

Dublin 30th June 2008

Petroceltic International plc

**US \$55 MILLION CASH INVESTMENT AND
STRATEGIC ALLIANCE WITH IBERDROLA**

Petroceltic International plc (“Petroceltic” or the “Company”) announces that it has entered into a strategic alliance and financing arrangements with Iberdrola, to develop the Company’s oil and gas assets in North Africa and Italy, the highlights of which are:

- Strategic alliance agreed with the major Spanish Energy Group Iberdrola, the world’s fourth largest electricity company
- Programme of cooperation on upstream projects in North Africa and Italy
- Iberdrola to invest US\$55 million cash in Petroceltic through a placing of 215.8 million shares at Stg £0.13 per share, giving Iberdrola a 22.64 per cent stake in Petroceltic
- Funds will be used to intensify and accelerate work programme across all of Petroceltic’s existing portfolio, particularly in Algeria
- Financing option granted to acquire a 49% financing interest in any asset from existing portfolio for a further US\$55m cash
- Advance option consideration of \$7.33 million payable in cash in three months to Petroceltic

Commenting on the announcement, Brian O’Cathain, Executive Chairman of Petroceltic said: *“We are very pleased to have attracted and reached a strategic alliance agreement with Iberdrola, all the more so at a time when there is limited access to financial markets for companies at our stage of development. Both Petroceltic and Iberdrola are focused on growth in similar regions on the doorstep to Europe and I welcome the fact that Iberdrola has chosen Petroceltic as its first ever investment in an upstream oil and gas venture. The alliance will be key to crystallizing the value in Petroceltic’s quality exploration and appraisal assets.”*

John Craven, Chief Executive Officer of Petroceltic, commented: *“We are now entering the most exciting phase of development in the Company’s history with a minimum of seven exploration and appraisal wells scheduled for the year ahead, across a broad range of risk and reward profiles. The funding which this investment provides secures this programme. This investment is a clear vote of confidence in the assets and the people of Petroceltic”.*

ANNOUNCEMENT

Petroceltic International plc (“Petroceltic” or the “Company”) announces that it has entered into a strategic alliance with Iberdrola, a major international energy company, to facilitate the development of the Company’s oil and gas assets in North Africa and Italy.

To cement this alliance, agreement has been reached for Iberdrola to invest US\$55 million in Petroceltic through a placing of 215.8 million ordinary shares at Stg€0.13 per share. The investment is being made in two tranches. Iberdrola subscribed for the first tranche of US\$37.6 million on June 29th 2008, representing 16.67 per cent of Petroceltic’s issued ordinary share capital following this subscription. The second tranche of US\$17.4 million for an additional stake will be completed in August 2008 after Petroceltic’s Annual General Meeting, subject to shareholder approval. This will bring Iberdrola’s total investment in Petroceltic to US\$55 million, resulting in an equity stake of 22.6 per cent in the enlarged capital of Petroceltic. Iberdrola has agreed not to sell any shares in Petroceltic without consent from Petroceltic for three years.

In addition, under a two year option agreement, Iberdrola can invest a further US \$55 million to acquire a 49 per cent financing interest in any single asset in Petroceltic’s existing portfolio, subject to the usual regulatory and partner requirements. An advance option consideration of \$7.33 million in respect of this financing option is payable in cash in three months from the date of this transaction to Petroceltic.

A joint business committee has been formed between the two companies to manage the strategic alliance and an Iberdrola nominated non-executive director, Pablo Fuentes-Cantillana has joined the Petroceltic board with immediate effect. Iberdrola will also second personnel to Petroceltic to aid development in upstream expertise and will provide marketing assistance on future gas sales.

Using the new funding and its existing cash resources, Petroceltic is now able to intensify and accelerate the work programme on its portfolio of high quality exploration and appraisal assets mainly in Algeria. Subject to normal partner consents, this includes a programme of 7 wells on the Isarene PSC block in Algeria where a wide azimuth 3D seismic survey to optimise these drilling locations is already well advanced. The first well in this programme is scheduled to start drilling in early 2009.

Headquartered in Spain, Iberdrola has operations in 40 countries worldwide, a market capitalisation of €12 billion and in 2007 had gross operating revenues in excess of €20 billion. Iberdrola is the fourth largest electricity company in the world by market capitalisation. In 2007 it acquired ScottishPower and floated its renewable energy subsidiary, Iberdrola Renewables, a world leader in wind power with a presence in 19 countries.

The Petroceltic strategic alliance is Iberdrola’s inaugural investment in an upstream oil and gas venture. This investment reflects the growing demand from the major utility companies to secure energy supply.

Further details of the Iberdrola strategic alliance and investment are set out below in this announcement. A presentation on the Strategic Alliance will be available on the Company's website from 10.00am, and a conference call will take place at 10.00am.

Conference call-in details are as follows:

Ireland: + 353-1436-7641 / 1800-943-557

UK: + 44-20-8515-2301 / 0800 279 2280

The Company's final results announcement for the year ended 31st December 2007 has been issued separately this morning.

The annual report and notice of AGM, which will include resolutions in relation to the investment by Iberdrola, will be posted to shareholders today, Monday June 30th, 2008 and will also be available on the Company's website from 10.00am.

The Annual General Meeting will be held on Thursday August 14th, 2008, at 11 am at the Herbert Park Hotel, Ballsbridge, Dublin 4.

Petroceltic was advised by Lazard & Co. Limited and Davy Corporate Finance in respect of the placing and the strategic alliance agreement.

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IBERDROLA PETROCELTIC STRATEGIC ALLIANCE – FURTHER DETAILS

Under the terms of a Strategic Alliance announced today, Petroceltic and Iberdrola have signed agreements highlighting their commitment to work together to maximise value creation in their area of upstream focus in North Africa and Italy. The main terms of these agreements are summarised below.

Business Co-operation

Iberdrola and Petroceltic have agreed to appoint a joint committee of two senior business representatives to consider further joint business co-operation in upstream assets and potential acquisitions within the geographical area of focus of North Africa and Italy. Iberdrola is to second personnel to Petroceltic, and is to provide marketing assistance to Petroceltic in respect of future gas sales. The two companies plan to pursue new upstream opportunities together in this region, and where appropriate, to jointly evaluate and participate in those opportunities.

Iberdrola investment in Petroceltic

On 29th June 2008 Iberdrola subscribed for 20 per cent of Petroceltic's current share capital (16.67 per cent post-subscription) at 13p per share, equating to 147,465,564 ordinary shares of the company (total £19.1 million (c.US\$37.6 million)). This placing was within the 20% pre-emption disapplication authority given to Petroceltic at its Annual General Meeting ("AGM") held on 31st July 2007. Iberdrola has also agreed to subscribe for an additional 68,303,667 ordinary shares, at the same price of 13p per share, subject to approval of this additional subscription by a special resolution at Petroceltic's AGM which is due to take place on 14th August 2008.

On the basis that the requisite shareholder approval is obtained at the AGM the total number of shares to be subscribed by Iberdrola will be 215,769,231 new ordinary shares at a subscription price of 13p sterling per share, for a total subscription price of £28 million, or US\$55 million, representing 22.64% of the issued ordinary share capital of Petroceltic.

Application has been made to the London Stock Exchange and Irish Stock Exchange for 147,465,564 new ordinary shares of nominal value €0.0125 each ("Ordinary Shares") in the capital of the Company to be admitted to trading on the AIM Market of the London Stock Exchange ("AIM") and the IEX Market ("IEX"). Dealing is expected to commence in the Ordinary Shares on 4th July 2008. These Ordinary Shares rank pari passu in all respects with the existing Ordinary Shares of the Company. Subject to shareholder approval, it is expected that admission of the additional 68,303,667 new ordinary shares of nominal value €0.0125 each to AIM and IEX will occur on or around 20 August 2008. These Ordinary Shares rank pari passu in all respects with the existing Ordinary Shares of the Company.

Shareholders Agreement

Under the terms of a shareholders agreement signed by Iberdrola and Petroceltic, Iberdrola undertakes for a period of three years not to hold in excess of 24.9 per cent of Petroceltic's issued share capital without Petroceltic's prior consent. Iberdrola has

also agreed not to vote any shares in excess of 20 per cent at any shareholder meeting, nor can it sell any shares without consent from Petroceltic for three years. Iberdrola is entitled to subscribe in cash for new equity, if Petroceltic issues shares non-pre-emptively so as to enable Iberdrola, if it so wishes, to maintain its percentage shareholding in Petroceltic. Iberdrola has agreed to vote its new shares in favour of the Board's 2008 AGM resolutions. The key rights and obligations under the shareholders agreement will lapse if Iberdrola holds less than 10 per cent of the issued ordinary share capital of Petroceltic for greater than 90 days.

Financing Option Agreement

Under the terms of a financing option agreement signed immediately prior to the shareholders agreement, Petroceltic has agreed to grant Iberdrola an option to acquire a 49 per cent financing interest in any single material asset from Petroceltic's portfolio, for a consideration of US\$ 55 million. The particular asset must be selected by Iberdrola within 6 months of the date of the agreement, and the option will expire if not exercised on or before 1st May 2010. An advance option consideration of \$7.33 million in respect of this financing option is payable in cash in three months from the date of this transaction to Petroceltic. This advance option consideration will be deducted from the final option consideration if exercised. The US\$ 55 million cash received from the option exercise will be used to refinance incurred exploration costs on the chosen asset, and/or to finance future exploration costs. When an overall capital expenditure from inception of US\$55 million has been accomplished on the chosen asset, the asset will be funded 51% by Petroceltic, 49% by Iberdrola going forwards.

Use of Funds

Petroceltic plans to use the \$55 million investment in the Company to re-finance the \$16 million commitment to the Isarene 3D seismic survey, and to invest in exploration and appraisal drilling mainly in Algeria. Petroceltic has issued tender documents for a minimum of seven wells in Algeria on the Isarene permit, and the first of these is expected to begin drilling in early 2009, subject to partner and Government consents. The new wells will be targeting the Ordovician Ain Tsila Ridge area and other discovery areas in the Isarene permit, as part of the steps necessary to commercialize hydrocarbon resources under our Production Sharing Contract.

Board Appointment

Pablo Fuentes-Cantillana has been co-opted to the Petroceltic Board as the Iberdrola representative with immediate effect. Mr Fuentes-Cantillana is Director for Gas Projects Development of Iberdrola. He is responsible for Iberdrola's gas midstream business development including, amongst others, the Medgaz project, a subsea pipeline connecting Algeria with Spain. He was previously Director of Energy Management of Iberdrola Mexico which today has a portfolio of over 5,000MW of electricity in operation. He was also General Manager of Iberdrola Monterray, a company responsible for the development and operation of a 1,000 MW CCGT in Monterrey (Mexico). He is a Mining Engineer from the Madrid School of Mines and has a Masters degree in Business Administration from IESE Business School,

Mr Fuentes-Cantillana will stand for re-appointment by the shareholders at the 2008 AGM. Iberdrola will continue to have a right of representation on Petroceltic's board as long as it holds at least 10 per cent of the ordinary shares of Petroceltic. Mr. Fuentes-Cantillana has no other current Directorships or partnerships.

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