an Inland Revenue approved scheme. The exercise price established based on the market price at the date of grant is £1.53 and £127.2 respectively.

In 2011, the Group issued warrants to Macquarie in lieu of arrangement and facility fees. The related loan was repaid in full in 2012 and, at that date, warrants to acquire a total of 2,362,792 shares in the Company had been issued to Macquarie. In 2014, Macquarie exercised their subscription rights relating to the 2,362,792 warrants granted to them at a range of subscription prices between £1.13 and £2.06. The Total Received Ordinary Shares (TROS) amounted to 616,896 and the aggregate nominal value paid in consideration of these shares was €192,780. The new shares were admitted to trading on the AIM and ESM exchanges on 14 January and 22 October 2014.

The share-based payment charge for the year is as follows:

Group	2014 $'000	2013 $'000
Charge relating to employees recorded in the consolidated income statement	**3,759**	5,017

The movement on outstanding share options and issued warrants during the year was as follows:

	2014 Number of options/ warrants	2014 Weighted average exercise price Stg pence per share	2013 Number of options/ warrants*	2013 Weighted average exercise price Stg pence per share
Outstanding at start of year	**16,587,064**	**157.33**	14,373,327	190.26
Granted during the year- SOP options	**773,938**	**128.70**	687,227	151.70
Granted during the year- PSP conditional shares	**2,926,292**	**-**	2,540,851	-
Lapsed during the year- options*	**(1,222,350)**	**234.72**	(1,014,341)	226.02
Exercised during the year - warrants	**(2,362,792)**	**160.69**	-	-
Outstanding at end of year	**16,702,152**	**145.03**	16,587,064	157.33
Of which:				
Exercisable at year end	**652,000**	**1.10**	2,720,117	157.31

*The fair value of share options which lapsed during the year was $2.3m and this has been recognised as a debit to the share based payment reserve and a credit to retained earnings. There were no options exercised during the year.

The assumptions used to determine the fair value of options and conditional shares granted in the year were as follows:

	2014	2013
Weighted average share price of all options and conditional shares at date of grant (Stg pence)	**173.4p**	190.0p
Average exercise price (Stg pence)	**127.9p**	163.4p
Average expected volatility (%)	**57.48%**	60.58%
Average expected term to exercise (years)	**3**	4
Average risk free rate (%)	**0.75%**	1.4%
Expected dividend yield	**0%**	0%
The resulting fair values were:		
Weighted average fair value of PSP nil cost conditional shares granted during the year (Stg pence)	**92p**	109p
Weighted average fair value of other options granted during the year (Stg pence)	**43p**	72p

Of the 2004 Incentive Scheme share options, half were standard options and half were super options, the difference between the two classes of options in this scheme being the market-based vesting conditions which require the share price of the Company to increase from the market value at grant date by 10% (standard options) or 20% (super options) per annum, compounded year on year from the effective date of grant to the exercise date. The market-based vesting conditions in the 2009 Incentive Scheme require the share price of the Company to achieve or exceed a figure which is 30% greater than the exercise price.

Expected share price volatility was determined by taking account of historical daily share price movements over the three years prior to grant date.

The average expected term to exercise used in the models is based on the Directors' best estimate, taking account of behavioural conditions, forfeiture and historical experience.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

The risk free rate has been determined from market yields for a 3 year UK Treasury Bill with outstanding terms equal to the average expected term to exercise for each relevant grant.

At 31 December 2014, the following options over ordinary shares were outstanding:

Type	Number	Exercise price (Stg pence)	Exercise period
2004 Incentive scheme			
Options	796,000	160	Up to 25 August 2015
2009 Incentive scheme			
Options	843,200	222.5	Up to 14 July 2016
Options	1,652,000	285	Up to 10 June 2018
Options	652,000	110	Up to 3 October 2018
Options	1,219,800	197.5	Up to 21 December 2018
Options	260,000	197.5	Up to 20 September 2019
Options	236,000	222.5	Up to 20 September 2019
Options	4,260,000	169.5	Up to 6 November 2019
2013 Incentive Schemes			
Performance Share Plan			
Conditional shares	2,407,952	-	Up to 16 March 2017
Conditional shares	171,429	-	Up to 2 June 2017
Conditional shares	2,838,190	-	Up to 12 June 2018
Share Option Plan			
Options	260,102	151.7	Up to 16 September 2020
Options	331,541	151.7	Up to 16 September 2023
Options	19,607	153	Up to 16 May 2024
Options	25,393	153	Up to 16 May 2021
Options	124,600	127.2	Up to 12 December 2024
Options	604,338	127.2	Up to 12 December 2021

22. Related party transactions – Group and Company

Identity of related parties

Related parties include key management which the Group defines as Directors and senior management. There were no material related party transactions in the Group or Company during the year other than as stated below.

Contract of significance

Under the terms of a Net Profit Interest Agreement relating to the Galata gas field in Bulgaria and originally entered into in 1998 an amount of $0.6m (2013: $0.6m) is payable in respect of 2014 to Orbis Holding Limited, a company in which David Archer (a senior manager in the Group) has a 50% beneficial interest.

Information regarding the Directors' remuneration, shareholdings and share options is contained in the Directors' remuneration report. In addition to their salaries and other elements of their remuneration, the Executive Directors participate in the Group's share option schemes.

In the year ended 31 December 2014, the aggregate total remuneration (including healthcare benefits, pension and bonus but excluding share and share option incentive arrangements) paid by the Group to the senior managers (excluding Directors) was $5m (2013: $4m). In addition, $1m (2013:$1m) of the Group's non-cash charge in respect of share-based payment arrangements referred to in note 21 relates to senior management.

23. Capital commitments and lease commitments – Group

(a) Exploration and production expenditure:
The Group had capital commitments of $66m at 31 December 2014, excluding amounts due to be carried as part of the Algerian farm out to Sonatrach (2013: $120m). The relevant cash outflows will occur over the period to December 2016.

(b) Total commitments payable under non-cancellable operating leases are as follows:

		Property
Group	2014	2013
Operating leases which expire:	$'000	$'000
Within one year	**1,699**	1,614
Between two and five years	**2,049**	3,779
Over five years	**-**	58
	3,748	5,451

The Group has operating lease commitments in respect of office premises located in the Group's areas of operation.

During the year ended 31 December 2014, $1.6m (2013:$1.4m) was recognised as an expense in the consolidated income statement in respect of operating leases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

24. Financial instruments

Group and Company

(a) Overview of risk exposures and risk management strategy

The Group and Company can be exposed to various financial risks in the ordinary course of business that include credit, liquidity, currency and interest rate risk. The Group's financial exposures are predominantly related to changes in commodity price, foreign exchange rates and interest rates as well as the creditworthiness of counterparties which impact on financial assets and liabilities. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group and Company and it is Group policy to manage these risks in a non-speculative manner. The Group has an established treasury risk policy in place and does not use financial derivatives or any other equivalent product on a speculative or trade basis.

This note presents information about the Group and Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing the risk, and the management of liquid resources. Further quantitative disclosures are included throughout the notes to the accounts.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The Board has embedded these structures and procedures throughout the Group and considers there to be a robust and efficient mechanism for creating a culture of risk awareness at every level of management.

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance from fluctuations in financial markets.

(b) Financial assets and liabilities – fair values

(i) Measurement of financial assets and liabilities

The Group and Company financial assets and liabilities comprise:

Financial assets and liabilities	Note	Recognised at
Trade and other receivables	14	Amortised cost
Cash and cash equivalents	15	Amortised cost
Trade and other payables	16	Amortised cost
Loans and borrowings	17	Amortised cost

The fair values of the Group and Company loans and borrowings at 31 December 2014 was \$202m (2013: \$300m). For all other financial assets and liabilities, the carrying amount is considered equal to fair value.

The method in which the fair value of the Group and Company loans and derivative instruments have been determined using the following hierarchy:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between Levels 1, 2 or 3 categories in the reporting period.

(ii) Interest bearing loans and borrowings

For interest bearing loans and borrowings, the fair value of the amount drawn at the reporting date has been calculated based on the present value of the expected future principal and interest cash flows discounted at estimated market interest rates effective at the balance sheet date.

(iii) Trade receivables and trade payables

All receivables and payables have a remaining maturity of less than 12 months or are on-demand balances, and therefore the carrying value is deemed to reflect fair value. A portion of overdue Egyptian trade receivables were interest bearing during 2014.

(c) Credit risk

Credit risk arises from the exposure on receivables from various counterparties together with cash held by various financial institutions. Wherever possible, the Group seeks to transact with counterparties of proven credit quality and on defined payment terms. The Group's maximum exposure to credit risk at the reporting date arising from financial assets is the carrying value of cash and cash equivalents and trade and other receivables.

Receivables

The Group's most material receivable balance relates to its Egyptian business. During 2014, the overall amounts outstanding from this counterparty reduced by 35% with significant receipts in December. The reduction in the level of Petroceltic's receivable is in-line with similar reductions in other oil and gas companies, however, the Egyptian receivable position includes a significant proportion of arrears and therefore this continues to be actively monitored by the Group.

During 2014, Petromar, a joint venture partner on the Group's Romanian licences, defaulted on its payments and the Group sought to address its exposure via legal proceedings against Petromar and an affiliate company and under the terms of the JOA. $7.5m of the Petromar debt was partially recovered from the other JOA partners. Of the remaining Petromar debt, $14.1m was re-categorised from receivables to intangible assets on the basis that if Petromar had not been a partner on the licence, this element would have been classified as intangible assets, and this was subsequently written off. The remaining Petromar debt of $4.3m is included in trade and other receivables relates to the balance recoverable from other JOA partners of $2.5m and includes $1.8m of VAT incurred by the Group.

The Group also has amounts receivable relating to its asset in Algeria, where regular payments are being made.

The Group undertakes continued and active monitoring of all its credit risk exposures to ensure all amounts due are received in accordance with the terms and that cash balances are held with counterparties who satisfy credit rating and other criteria.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

Cash and cash equivalents
The Group and Company enters into transactions with financial institutions for the purposes of placing deposits. From a credit risk management perspective, it is the Group's policy to enter into such transactions only with well capitalised financial institutions. Wherever possible funds on deposit are held with banks within our senior financing facility syndicate and, accordingly, the Group does not expect any counterparty to fail to meet its obligations.

Details of these deposits, which are all for terms of three months or less, are as follows:

	Group		Company	
	Balance invested	Weighted average interest rate	Balance invested	Weighted average interest rate
	$'000	%	$'000	%
At 31 December 2014				
US Dollar	**26,196**	**0.0%**	**391**	**0.0%**
Euro	**158**	**0.0%**	**-**	**0.0%**
Sterling	**548**	**0.0%**	**-**	**0.0%**
Bulgarian Leva	**67**	**0.3%**	**-**	**0.0%**
Egyptian Pounds	**25,683**	**5.0%**	**-**	**0.0%**
Other	**121**	**0.0%**	**84**	**0.0%**
	52,773	**0.0%**	**475**	**0.0%**
At 31 December 2013				
US Dollar	34,465	0.0%	2,667	0.0%
Euro	1,163	0.0%	-	0.0%
Sterling	1,335	0.0%	-	0.0%
Bulgarian Leva	31	0.3%	-	0.0%
Egyptian Pounds	16,650	5.0%	-	0.0%
Other	227	0.0%	43	0.0%
	53,871	0.0%	2,710	0.0%

(d) Liquidity risk
At 31 December 2014, the Group's most significant financial commitment is its interest bearing liability on which the principal outstanding at that date was $206m (2013: $300m) relating to a syndicated loan facility. This facility is a reserves based lending facility which is subject to periodic borrowing base reviews linked to the estimated future cash flows of its interests in Egypt and Bulgaria, in respect of which further details are provided at note 17. The year-end reserves adjustment in Egypt and Bulgaria and the current volatility in oil pricing has negatively impacted on the availability of funds under the facility. As set out in note 1(c), the Group has secured amendments to its facility in June 2015. The projected contractual cash flows outlined in respect of this facility in the table below have been estimated based on the projected repayments in 2015 and include an amount of $35m which will be repaid from Senior Secured Bond proceeds upon gazettal of the Avenant to the Isarene PSC permitting the transfer of Petroceltic's interest to a subsidiary.

All cash and cash equivalent amounts are on demand in their respective currencies (see (g) currency risk). All trade and other receivables and trade and other payables are due within three months of the reporting date with the exception of a certain portion of the Egyptian trade receivables due from EGPC.

The Board monitors the availability of and requirements for funds in the Group. Surplus cash within the Group is used to reduce the loans drawn or put on deposit in accordance with limits and counterparties agreed by the Board, the objective being to maximise return on funds whilst ensuring that the short-term cashflow requirements of the Group are met.

The table below sets out the contractual maturities of the financial liabilities, including estimated interest payments based on the contractual terms of all agreements and excluding the impact of netting agreements.

Group	Carrying value $'000	Contractual cashflow $'000	Within 6 months $'000	Due 6 – 12 months $'000	Due 1-2 years $000	Due 2-5 years $000
At 31 December 2014						
Loans and borrowings	206,000	232,630	10,955	36,276	92,333	93,066
Trade and other payables	40,916	40,916	40,916	-	-	-
	246,916	273,546	51,871	36,276	92,333	93,066
Company						
At 31 December 2014						
Trade and other payables	6,280	6,280	6,280	-	-	-
	6,280	6,280	6,280	-	-	-

(e) Interest rate risk

Cash and loan amounts are denominated primarily in dollars. Exposure to interest rate risk on cash and loan balances are actively monitored and managed. If interest rates rose by 0.5% based on balances at the reporting date, the Group's loss for the year would increase and equity at year end would decrease by approximately $1.1m (2013: $1.2m) based on financial assets and liabilities held at that date. If interest rates fell by 0.5%, it would have an equal but opposite effect.

	Group		Company	
	Loan balance $'000	Weighted average floating interest rate %	Loan balance $'000	Weighted average floating interest rate %
At 31 December 2014				
Secured bank loans	206,000	4.25%	-	N/A
At 31 December 2013				
Secured bank loans	300,000	4.0%	300,000	4.0%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

(f) Commodity price risk

In Egypt, liquids realise market prices based on Western Desert pricing, and during 2014 equated to approximately 99% of Brent (2013: 99%). Gas production from development leases within the El Mansoura and South East El Mansoura Concessions in Egypt is sold under long-term contracts in which the gas price is linked to the oil price when the oil price lies in the range of between $10 per barrel to $22 per barrel. With the oil price at its current level, significantly above $22 per barrel, the gas price is at the top of the contractual range and is, therefore, effectively fixed. In Bulgaria, gas is sold to two suppliers, Bulgargaz EAD, the state owned gas company and Agropolychim, an independent chemicals company. Sales nominations are agreed in advance of the start of the calendar year. The Bulgargaz EAD pricing is agreed for each quarter throughout the year whereas the independent company gas price is at a discount to the local quarterly consumer natural gas price, as published by Bulgargaz EAD. For the year ended 31 December 2014, it is estimated that a general weakening of one percentage point in commodity prices (with the exception of Egyptian gas prices which are effectively fixed when the price of oil is greater than $22 per barrel) would increase the Group's loss before tax by approximately $0.9m (2013: $0.1m).

(g) Currency risk

The US dollar is the primary currency in which the Group and Company conduct business. The dollar is used for planning and budgetary purposes and as the presentation currency for financial reporting. The Group and Company also have some costs, assets and liabilities, denominated in Algerian Dinars, Bulgarian Lev, Egyptian Pounds, Romania Lei, Euro and Sterling. The Group manages the exposure by matching receipts and payments in the same currency to the extent possible and monitoring the residual net position. Certain currencies that the Group holds may not be readily convertible to other currencies on demand, such as Egyptian Pounds (which can only be used in Egypt and are not freely convertible) and Algerian Dinars. The Group has exposure to foreign currency risk as a significant portion of its receipts are denominated in local currency. Whilst the Group's Egyptian Revenue is denominated in USD, a significant portion of the receipts are received in Egyptian pounds. However currency risk is limited to the extent that most Egyptian overhead and capital expenditure can be settled in Egyptian pounds.

In order to minimise currency risk, it is Group policy that borrowings incurred in relation to development projects should be denominated in the currency in which future cash flows from the development projects are denominated, currently dollars. Similarly, it is Group policy that corporate borrowings should be denominated in dollars.

The Group may, from time to time, with the approval of the Board, use derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. No such instruments were in use during the current or prior year. The Group does not undertake any trading activity in financial instruments.

If the dollar increased by 5% in value against non-dollar denominated transactions, the Group's loss for the year would decrease by approximately $1.0m (2013: $0.7m). A 5% weakening would have an equal but opposite effect.

At year end, the Group's foreign currency balances were as follows:

	Group						
	Denominated in Algerian Dinars	Denominated in Euro	Denominated in Sterling	Denominated in Bulgarian Leva	Denominated in Egyptian Pounds	Denominated in Romanian Lei	Other
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2014							
Trade and other receivables	**1,026**	**1,430**	**6,629**	**3,487**	**3,445**	**7,840**	**20**
Trade and other payables	**(2,069)**	**(1,307)**	**(14,104)**	**(1,699)**	**(698)**	**-**	**(314)**
Current tax liability	**-**	**-**	**-**	**(2,661)**	**(1,045)**	**-**	**-**
Cash and cash equivalents	**84**	**158**	**548**	**67**	**25,683**	**31**	**-**
	(959)	**281**	**(6,927)**	**(806)**	**27,385**	**7,871**	**(294)**
At 31 December 2013							
Trade and other receivables	-	964	840	7,269	2,128	-	1
Trade and other payables	(115)	(2,309)	(3,836)	(3,899)	(3,458)	-	(9)
Current tax liability	-	1,657	-	(1,006)	(141)	-	-
Cash and cash equivalents	43	1,163	1,335	31	16,650	21	164
	(72)	1,475	(1,661)	2,395	15,179	21	156

The Company balance is the same as that presented in the Group for Algerian Dinars.

The exchange rates used in the preparation of the financial statements were as follows:

	2014	2014	2013	2013
	$ per foreign currency		$ per foreign currency	
	Average	Year end	Average	Year end
Euro	**1.33**	**1.22**	1.32	1.38
Sterling	**1.65**	**1.55**	1.56	1.65
Algerian Dinars	**0.01**	**0.01**	0.01	0.01
Bulgarian Leva	**0.68**	**0.62**	0.68	0.70
Egyptian Pounds	**0.14**	**0.14**	0.14	0.14
Romania Lei	**0.30**	**0.27**	0.33	0.32

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

(h) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the allocation of operating cash flow against projects to maximise the return on asset value within the Group.

The Group seeks to maintain a balance between the levels of debt borrowings undertaken and the advantages and security afforded by a sound capital position. At year end the net debt position decreased to $153m (2013: $246m).

In May 2014, the Group announced that it had successfully raised $100m through an issue of new ordinary shares at a subscription price of £1.57 per share by way of a placing with institutional investors including a new strategic shareholder, Dovenby Capital which subscribed for $50m of the placing. The principal purpose of the Placing was to provide financial flexibility to pursue growth opportunities across Petroceltic's existing portfolio and also through new ventures, to bridge funding pending receipt of Sonatrach farm out proceeds and additional debt availability under the Senior Secured Facility and for general corporate purposes.

In June 2015, the Group announced a contemplated up to $175m Bond Issue in conjunction with a number of amendments to the existing Senior Bank Facilities. The purpose of the Bond will be to provide additional capital to support its financing obligation, ongoing investment in its producing interests and development capital associated with the Ain Tsila development.

25. Subsidiary undertakings

The Company's principal subsidiary undertakings at 31 December 2014, all of which are wholly owned, are as follows:

Name	Place of incorporation	Place of operation	Indirect Holding
Petroceltic Investments Limited	Ireland	Ireland	
Petroceltic Resources plc	England	Scotland	
Petroceltic Ain Tsila Limited	Jersey	Algeria	
Petroceltic Italia S.r.l.	Italy	Italy	
Petroceltic El Mansoura Company	Cayman Islands	Egypt	*
Petroceltic Qantara Company	Cayman Islands	Egypt	*
Petroceltic South East El Mansoura Company	Cayman Islands	Egypt	*
Petroceltic Odyssey El Mansoura Limited	Bermuda	Egypt	*
Petroceltic Odyssey Qantara Limited	Bermuda	Egypt	*
Petroceltic International Petroleum Limited	Bermuda	Egypt	*
Petroceltic S.a r.l.	Luxembourg	Bulgaria	
Petroceltic Bulgaria EOOD	Bulgaria	Bulgaria	*
Petroceltic Romania B.V.	Netherlands	Romania	

All shareholdings are of ordinary shares.

A full list of subsidiary companies is filed with the Registrar of Companies, in the appropriate jurisdiction.

26. Update on legal proceedings

In July 2013, the Group issued legal proceedings in the Irish High Court against two former consultants to the Group, Mr Seghir Maza and Mr Samir Abdelly, and against a Tunisian company owned and controlled by Mr Abdelly (AAIC), 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 the Group judgment, in default of appearance, against Mr Maza and granted all reliefs sought by the Group in the proceedings. In August 2014, Mr Abdelly, AAIC and the Group entered into a settlement agreement in respect of the proceedings. The Group has withdrawn all claims made in the proceedings. Mr Abdelly and AAIC have withdrawn their counterclaims against the Group and no other legal or contractual arrangements exist between the parties. The proceedings were brought to a conclusion and have been struck out in the Irish High Court.

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

27. Post balance sheet events

In June 2015, Petroceltic completed the sale of the entire share capital of Petroceltic Romania B.V (which held the interests in the Company's two licences in Romania, Block EX-27 Muridava and Block EX-28 Est Cobalcescu) to GVC Investment B.V, a private limited company. Following the completion of this sale to GVC, Petroceltic has no remaining obligations in Romania.

In June 2015, the Group announced that it is contemplating issuing up to $175 million three year Senior Secured Bond. The net proceeds from the Bond Issue will be used to refinance up to $50 million of Petroceltic's outstanding bank debt, finance development capex across Petroceltic's asset portfolio and for general corporate purposes. While further funding will be required as the Ain Tsila development progresses, the Bond Issue will, assuming it is completed in accordance with its terms, represent the first step in diversifying the Group's funding base as part of its long term financing plan for Ain Tsila.

28. Approval of financial statements

The Directors approved these financial statements on 29 June 2015.

SHARE INFORMATION

Shares in issue

The number of shares in issue at 31 December 2014 was 214,094,301 (2013: 175,537,405).

Shareholder profile

On 22 June 2015, Petroceltic had 9,218 shareholders with the majority of shares held by institutional UK based shareholders.

The shareholding distribution at 22 June 2015 is as follows:

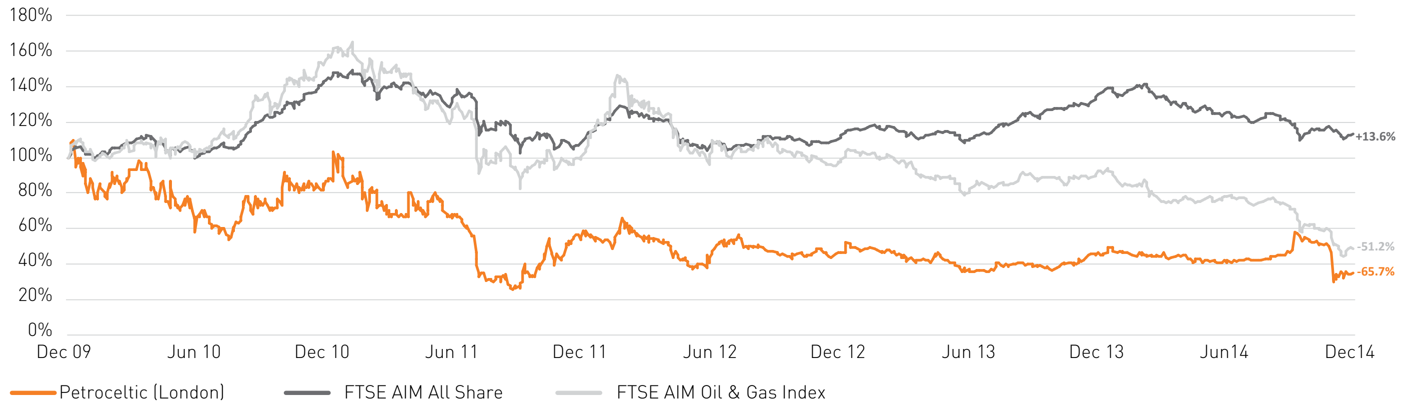
Holdings	Number of accounts	Number of shares held
1-1,000	7,590	1,547,361
1,001 - 100,000	1,539	10,504,016
100,001 - 1,000,000	70	22,160,507
1,000,001 – 10,000,000	14	41,931,535
Above 10,000,000	5	137,950,882
	9,218	214,094,301

The geographical distribution at 22 June 2015 is as follows:

Distribution	Number of accounts	Number of shares held
Republic of Ireland	4,919	6,239,025
UK	4,200	207,311,276
Other	99	544,000
	9,218	214,094,301

Total Shareholder Return

The TSR of the Company over the last five financial years 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 31 December 2009 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.

STATEMENT OF LICENCE HOLDINGS

Country	Permit/PSC	Petroceltic Participating interest (%)	Petroceltic Paying interest (%)	Operator	Other partners
Algeria	Isarene PSC	38.25%	38.25%	Petroceltic	Sonatrach, Enel Trade S.p.A
Egypt	Qantara Development Lease	100%	100%	Petroceltic	N/A
Egypt	South Mansoura Development Lease	100%	100%	Petroceltic	N/A
Egypt	El Tamad Development Lease	100%	100%	Petroceltic	N/A
Egypt	Al Rawda Development Lease	100%	100%	Petroceltic	N/A
Egypt	Tummay-Turbay Development Lease	100%	100%	Petroceltic	N/A
Egypt	West Dikirnis Development Lease	100%	100%	Petroceltic	N/A
Egypt	West Al Khilala Development Lease	100%	100%	Petroceltic	N/A
Egypt	South Zarqa Development Lease	100%	100%	Petroceltic	N/A
Egypt	Mansoura (South Batra) Development Lease	100%	100%	Petroceltic	N/A
Egypt	Damas Development Lease	100%	100%	Petroceltic	N/A
Egypt	North East Abu Zahra Development Lease	100%	100%	Petroceltic	N/A
Egypt	East Abu Khadra Development Lease	100%	100%	Petroceltic	N/A
Egypt	North Dikirnis Development Lease	100%	100%	Petroceltic	N/A
Egypt	South Al Khilala Development Lease	100%	100%	Petroceltic	N/A
Egypt	South Damas Development Lease	100%	100%	Petroceltic	N/A
Egypt	West Zahaira Development Lease	100%	100%	Petroceltic	N/A
Egypt	West Abu Khadra Development Lease	100%	100%	Petroceltic	N/A
Egypt	East Dikirnis Development Lease	100%	100%	Petroceltic	N/A
Egypt	El Qa'a Plain	37.5%	37.5%	Dana Petroleum	Beach Energy
Egypt	North Thekah	50%	50%	Edison	N/A
Egypt	North Port Fouad	50%	50%	Edison	N/A
Egypt	South Idku	75%	75%	Petroceltic	Edison

STATEMENT OF LICENCE HOLDINGS
CONTINUED

Country	Permit/PSC	Petroceltic Participating interest (%)	Petroceltic Paying interest (%)	Operator	Other partners
Bulgaria	Galata Production Concession	100%	100%	Petroceltic	N/A
Bulgaria	Kavarna Production Concession	100%	100%	Petroceltic	N/A
Bulgaria	Kaliakra Production Concession	100%	100%	Petroceltic	N/A
Bulgaria	Kavarna East Production Concession	100%	100%	Petroceltic	N/A
Bulgaria	Galata Exploration Concession	100%	100%	Petroceltic	N/A
Romania	EX-27 Muridava**	40%	40%	Petroceltic	Sterling Resources Limited, Petromar Resources SA
Romania	EX-28 Est Cobalcescu**	40%	40%	Petroceltic	Beach Energy Limited, Petromar Resources SA
Italy- Adriatic Sea	B.R268.RG permit	40%	60%	Petroceltic	Cygam Energy S.p.A*
Italy- Adriatic Sea	B.R270. EL permit	100%	100%	Petroceltic	
Italy- Adriatic Sea	B.R271. EL permit	100%	100%	Petroceltic	
Italy- Adriatic Sea	B.R272. EL permit	100%	100%	Petroceltic	
Italy- Po Valley	Carisio permit	47.50%	47.50%	Eni S.p.A	Societá Costruzione Condote Srl
Italy- Po Valley	Ronsecco permit	100%	100%	Petroceltic	N/A
Kurdistan Region of Iraq	Dinarta PSC***	16%	20%	Hess Corporation	The Kurdistan Regional Government of Iraq
Greece	Patraikos	33%	33%	Hellenic	Edison
Ireland	Kinsale Royalty	25% of Royalty	0%	Kinsale Energy	Statoil Exploration

* Under a 2009 agreement between Petroceltic and Cygam Energy S.p.A, Petroceltic will increase its interest to 70% subject to the drilling of the Elsa well. In addition, an agreement is in place to make Orca Exploration Group Inc partners on this licence and this is subject to completion of the farm-in agreement. Excluding both farm-in arrangements, the Petroceltic participating and paying interest is 60% and 40% respectively. On conclusion of both farm-out arrangements, Petroceltic will retain a 55% interest.

** Disposed of in June 2015

*** Relinquished in 2015

GLOSSARY

AIM: London Stock Exchange's Alternative Investment Market

AFE: Authorisation for Expenditure

Appraisal Well: a well drilled after a discovery of oil or gas has been made, to help determine the size of a hydrocarbon deposit

Bcf: Billion Cubic Feet

Bcfe: Billion Cubic Feet Equivalent

bpd: Barrels per day

Barrel of oil ("bbl"): 42 US gallons of oil at 60° Fahrenheit

Barrel of oil equivalent ("boe"): a unit of energy based on the approximate energy released by burning one barrel of crude oil

Binomial lattice model: An option pricing model that involves the construction of a binomial tree to show the different paths that the underlying asset may take over the option's life and thereby arrive at a suitable valuation of the relevant asset or instrument

bopd: Barrels of Oil per Day (1 barrel = 159 litres)

boepd: Barrels of Oil Equivalent per Day

CGU: Cash generating unit

Code: UK Corporate Governance Code

Company: Petroceltic International plc, the parent company

Companies Act: The Irish Companies Act 2014

CPR: Competent Person's Report

Cretaceous: A geological time period and system, covering the time between 145 to 65 million years ago

DBP: Deferred Bonus Plan

DOA: Delegation of Authority

EBITDAX: Earnings Before Interest, Taxes, Depreciation, Amortisation and Exploration costs written off

EGAS: Egyptian Natural Gas Holding Company

EGPC: Egyptian General Petroleum Corporation

EIA: Environmental Impact Assessment

EPC: Engineer, Procure and Construct

EPS: Earnings per share

ESM: Irish Stock Exchange's Enterprise Securities Market

Exploration Well: A well drilled to look for oil and gas in an area where no known oil or gas exists

Farm-in: An arrangement whereby one operator acquires an interest in a concession owned by another operator

Farm-out: An assignment or partial assignment of an oil and gas interest from one party to another party

FCA: Financial Conduct Authority

FEED Study: Front End Engineering & Design Study

FSA: Financial Services Authority

Gas initially in place ("GIIP"): the total gas content of a reservoir before the commencement of production

GHG: Green House Gases

Group: Petroceltic International plc and its subsidiaries

HSES: Health, Safety, Environmental and Social Policy

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

IFC: International Finance Corporation, a member of the World Bank Group

IFRIC: International Financial Reporting Interpretations Committee

IASB: International Accounting Standards Board

Jurassic: a geological time period and system, covering the time between 200 to 145 million years ago

KPI: Key performance indicator

KRG: Kurdistan Regional Government of Iraq

LPG: Liquid Petroleum Gas

LTIs: Lost Time Injuries

LTIF: Lost time injury frequency

Mboe: Thousand barrels of oil equivalent

Mboepd: Thousand barrels of oil equivalent per day

Mbbl: Thousand barrels of oil

Mcf: Thousand Cubic Feet

MENA: Middle East and North Africa

Miscible Gas Flood: Miscible flooding (or Gas Injection) is the most-commonly used approach in enhanced oil recovery. Miscible flooding is a general term for injection processes that introduce miscible gases into the reservoir. A miscible displacement process maintains reservoir pressure and improves oil displacement because the interfacial tension between oil and water is reduced.

MMbbl: Millions of barrels

GLOSSARY
CONTINUED

MMboe: Million barrels of oil equivalent

MMscfpd: Million standard cubic feet per day

MMscfe: Million standard cubic feet equivalent

Ordovician: a geological time period and system, covering the time between 488 to 444 million years ago

Permeability: a measure of the ability of a porous material (such as a reservoir rock) to transmit fluids

Petroceltic: Petroceltic International plc and/or its subsidiaries

Petrophysics: the study of the physical and chemical properties that describe the occurrence and behaviour of rocks mainly focused on the study of reservoir rocks holding oil or natural gas reservoirs

Porosity: a measure of the void spaces in a reservoir rock, and is expressed as a fraction of the volume of voids over the total volume, generally expressed as a percentage measure. When conducting exploration or production activities it is vital to understand the permeability and porosity of the rock formations encountered. These twin properties are key indicators of the likely potential for commercial flow rates, numbers and costs of wells required and ultimate economic outcomes

Proved Reserves: generally taken to be those quantities of oil and gas that geological and engineering information indicates with reasonable certainty can be recovered in the future from known reservoirs under existing economic and operating conditions. Proven reserves may also be called 1P or P90 reserves

Probable Reserves: oil and gas reasonably probable to be produced using current or likely technology at current prices, with current commercial terms and government consents. Probable reserves are also known as P50 or 2P reserves

Possible Reserves: oil and gas which may possibly be developed under favourable circumstances. Some industry specialists refer to this as P10 or 3P reserves

PSP: Performance Share Plan

Production Sharing Contract ("PSC"): a contract signed between a host government and an oil and gas exploitation company, regulating how much of the oil and gas produced from a production concession each will receive

Recovery Factor: that proportion of the oil or gas volume in a reservoir which can be technically and economically recovered

Regulations: The large and medium-sized Companies and Groups (accounts and reports) (amendment) regulations 2013

SOP: Share Option Plan

Spud: The commencement of drilling for any well

TD: Total Depth

Tcf: Trillion cubic feet

Tcfe: Trillion Cubic Feet Equivalent

TCO2e: Tonnes of carbon dioxide emitted

Triassic: a geological time period and system, covering the time between 251 to 200 million years ago

TRIR: Total Recordable Injury Rate

TROS: Total Received Ordinary Shares

TSR: Total Shareholder Return

Worldview: Worldview Capital Management SA, a significant shareholder of the Company.

CORPORATE INFORMATION

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Robert Adair, Non-executive Chairman †
Brian O'Cathain, Chief Executive †
Tom Hickey, Chief Financial Officer
Alan Parsley, Non-executive Director *^
Ian Craig, Non-executive Director^†
Neeve Billis, Senior Non-executive Director^†*
Nicholas Gay, Non-executive Director*†

* Member of the Audit Committee
^ Member of the Remuneration Committee
†Member of the Nomination Committee

Secretary
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