Company Registration No.
07055133

CELTIQUE ENERGIE WEALD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

Contents

Strategic Report

During the year under review, the principal activity was that of exploration for hydrocarbons.

The Company's investments are in the UK onshore licences PEDL 231, PEDL 234, and PEDL 243

PERFORMANCE AND DEVELOPMENT REVIEW

UK – Southern England

Central Weald Licences

This area encompasses UK onshore licences PEDL 231, 234 and 243. Celtique Energie Weald Limited is the operator of these licences with a 50% interest; Magellan Petroleum (UK) Limited is the other 50% equity joint venture participant.

The Broadford Bridge (PEDL 234) planning approval for an exploratory well to the Triassic sands was received on 5th February 2013. Following release of planning conditions in 2014 wellsite construction commenced in September 2014 and was completed in January 2015. The planning approval expires in September 2017.

Following planning refusals for exploratory drilling in PEDL 234 (Wisborough Green) and PEDL 231 (Fernhurst) it was decided not to pursue planning refusal appeals and therefore the only site currently with planning approval to drill is at Broadford Bridge (PEDL234).

Land lease agreements have been signed for other sites in the Central Weald area.

On the 28th June 2016 the Oil and Gas Agency extended the PEDL 234 licence term by two years to June 2018. The licences PEDL 231 and 243 were surrendered in June 2016 at the end of their licence term.

Following negotiations between UK Oil and Gas Investments plc and Magellan Petroleum (UK) Ltd, a Sale and Purchase Agreement for the sale of Celtique Energie Weald Limited (CEWL) by its immediate parent undertaking, Celtique Energie Petroleum Limited (CEPL) to UK Oil and Gas Investments plc and a Settlement Agreement between CEPL and Magellan was signed on 10th June 2016.It is anticipated that these transactions will be completed in August 2016 following Oil & Gas Authority approval of the CEWL change of control in July 2016.

FINANCIAL REVIEW

The loss for the financial year after tax was £1.2 million (2014: £1.8 million). The loss was largely due to the write off the debt due from Magellan Petroleum (UK) Limited of £0.9 million (2014: £1.4 million).

The Company has assets totalling £5.1 million (2014: £4.4 million); the increase is largely due to exploration activities on the Central Weald permits. Company liabilities totalled £8.4 million (2014: £6.5 million); the increase being largely due to intercompany funding during the financial year from its parent entity.

HEALTH SAFETY AND ENVIRONMENT (HSE)

The Company is committed to conducting its business in a manner that protects people from harm and preserves the environment. The Group has designed policies and procedures to honour this commitment which are reviewed regularly. These include *inter alia*:

- Prescribing annual HSE performance targets and reporting regularly on those targets to the Board;
- Ensuring the availability of specialist support and providing advice to the Executive and the Board;
- Assigning specific responsibilities for HSE performance within the organisation; and
- Maintaining an Environmental Management System in line with industry standards.

The Group operates within the framework of the Health, Safety, Environment and Community (HSEC) Policy approved by the Board in December 2011. The policy incorporates a management system that embodies the principles of the HSEC Policy in all Celtique's operations. The policy is based on the UK Health and Safety Executive HSG065 Guidance. The HSEC Management Standards comprise ten standards which set expectations through a number of performance requirements and provide reference to procedures, guidelines and toolkits. There are eight Fundamental Safety Rules which are issued to all employees and contractors based on the principle of "proper equipment – good planning – safe execution".

PRINCIPAL RISKS AND UNCERTAINITIES

The Company, as an explorer for hydrocarbons faces a variety of risks. The nature of these risks may be specific to the industry, the Company and / or regulatory risks associated with the markets the Company operates within. Many of these risks are outside the Company's control.

Significant risks and uncertainties facing the Company are discussed below.

Risks relating to the oil and gas industry

- Estimates of commercial hydrocarbon reserves and resources are based on certain assumptions and changes in such assumptions could lead to a restatement of reported hydrocarbon reserves and resources;
- Special uncertainties exist with respect to proving, developing and funding the Company's contingent and prospective resources;
- Exploration and development activities are capital intensive and inherently uncertain in their outcome. As a result, the Company may not generate a return on its investments or recover its costs and it may not be able to generate cash flows or secure adequate financing for its discretionary capital expenditure plans;
- Exploration and development activities are dependent on the availability of equipment, such as drilling rigs and other related equipment, and third party services, and the costs of such equipment and services may increase;
- Exploration and development activities are inherently subject to a number of potential drilling and production risks and hazards which may affect the ability of the Company to produce oil and gas at expected levels, increase operating costs and / or expose the Company and / or its Directors and officers to legal liability; and
- The Company's ability to acquire assets may be materially adversely affected by intense competition in the oil and gas industry.

Risks relating to the business of the Company

- The Company's rights to conduct its exploration and development activities are limited in time. There is no guarantee or assurance that such rights can be extended;
- The Company's success depends on its ability to explore for, appraise, develop and produce its oil and gas reserves and acquire additional reserves;
- The Company's development plans depend in some cases on access to third party infrastructure which may be physically or commercially difficult to achieve;
- The Company's capital expenditure budget is based on certain assumptions. Should capital expenditure requirements be higher than anticipated, the Company's financial condition may be materially adversely affected;
- The Company's operations are conducted through unincorporated joint ventures with other companies. The Company may have conflicting interests with and priorities

to its joint venture partners which could lead to project delays or adverse financial consequences;
- The delivery of the Company's long-term plan is heavily dependent on its workforce. As the Company expands there is a requirement for the workforce to grow with it, and given the highly competitive nature of the oil and gas employment market, particularly in the technical disciplines, failure to appropriately staff the Company could have an adverse impact on results; and
- The Company is exposed to fluctuations in exchange rates that could have a material adverse effect on its financial condition and results of operations.

Regulatory risks relating to the Company's operations
- The Company's business is subject to governmental regulation which may be difficult to comply with and which is subject to change;
- Compliance with and changes in health, safety, environmental and other regulations, standards and expectations could have an adverse effect on the Company's financial condition and results of operations;
- Future legislation may require further reductions of greenhouse gas emissions, gas flaring and in discharges of oil; and
- The Company's tax position could change substantially as a result of changes in, or new interpretation of tax legislation.

In mitigation of these risks:
- The Company places a strong emphasis on subsurface analysis and employs appropriate personnel to conduct this analysis;
- The Company prioritises HSEC and has adopted and implemented a new HSEC Policy in 2012;
- The Company engages with government and industry organisations, e.g. the UK Onshore Operators' Group, to keep abreast of changes in the relevant jurisdictions;
- The Company actively manages its FX exposure through natural hedging and considers, when appropriate, entering into derivative transactions; and
- The Company reviews its cash flow requirements on an ongoing basis to ensure that existing lines of equity are sufficient to meet requirements.

On behalf of the board

G Davies
Director
5 August 2016

Directors' Report

Events subsequent to the year end

Events subsequent to year end are discussed in note 16.

Directors

The directors who held office during the year and up to the date of signing the financial statements are listed on page 15 under Company Information.

Dividend

The Directors do not recommend the payment of a dividend (2014: Nil).

Going Concern

The financial position of the Company is set out in the financial statements and the notes that follow. The Company is still in the exploration phase of its business and has not generated any revenues. It is therefore reliant on existing cash resources, the future support from its existing shareholders or its ability to raise funds from other private sources in order to be able to meet its obligations and planned expenditures in the foreseeable future.

Following negotiations between UK Oil and Gas Investments plc and Magellan Petroleum (UK) Ltd, a Sale and Purchase Agreement for the sale of Celtique Energie Weald Limited (CEWL) by its immediate parent undertaking, Celtique Energie Petroleum Limited (CEPL) to UK Oil and Gas Investments plc and a Settlement Agreement between CEPL and Magellan was signed on 10th June 2016.It is anticipated that these transactions will be completed in August 2016 following Oil & Gas Authority approval of the CEWL change of control in July 2016. As part of the Sale and Purchase Agreement the intercompany balances between CEWL and other members of the Celtique Energie group were capitalised.

In the unlikely event the proposed sale of the Company to UK Oil and Gas Investments plc does not complete the Company will receive financial support from Celtique Energie Holdings Limited in order for it to meet its liabilities as they fall due.

The directors therefore believe that the Company will have sufficient funds to carry on its activities, and to continue to meet its liabilities as they fall due, for at least the twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on disclosure of information to auditors

Each of the directors, whose names and functions are listed on the company information page, confirm that

- So far as each Director is aware, there is no information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board
G Davies
Director
5 August 2016

Independent auditors' report to the members of Celtique Energie Weald Limited

Report on the financial statements

Our opinion

In our opinion, Celtique Energie Weald Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

John Dashwood

John Dashwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
5 August 2016

Income statement
for the year ended 31 December 2015

	Note	2015 £	2014 £
Administrative expenses		(270)	(3,704)
Administrative expenses - exceptional impairment charges	4(i)	(1,016,649)	(1,737,737)
Total Administrative expenses		(1,016,919)	(1,741,441)
Other operating income	4(ii)	32,142	197,289
Other operating expense	4(iii)	(175,519)	(249,535)
Operating loss		(1,160,296)	(1,793,687)
Finance costs	4(iv)	(31,240)	(8,094)
Loss before income tax		(1,191,536)	(1,801,781)
Income tax expense	5(i)		-
Loss after tax for the financial year		(1,191,536)	(1,801,781)

Statement of comprehensive income
for the year ended 31 December 2015

	2015 £	2014 £
Loss for the financial year	(1,191,536)	(1,801,781)
Total comprehensive expense	(1,191,536)	(1,801,781)

Statement of financial position

As at 31 December 2015

	Note	2015 £	2014 £
Non-current assets			
Exploration and evaluation assets	6	4,806,415	4,117,607
Property, plant and equipment	7	248,092	245,700
		5,054,507	4,363,307
Current assets			
Trade and other receivables	8		54,204
Prepayments		5,000	-
Cash and cash equivalents	9	18,895	20,441
		23,895	74,645
Total assets		5,078,402	4,437,952
Current liabilities			
Trade and other payables	10	2,008	366,371
Accruals	11	12,579	276,125
Intercompany loan payable		8,345,236	5,885,341
		8,359,823	6,527,837
Total liabilities		8,359,823	6,527,837
NET LIABILITIES		(3,281,421)	(2,089,885)
Equity			
Share capital	12	400,000	400,000
Accumulated losses		(3,681,421)	(2,489,885)
TOTAL EQUITY		(3,281,421)	(2,089,885)

The financial statements of Celtique Energie Weald Limited (07055133) on pages 7 to 14 were approved by the Board of Directors and signed on its behalf by:

G Davies
Director
5 August 2016

Statement of changes in equity

for the year ended 31 December 2015

Year Ended 31 December 2015	Share capital £	Accumulated losses £	Total equity £
At 1 January 2015	400,000	(2,489,885)	(2,089,885)
Loss and total comprehensive expense for the year	-	(1,191,536)	(1,191,536)
Balance at 31 December 2015	**400,000**	**(3,681,421)**	**(3,281,421)**

Year Ended 31 December 2014	Share capital £	Accumulated losses £	Total equity £
At 1 January 2014	400,000	(688,104)	(288,104)
Loss and total comprehensive expense for the year	-	(1,801,781)	(1,801,781)
Balance at 31 December 2014	400,000	(2,489,885)	(2,089,885)

Notes to the financial statements for the year ended 31 December 2015

1. Significant accounting policies

a) Reporting entity

Celtique Energie Weald Limited (the 'Company') is a private company, primarily engaged in exploration for hydrocarbons.

The Company is a limited company, incorporated and domiciled in England and Wales. The registered office is located at 6 New Street Square, New Fetter Lane, London, EC4A 3AQ.

b) Basis of preparation

This is the first year in respect of which the company has prepared its financial statements under FRS 101. The previous financial statements for the year ended 31 December 2014 were prepared under International Financial Reporting Standards ("IFRS"). The date of transition to FRS 101 for the Company is 1 January 2014. The transition to FRS101 has not led to any accounting differences as FRS 101 uses the recognition and measurement criteria of IFRS. The Company has taken advantage of the following disclosure exemptions available under FRS 101:

- The requirements of IFRS 7 Financial Instruments Disclosures
- IAS 24 requirements to disclosure intercompany transactions between related parties that are wholly controlled by the parent entity and key management compensation
- Certain comparative information in respect of intangible assets and property plant and equipment
- The requirement to produce a company cash flow statement under IAS 7 as the cash flows of the company are included in the consolidated financial statements of Celtique Energie Holdings Limited

The financial statements of the Company for the year ended 31 December 2015 have been prepared on a going concern basis. Going Concern

The financial position of the Company is set out in the financial statements and the notes that follow. The Company is still in the exploration phase of its business and has not generated any revenues. It is therefore reliant on existing cash resources, the future support from its existing shareholders or its ability to raise funds from other private sources in order to be able to meet its obligations and planned expenditures in the foreseeable future.

Following negotiations between UK Oil and Gas Investments plc and Magellan Petroleum (UK) Ltd, a Sale and Purchase Agreement for the sale of Celtique Energie Weald Limited (CEWL) by its immediate parent undertaking, Celtique Energie Petroleum Limited (CEPL) to UK Oil and Gas Investments plc and a Settlement Agreement between CEPL and Magellan was signed on 10th June 2016.It is anticipated that these transactions will be completed in August 2016 following Oil & Gas Authority approval of the CEWL change of control in July 2016. As part of the Sale and Purchase Agreement the intercompany balances between CEWL and other members of the Celtique Energie group were capitalised.

In the unlikely event the proposed sale of the Company to UK Oil and Gas Investments plc does not complete the Company will receive financial support from Celtique Energie Holdings Limited in order for it to meet its liabilities as they fall due.

The directors therefore believe that the Company will have sufficient funds to carry on its activities, and to continue to meet its liabilities as they fall due, for at least the twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis.

The accounting policies adopted are consistent with those applied in the financial statements for the period ended 31 December 2014, other than those disclosed in note 1(l).

c) Basis of measurement

The financial statements have been prepared under the historical cost convention.

d) Presentation and functional currencies

The financial statements are presented in Great British Pounds (£) (2014: USD). All values are rounded to the nearest pound, except where otherwise states.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the Company operates. The Company has assessed the functional currency to be Pound Sterling (£).

e) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction for each entity. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

f) Exploration and evaluation assets

All licence acquisition, exploration and appraisal costs incurred are initially capitalised as intangible assets, in respect of each identifiable project area. Such intangible costs include directly attributable overhead, including the depreciation of property plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phase. These costs, which are classified as intangible fixed assets, are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where the activities in the area have not reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (the "successful efforts" basis). Pre-licence project costs are expensed immediately. Other costs are written off unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences the accumulated costs for the relevant area of interest are transferred from intangible assets to tangible assets and depreciated by reference to the estimated quantity of reserves at the end of the period plus production during the year.

g) Impairment of assets

Exploration and evaluation assets

Exploration and evaluation assets are assessed for indicators of impairment in accordance with the Company's accounting policy under IFRS 6. Exploration and evaluation assets are only assessed for impairment where the facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Indications that the carrying amount of the asset may exceed its recoverable amount include:

- Substantive expenditure on further exploration and evaluation activities on the asset or group of assets is neither budgeted nor planned;
- The entity has decided to discontinue activities on the asset or group of assets as a result of failing to find commercially viable quantities of hydrocarbons; and
- The entity has sufficient data indicating that the carrying amount of the asset or group of assets is unlikely to be recovered in full from successful development or by sale.

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, that can be reliably measured.

Impairment reversals

Impairments recognised to assets other than goodwill may be reversed if the circumstances leading to the impairment no longer exist or have decreased, by increasing the carrying value of the asset to its recoverable amount. This may not exceed the carrying value that would have been determined, net of depreciation, had no impairment loss previously been recognised. Impairments to goodwill cannot be reversed in accordance with IAS 36.

h) Interests in joint ventures

The Company's interests in jointly controlled assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator Celtique takes on the role as independent contractor. In these instances, receivables and payables relating to jointly controlled operations are brought to account on a gross basis. Joint venture expenses and the Company's entitlement to production are recognised on a pro rata basis according to the Company's joint venture interest.

i) Investments

Investments are initially measured at cost and carried net of any provisions for impairment

j) Financial instruments

Loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables.

Notes to the financial statements for the year ended 31 December 2015 (continued)

Loans and receivables are initially measured at fair value less directly attributable transactions costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method less any impairment.

Trade and other receivables are recognised when invoiced.

Bank deposits

Bank deposits with an original maturity of over three months are held as a separate category of current asset and presented on the face of the statement of financial position..

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand, restricted cash holdings (cash held in joint venture) and short-term deposits with an original maturity of three months or less.

For the purposes of the Company statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost.

k) Taxation

The tax expense represents the sum of current and deferred income tax.

Current income tax

Current tax is provided at amounts expected to be paid (or recovered) using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date, in the country in which the Company operates.

Deferred income tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction (other than a business combination), that at the time of the transaction, affects neither, accounting nor taxable profit or loss.

A deferred tax asset is recognised to the extent that it is probable that future income tax profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured based on tax rates (and tax laws) enacted or substantively enacted at the statement of financial position date. Deferred tax relating to items recognised directly in equity is recognised in equity and not the income statement. Deferred tax liabilities may be offset against deferred tax assets within the same tax entity and tax jurisdiction. Measurement of deferred tax liabilities and assets reflect the tax consequences expected to arise from the manner in which the asset or liability is recovered or settled.

l) Changes in accounting policy and disclosures

All accounting policies adopted are consistent with those of the previous financial year except for the new and amended IFRS and IFRS IC Interpretations:

- IFRS 2 Share-based Payment
- IAS 24 Related Party Disclosures
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- Annual improvements 2010-2012 cycle
  - IFRS 2 Share-based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
- Annual improvements 2011-2013 cycle
  - IAS 40 Investment Property
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement

The adoption of the above revised standards has had no effect on the reported financial results or the disclosures in these financial statements, but may impact the accounting for future transactions and arrangements.

2. Critical accounting estimates, assumptions and judgements

a) Critical accounting estimates and assumptions

- Impairment

Impairment of assets is assessed in accordance with note 1(g). For oil and gas assets, the recoverable amount is calculated using valuation techniques and inputs of various estimates including the expected future cash flows based on reserves, future production profiles, commodity prices, exchange rates, discount rates and inflation rates.

b) Critical judgements in applying the Company's accounting policies

- Exploration and evaluation

The Company accounts for exploration and evaluation assets in accordance with the policy set out in note 1(f). In applying this policy, management are required to make certain judgements in relation to the assessment of whether reserves are commercially viable. Where costs have been capitalised and are subsequently considered unsuccessful, the capitalised amounts are written off to the income statement.

3. Segmental reporting

Management have considered the requirements of IFRS 8 in regard to the determination of operating segments. Based on this analysis Management have determined that the Company is outside the scope of IFRS 8, and therefore no segmental reporting is provided.

Notes to the financial statements for the year ended 31 December 2015 (continued)

4. Other income / expenses

i. Administrative expenses – exceptional impairment charge

	2015 £	2014 £
Licence impairment	-	353,810
Debtor impairment	901,649	1,383,927
Drilling stock impairment	115,000	-
Total exceptional Items	**1,016,649**	1,737,737

Management along with joint venture partners Magellan Petroleum (UK) Limited made the decision to formally relinquish exploration license PEDL 232 in May 2014.

Following the outcome of the summary judgement in June 2015, Management impaired the full amount due from joint venture partner, Magellan Petroleum (UK) Limited, across the three remaining licences in 2014, and applied the same treatment to the remaining receivable balance in 2015 when the prospect of recovery as deemed remote.. The amounts are largely attributable to the development of the well site located at Broadford Bridge (PEDL 234) which commenced mid September 2014.

An adjustment to write-off drilling stock to its estimated net realisable value was made during the year ended 31 December 2015.

ii. Other operating income

	2015 £	2014 £
Management fees	32,142	197,289
Total other operating Income	**32,142**	197,289

iii. Other operating expense

	2015 £	2014 £
Management fees	175,519	249,535
Total other operating expenses	**175,519**	249,535

iv. Finance costs

	2015 £	2014 £
Bank interest	105	315
Foreign exchange expense	31,135	7,779
Total finance costs	**31,240**	8,094

v. Auditors' remuneration

	2015 £	2014 £
Fees payable for the audit of the Company's statutory financial statements	10,110	19,977

vi. Staff costs and Directors' emoluments

The Company had no employees during the year (2014: £Nil). The Directors did not receive any remuneration in respect of their services to the Company (2014: £Nil).

5. Income tax expense

i. Income statement

There was no income tax charge for the years ended 31 December 2015 and 31 December 2014.

ii. Statement of comprehensive income

There were no tax items charged or credited directly within equity for the years ended 31 December 2015 and 31 December 2014.

iii. Reconciliation of loss before income tax to tax expense recorded in the income statement

A reconciliation between tax expense and the product of loss before income tax multiplied by the UK standard income tax rate for the year ended 31 December 2015 is as follows:

	2015 £	2014 £
Loss before income tax	(1,191,536)	(1,801,781)
Loss multiplied by the UK standard corporation tax rate of 20.25% (2014: 21.5%)	(241,286)	(387,203)
Effect of:		
UK expenses not deductible for tax purposes	182,584	297,406
Temporary differences not recognised / profits not taxable	58,702	89,797
Income tax expense / benefit reported In the Income statement	-	-

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1st April 2015. The Finance Act 2015, which was substantively enacted on 18 November 2015, included legislation which reduced the main UK corporation tax rate from 20% to 19%, effective from 1 April 2017 and to 18% effective from 1 April 2020. The unrecognised deferred tax amounts below have been measured in accordance with these rates.

Notes to the financial statements for the year ended 31 December 2015 (continued)

A further reduction in the main UK Corporation tax rate down to 17% effective from 2017 was announced in the March 2016 Budget, although this had not been substantively enacted by the balance sheet date and hence does not impact on the level of unrecognised deferred tax amounts disclosed below:

Total tax allowances available to claim in future periods in respect of revenue trading expenditure (to the extent that the company commences a trade within seven years from the time the expenditure was incurred) are £192,562 (2014: £46,052) and in respect of capital expenditure are £6,226,641 (2014: £5,214,535). No deferred tax asset has been set up in respect of these amounts because at this point in the Company's development it is not certain that future taxable profits will be available against which the company can utilise these expenditures.

6. Exploration and evaluation assets

	2015 £	2014 £
Net carrying amount at start of the year	4,117,607	3,244,793
Additions	688,808	1,209,437
Impairment		(336,623)
Carrying amount at end of the year	4,806,415	4,117,607

In May 2014, Management along with joint venture partners Magellan Petroleum (UK) Limited made the decision to formally relinquish exploration licence PEDL 232. In the light of this decision the accumulated capitalised exploration costs for this permit was written off during the year.

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

The Company has joint venture interests as set out in the table below:

Area	Licence	Equity interest 31 December 2015	Equity interest 31 December 2014
Central Weald	PEDL 231	50%	50%
Central Weald	PEDL 234	50%	50%
Central Weald	PEDL 243	50%	50%

All the above licences are held equally by Celtique Energie Weald Limited and its joint venture investment partner, Magellan Petroleum (UK) Limited. These licences were awarded on 1 July 2008 and expire on 1 July 2016. Celtique Energie Weald Limited acts as the operator on these licences.

7. Property, plant and equipment

Drilling equipment	2015 £	2014 £
Net carrying amount at the start of the year	245,700	-
Additions	117,392	245,700
Impairment	(115,000)	
Carrying amount at the end of the year	248,092	245,700

8. Trade and other receivables

	2015 £	2014 £
Joint venture receivables		54,204
		54,204

9. Cash and cash equivalents

	2015 £	2014 £
Cash at bank and in hand	413	518
Cash held in joint venture accounts	18,482	19,923
	18,895	20,441

Cash held in joint venture accounts represents the Company's share of joint venture cash balances. Cash balances held in joint venture accounts may only be used in relation to joint venture activities and are subject to the terms set out in the relevant joint operating agreements.

Notes to the financial statements for the year ended 31 December 2015 (continued)

10. Trade and other payables

	2015 £	2014 £
Trade payables	2,008	366,371
	2,008	366,371

Trade payables are non-interest bearing and normally settled on 25 to 35 day terms.

11. Accruals

	2015 £	2014 £
Accruals	12,579	276,125
	12,579	276,125

12. Share capital

	2015 Number of shares	2015 £	2014 Number of shares	2014 £
Ordinary shares (£1 each):				
Authorised	400,000		400,000	
Allotted, called up and paid-up	400,000	400,000	400,000	400,000

13. Capital management

The Company is reliant on the ultimate parent company, Celtique Energie Holdings Limited, for capital in order to undertake its principal activity.

The primary objective of the Group's capital management is to ensure financial stability, manage financial risks and secure the Group's short-term and long-term need of capital. The Group defines its capital as equity, comprising share capital and reserves. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group calls on cash from its investors.

The Group manages its short-term capital requirements through the presentation of its monthly management accounts and quarterly forecasts, making capital structure adjustments as considered necessary. Management of the medium to long-term capital requirements of the Group is monitored by the Board by way of the Annual Budget and 5 year plan.

14. Related party disclosures

a) Parent and controlling party

The Company's parent company through controlling interest at 31 December 2015 was Celtique Energie Holdings Limited which owned 100% of Celtique Energie Petroleum Ltd (CPL), with CPL owning 100% of the shares in the Company. All entities are registered in England. Copies of the ultimate parent's consolidated financial statements can be obtained from the Company's registered office.

b) Entity with significant influence over the Company

The immediate parent company is Celtique Energie Petroleum Ltd, a company incorporated in England and Wales.

c) Transactions with directors

Key management comprises the Directors only. The details of the Directors compensation is included in note 4.

No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Company's business.

15. Commitments, contingencies and guarantees

Capital and other commitments

At 31 December 2015, the Company was not party to any gross capital and other commitments (2014: £Nil).

16. Events subsequent to the year end

On the 28th June 2016 the Oil and Gas Agency extended the PEDL 234 licence term by two years to June 2018. The licences PEDL 231 and 243 were surrendered in June 2016 at the end of their licence term and will be written-off in the financial statements in the year ended 31 December 2016.

Following negotiations between UK Oil and Gas Investments plc and Magellan Petroleum (UK) Ltd, a Sale and Purchase Agreement for the sale of Celtique Energie Weald Limited (CEWL) by its immediate parent undertaking, Celtique Energie Petroleum Limited (CEPL) to UK Oil and Gas Investments plc and a Settlement Agreement between CEPL and Magellan was signed on 10th June 2016.It is anticipated that these transactions will be completed in August 2016 following Oil & Gas Authority approval of the CEWL change of control in July 2016. As part of the Sale and Purchase Agreement the intercompany balances between CEWL and other members of the Celtique Energie group were capitalised.

Glossary of terms

£	Pound Sterling
AGM	Annual General Meeting
Board	The Board of Directors of the Company
Group	The Group refers to the Celtique Energie Holdings Group
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard(s)
Companies Act	The Companies Act 2006 (as amended)
The Company	Celtique Energie Weald Limited

Company information

Company Registration No. 07055133

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

G Davies
P Coulson (resigned 1 January 2015)
J Hogan (appointed 1 January 2015)

Secretary

P Coulson (resigned 1 January 2015)
G Davies (appointed 1 January 2015)

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Solicitors

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