Financial statements
for the year ended 31 December 2016

Melrose Mediterranean Limited

Company Registration number

2823058

Registered office

5th Floor
10 Finsbury Square
London
EC2A 1AF

Directors

Denis Ischenko	(appointed 24 June 2016)
Joseph Mulcahy	(appointed 24 June 2016)

Secretary

Peter G Wilson	(appointed 23 September 2016)

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

The directors present their report together with the financial statements of Melrose Mediterranean Limited ('the Company') for the year ended 31 December 2016.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 and have not prepared a strategic report.

Principal activity and review of operations, results and dividends

This Company did not trade in the current period. Prior to this, the principal activity of the Company was the exploration, evaluation and development of hydrocarbon deposits.

The income statement for the year ended 31 December 2016 and the balance sheet at that date are set out on pages 7 and 8 respectively. A profit for the year of $nil was recorded *(2015: profit of $6,058,000).*

Net liabilities at 31 December 2016 amounted to $1.7 million *(2015: liabilities of $1.7 million).* No dividends or transfers to reserves are recommended by the directors.

Under UK Company Law, the Company is required to give a description of the principal risks and uncertainties which it faces. There is a risk that the Company would not be in a position to repay monies advanced to it by other group companies. The amounts advanced can be linked to technical and operations risk in relation to the performance of joint venture partners or suppliers and delays in work programs resulting in rising operational costs. These factors may, in particular, impact on the ability to repay amounts advanced to the Company of $4.8 million *(2015: $4.8 million).* The Board are satisfied that the Company strategy is appropriate in the context of its operating environment and that adequate processes are in place to minimise the exposure of the Company to the risks and uncertainties outlined above.

The financial statements are prepared on a going concern basis as the Company's parent undertaking has confirmed its continued financial support, as detailed in note 1.

The parent undertaking has confirmed in writing that it will not seek repayment of the amounts owing to it by the Company for at least twelve months from the date of approval of the financial statements. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Directors

The directors in office during the year, and at the date of this report, are listed below:

D Ischenko (appointed 24 June 2016)
J L Mulcahy (appointed 24 June 2016)
B O'Cathain (resigned 24 June 2016)
T Hickey (resigned 24 June 2016)

Directors' responsibilities statement in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards including FRS 101 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG, will be deemed to be reappointed.

For and on behalf of the Board

Peter G Wilson
Company Secretary

28 September 2017

5th Floor
10 Finsbury Square
London
EC2A 1AF

KPMG

KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MELROSE MEDITERRANEAN LIMITED

We have audited the financial statements of Melrose Mediterranean Limited ('the Company') for the year ended 31 December 2016 set out on pages 7 to 11, which comprise the income statement, the statement of changes in equity, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other 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.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of the above responsibilities.

KPMG

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, 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 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with UK law and International Standards on Auditing (UK & 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 Annual 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.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

28 September2017

David Meagher (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Income Statement
for the year ended 31 December 2016

	Note	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000
Sale of seismic data		-	3,000
Payables to group company forgiven		-	3,058
Profit before tax	2	-	6,058
Income tax expense	2	-	-
Profit after taxation for the year		-	6,058

The Company had no other comprehensive income in the financial year or the previous financial year and therefore, no statement of other comprehensive income is provided.

Statement of changes in equity
for the year ended 31 December 2016

	Share capital $000	Retained earnings $000	Total equity $000
At 1 January 2015	-	(7,758)	(7,758)
Profit for the year	-	6,058	6,058
At 31 December 2015 and at 1 January 2016	-	**(1,700)**	**(1,700)**
Profit for the year	-	-	-
At 31 December 2016	-	**(1,700)**	**(1,700)**

The accompanying notes on pages 9 to 11 form an integral part of the financial statements.

Balance Sheet
as at 31 December 2016

	Notes	As at 31 December 2016 $000	As at 31 December 2015 $000
Non- current assets			
Intangible assets		**97**	97
Total non-current assets		**97**	97
Current assets			
Amounts owed by group undertakings		**3,000**	3,000
Total current assets		**3,000**	3,000
Current liabilities			
Amounts due to group undertakings		**(4,797)**	(4,797)
Total current liabilities		**(4,797)**	(4,797)
Net liabilities		**(1,700)**	(1,700)
Equity attributable to shareholders			
Issued share capital		**-**	-
Profit and loss account		**(1,700)**	(1,700)
Total equity		**(1,700)**	(1,700)

The Board of Directors approved the financial statements on 28 September, 2017 and these were signed on its behalf by

Denis Ischenko
Director

The accompanying notes on pages 9 to 11 form an integral part of the financial statements.

1. Accounting policies

Melrose Mediterranean Limited ('the Company') is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2015/15 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes
- Disclosures in respect of transactions with wholly owned group companies, and
- The effects of new but not yet effective IFRSs

The accounts are prepared on the historic cost basis and are presented in US Dollars, rounded to the nearest thousand. US Dollars is also the Company's functional currency.

The following accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Going Concern

The Company has net liabilities of $1.7 million *(2015: $1.7 million)* at 31 December 2016. However, the financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company has a liability payable to its immediate parent undertaking, Petroceltic Resources Limited, of $4.8 million which is non-interest bearing and repayable on demand. To enable the Company to have sufficient finance to continue to pay its debts as and when they fall due and to fund its ongoing operations, Petroceltic Resources Limited has given an undertaking not to request repayment of the amount due for a period of at least twelve months from the date of approval of these financial statements and Petroceltic Resources Limited has in turn received similar undertakings from Petroceltic Holdings Limited its parent undertaking.

Based on this agreement, the directors of Petroceltic Holdings Limited have prepared cash flow forecasts for the Group for a period covering 12 months from the date of authorisation of these financial statements. The Group's forecasts and projections reflect the directors' plans for that period and include income from the sale of oil, oil liquids and gas, operating expenditure, capital expenditure on exploration, development and production activity and available loan facilities.

After considering the cash flow forecasts, sensitivities and the available financing facilities, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors of the Company expect that its support from the Group will continue. Based on these indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Intangible assets
Exploration and evaluation costs are capitalised within intangible fixed assets until the success or otherwise of the well or project has been established.

2. Profit for the year

There are no directors' emoluments charged in respect of this year *(2015: $nil)*. The auditor's remuneration of $4,000 *(2015: $4,000)* is borne by the parent company.

The tax charge on the profit before tax for the year is $nil *(2015: $nil)*.

3. Intangible assets

	December 2016	December 2015
	$000	$000
Opening balance at 1 January	**97**	39
Additions during the year	**-**	58
Closing balance at 31 December	**97**	**97**

4. Receivables

	December 2016	December 2015
	$'000	$'000
Amounts owed from group companies	**3,000**	3,000

Amounts due from group companies are interest free and have no fixed repayments date

5. Creditors: due within 1 year

	December 2016	December 2015
	$'000	$'000
Amounts due to group companies	**4,797**	4,797

Amounts due to group companies are interest free and have no fixed repayments date

6. Share capital

	December 2016	December 2015
	$	$
Allotted, called up and fully paid		
1 ordinary share of £1 each	**2**	2

7. Controlling related party and ultimate parent undertaking

The Company is wholly owned by Petroceltic Resources Limited, a Company incorporated in the UK. At the date of approval of the financial statements, Sunny Hill Limited is the ultimate parent undertaking, and ultimate controlling party. Sunny Hill Limited is registered in the Cayman Islands at Maples Corporate Services Limited, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The parent undertaking of the smallest and largest group for which group financial statements are prepared, and of which the Company is a member, is Petroceltic Holdings Limited, a company incorporated in the UK.

8. Capital commitments

The Company had no capital commitments at 31 December 2016 *(2015: $nil).*