

# PORTFOLIO PARTNERS PEOPLE

**Providence Resources P.l.c.**  
Annual Report for the  
year ended 31 December 2017

Stock Code:  
AIM: PVR  
ISE: PZQA



# WELCOME TO THE PROVIDENCE RESOURCES P.L.C.

## ANNUAL REPORT 2017

### CONTENTS

#### ► Business Review

2017 Operational Highlights	1
Chairman's Remarks	2
C.E.O. – Operations Review	3
List of Assets	5

#### ► Our Governance

Board of Directors	14
Directors' Report	15

#### ► Financial Statements

Independent auditor's report	21
Consolidated income statement	24
Consolidated statement of comprehensive income	25
Consolidated statement of financial position	26
Consolidated statement of changes in equity	27
Consolidated statement of cash flows	28
Notes forming part of the consolidated financial statements	29
Company balance sheet	49
Statement of changes in company equity	50
Notes to the company financial statements	51

#### ► Investor Information

Notice of Annual General Meeting	57
Glossary of Terms	59
Corporate Information	IBC

### OIL AND GAS EXPLORATION AND APPRAISAL

#### Who we are

Providence Resources P.l.c. is an Irish based upstream oil and gas company with a portfolio of appraisal and exploration assets located offshore Ireland.

Operating for over 30 years, the Company (and its predecessor companies) has a well-established background in the Irish oil and gas business, having worked closely with many major international companies including ExxonMobil, Repsol, Total, Eni, Petronas and Cairn Energy.

The Company is involved in a number of material exploration prospects and appraisal projects in multiple basins around the coast of Ireland.

#### Strategy

The Company's strategy has been to assemble a material equity position in a portfolio of assets combining existing discoveries with new prospects to improve overall economics whilst mitigating risk in order to generate value for the Company and its shareholders.

- Focus on oil & gas exploration offshore Ireland
  - Core focus on early stage exploration & appraisal drilling opportunities in multiple basins
- Create a diversified and material exploration & appraisal portfolio
- Farm-out to defray CAPEX for subsequent drilling/development and/or seismic acquisition
- Leverage in third parties to validate and co-venture with on prospects and projects
- Evaluate new opportunities

# 2017 OPERATIONAL HIGHLIGHTS

## 2017 Operations

### Appraisal Projects

- **Barryroe Oil Project, North Celtic Sea Basin (SEL 1/11)**
  - Farm-out discussions continued – Period of exclusivity granted
  - Extension to 1st phase of SEL 1/11 to July 2019 and overall license extension of 2 years to July 2021
  - New 3D seismic uplift provided significantly enhanced visualisation of Barryroe reservoir interval
- **Helvick & Dunmore Oil Projects, North Celtic Sea Basin (LU)**
  - Awarded Lease Undertakings
  - Assigned 10% equity in Helvick to MFDevCo and 10% equity to Lansdowne
  - Assigned 10% equity in Dunmore to MFDevCo

### Exploration Prospects

- **Druid/Drombeg/Diablo Oil Prospects, Southern Porcupine Basin (FEL 2/14)**
  - Consented and drilled the 53/6-1 exploration well
  - First well to be consented under the new Irish Petroleum (Exploration and Extraction) Safety Act 2015
  - Deepest water depth for any exploration well ever drilled offshore North-West Europe
  - No Lost Time Incidents (“LTI’s”)
  - Paleocene Druid Reservoir interval encountered within pre-drill depth prognosis, but was water bearing
  - Lower Cretaceous Drombeg Reservoir interval encountered within pre-drill depth prognosis, but was water bearing
  - 53/6-1 exploration well plugged and abandoned in accordance with pre-drill plan

#### Cairn Farm-in to 30% of FEL 2/14

- Farm-in by Cairn where Cairn paid 45% (US\$18.9 million) of 53/6-1 well costs, subject to a gross well cap of US\$42 million, and thereafter at 30% cost share
- Cairn also made a cash payment of US\$2.82 million on a pro-rata 80/20 basis to Providence and Sosina
- Cairn agreed methodology for a contingency appraisal well carry on a 1.33 to 1 promote basis, subject to US\$42 million gross well cap

#### Total option and Election to Farm-in to 35% of FEL 2/14

- Option agreed with Total to take a 35% working interest, via agreed farm-in, exercisable post drilling of the 53/6-1 well
- Total paid US\$27 million to Providence & Sosina (US\$21.6 million & US\$5.4 million, respectively)
- Total subsequently exercised option to farm-in for 35% working interest and operatorship

- **Avalon Oil Prospect, Porcupine Basin (LO 16/27)**

#### Technical work

- Generated calibrated Petroleum Systems Model (“PSM” c.48,000 km<sup>2</sup>), which supports the potential of a working petroleum system
- Model demonstrated that Avalon could potentially access a total hydrocarbon resource charge of c. 8.67 BBO and c. 21.43 TSCF (equivalent to c. 12 BBOE)

#### Total farm-in to 50% of LO 16/27

- Total farmed-in for 50% interest and operatorship
- Total paid pro-rata share of past gross costs of c. US\$0.175 million, and in addition to its pro-rata share, pay 21.4% of the past and future costs during the 2-year term of LO 16/27, subject to a gross cost cap of US\$1.33 million
- In the event that the JV partners decide to drill an exploration well, Total will pay 60% of the drilling costs, subject to a gross well cap of US\$42 million

- **Dunquin South Oil Prospect, Southern Porcupine Basin (FEL 3/04)**
  - Eni assumed operatorship
  - Providence equity increased to 26.846%
  - Licensed 1,800 km<sup>2</sup> of 3D seismic data from CGG as part of their Porcupine Basin multi-client 3D acquisition programme (acquired in June 2017)
- **Newgrange Prospect, Goban Spur Basin (FEL 6/14)**
  - Prepared scope for 2018 site survey and future drilling

- **Kish Oil Prospect, Kish Bank (SEL 1/11)**
  - Ministerial consent granted to extend the 1st phase of SEL2/11 to August 2018 and an overall extension of one year to the license term to August 2020

## 2017 Financial Highlights

- Operating Loss for the period of €21.402 million versus €18.844 million in 2016
- Loss of €20.419 million versus €20.546 million in 2016
- Loss per share of 3.42 cents versus 5.80 cents in 2016
- At December 31, 2017 total cash and cash equivalents were €19.603 million versus €31.403 million (at 31 December 2016)
- The Company had no debt at December 31, 2017 (at 31 December 2016: 0)
- The total issued & voting share capital comprises 597,658,958 ordinary shares of €0.10 each

## Board Changes

- In June 2017, Dr. Angus McCoss joined the Board as a Non-Executive Director

## Post Year End Progress

- **Barryroe Oil Project, North Celtic Sea Basin (SEL 1/11)**
  - Through its wholly owned subsidiary, Exola DAC (“Exola”), the Company signed a Farm-out Agreement with APEC Energy Enterprise Limited (“APEC”) in relation to SEL 1/11.
  - Under the terms of the Farm-out Agreement, in consideration for APEC being assigned a 50% working interest in SEL 1/11:
    - APEC will be directly responsible for paying 50% of all the cost obligations associated with the drilling of 3 vertical wells, plus any associated side-tracks and well testing (hereinafter referred to as the “Drilling Programme”);
    - APEC will provide a drilling unit and related operational services for the Drilling Programme;
    - APEC will finance, by way of a non-recourse loan facility (the “Loan”), the remaining 50% of all costs of the Barryroe Partners in respect of the Drilling Programme;
    - The Loan, drawable against the budget for the Drilling Programme, will incur an annual interest rate of LIBOR +5% and will be repayable from production cashflow from SEL 1/11 with APEC being entitled to 80% of production cashflow from SEL 1/11 until the Loan is repaid in full;
    - Following repayment of the Loan, APEC will be entitled to 50% of production cashflow from SEL 1/11 with Exola and Lansdowne being entitled to 40% and 10% of production cashflow, respectively.
    - Upon completion of the Drilling Programme, APEC will be able to subscribe for warrants over 59.2 million shares in Providence at a strike price of £0.12 per share (the “Warrants”). The Warrants, representing circa 9.9% of the current issued share capital of Providence, are exercisable for a period of 6 months following the completion of the Drilling Programme.
  - Exola will act as operator for the Drilling Programme with technical assistance being provided by the APEC Consortium; and,
  - After the completion of the Drilling Programme, APEC will have the right to become operator for the development/production phase.
  - The closing of the Farm-out, which is expected to occur in Q3 2018, is conditional on completion of all ancillary legal documentation required to implement the terms of the Farm-out Agreement, and is subject to the approval of the Minister of State at the Department of Communications, Climate Action and Environment and the approval of the Chinese government.
- **Dunquin South Oil Prospect, Southern Porcupine Basin (FEL 3/04)**
  - Dunquin South sub-sea site survey programme planned for Q3 2018
- **Newgrange Prospect, Goban Spur Basin (FEL 6/14)**
  - Extension of the first phase of the Frontier Exploration Licence to March 2019
  - High resolution 2D seismic acquisition and well exploration site survey contract awarded to Gardline
  - Site survey to take place in Q3 2018
  - Farm-out process continues
- **Avalon Oil Prospect, Porcupine Basin (LO 16/27)**
  - Application to convert from LO to FEL status

## Leadership in the Irish Offshore

Dear Shareholder,

I am pleased to present the 2017 Annual Report which incorporates our financial results for the year and a detailed summary of our activities during the year and into the early months of 2018.

Following three very difficult years for the oil and gas sector, arising from the sharp fall in commodity prices, and a subsequent contraction in exploration and development activity, 2017 saw the beginnings of a recovery which gathered pace as the year progressed. With the pickup in industry cash flows and the sharp decline in operating costs, the industry is refocusing on reserve replacement and the need to identify and execute new drilling opportunities. Importantly for Providence, this has been reflected in increased interest in the Irish offshore and improved scope for farming out projects with credible technical and financial characteristics.

Providence entered 2017 with a strong balance sheet following the re-capitalisation in 2016 and with well advanced plans to drill the high impact Druid and Drombeg exploration prospects. As a result of a competitive farm-out process, we were successful in attracting two high quality partners, Cairn Energy and Total, to join the project on favourable financial terms. This allowed us to financially de-risk the project and conserve our capital, whilst also gaining access to the technical capabilities of proven global explorers. The drilling project was a major undertaking for a company of our size and its safe and efficient execution endorses the project management capabilities of the Providence team and the quality of our control and risk management systems. While the outcome was commercially disappointing, valuable insights were gained and post-well data analysis is ongoing.

Barryroe is a core asset in the Providence portfolio and our team has been working hard to unlock the significant value opportunity which this asset presents. Heretofore, we had been hampered in progressing this project by the collapse in the farm-out market and by our limited financial capability. Due to the persistence of the team, and aided by the improvement in the M&A market, there has been growing interest in the project from a number of parties. As was recently announced, we signed a Farm-out Agreement with a Chinese consortium to partner with us by financing a three well drilling program (and associated side-tracks) to appraise the asset. This is a transformational transaction for the Company as it provides a comprehensive solution to financing and accelerating

the appraisal of what we believe will be a key value driver for Providence in the coming years.

Recognising the changing environment in which we operate, your Board and management undertook a detailed strategic review of the business during the year following which your Board concluded that our strategy should continue to be exploration led and primarily focused on the Irish offshore. We see the combination of our portfolio, our partners and our people as the key foundations of our business. In particular, we have significant equity positions in a number of material prospects and projects, have a small but very experienced team with a unique knowledge of the Irish offshore, and have the proven skills to successfully partner with global companies and independents alike.

We strengthened the Board during the year by the addition of Angus McCoss as a Non-Executive Director. Angus brings a wealth of experience of the exploration industry worldwide and has already made an important contribution to the Board's deliberations. We have more recently undertaken a review of how the Board should evolve and be refreshed as the business develops and to ensure that we continue to meet best corporate governance standards. This gives us a roadmap to plan and develop oversight of the business in the coming years.

In conclusion, I am very encouraged by the progress that has been made at Providence in the past year and look forward to another active year in 2018. The Irish offshore sector has attracted interest from some of the most active and successful international explorers and will be a significant beneficiary of the recovery in global exploration activity which is already underway. Supported by this improving industry outlook, we are continuing to high grade our asset portfolio, deepen our relationships with industry partners and exploit our experience of the Irish offshore to maximise opportunities to grow shareholder value. I look forward to reporting on our progress in the coming year.

Finally, I would like to thank our staff and management team for their diligence and hard work during the year. The commitment and support of my fellow Board members is also very much appreciated.

**Pat Plunkett**  
Chairman

## C.E.O. – OPERATIONS REVIEW

Dear Shareholder,

As the Chairman stated in his remarks, the past year has been a year of real progress across the entire Providence portfolio.

Over the past 12 months, we agreed 4 major commercial transactions which not only endorsed our view of our assets, but also provided significant incremental capital which bolstered the financial resources of the Company.

The main operational activity was the planning, consenting and drilling of the 53/6-1 exploration well in FEL 2/14. This drilling programme, targeting the Palaeocene Druid and Lower Cretaceous Drombeg exploration targets, was a major undertaking for the Providence team. Not only was this well the deepest water depth well (water depth of 2,233 m) ever drilled by any company in the offshore north-west Europe, but it was also the first well to be drilled under the new Irish governmental Petroleum Exploration and Extraction Safety Act 2015, which required substantial additional permitting and consenting.

Following the refinancing of the business in 2016, we immediately embarked on the operational and consenting programme to be able to commence drilling in the summer of 2017. In September 2016, we hired LR Senergy to assist as our well management company and in November 2016, we hired the harsh environment IceMAX drillship from Stena. Over a period of 10 months, we assembled a team of leading Irish and international subcontractors to assist with the drilling programme.

At the same time, we managed a farm-out process with international E&P companies for this drilling opportunity. This ultimately led to the conclusion of 2 farm-out transactions, which generated over US\$45 million of incremental capital for the Company.

In March 2017, we signed a farm-out agreement with a subsidiary of Cairn Energy, which saw Cairn take a 30% working interest in the 53/6-1 exploration drilling programme on the basis that they would fund 1.5 times their equity (up to a well cap of US\$42 million) and thereafter, at their 30% working interest. Cairn's involvement was not just financial as they also assisted us operationally with their expertise.

In June 2017, we announced an option deal with a subsidiary of Total, whereby Total paid Providence & Sosina (on a 80/20 basis, respectively) US\$27 million to have the right to take a 35% working interest in FEL 2/14, such option to be exercised 60 working days post the completion of the 53/6-1 exploration well drilling programme.

The 53/6-1 exploration well spud on July 11, 2017 with the first target reservoir interval, Druid, intersected within pre-drill prognosis by the end of July. Unfortunately, as announced on August 4, 2017, the reservoir was found to be water wet. Drilling operations then continued through September, when the Lower Cretaceous Drombeg reservoir interval was intersected (within pre-drill prognosis) and was also found to be water bearing. With data acquisition carried out and with the drilling operations safely concluded, the well was plugged and abandoned in accordance with pre-drill plans, and the rig went of hire on September 26, 2017.

The results of the drilling programme were obviously very disappointing but as a by-product, valuable data in terms of regional geology, reservoir development and pressure regimes

were obtained. As only the second wildcat exploration well ever drilled in the southern Porcupine Basin, these data will be particularly useful for any future planned drilling of the deeper Diablo structure contained within FEL 2/14 or indeed other Providence assets elsewhere within the basin. In December 2017, Total confirmed their intention to exercise their option, resulting in Total taking a 35% working interest and operatorship of FEL 2/14 with Cairn, Providence and Sosina retaining 30%, 28% and 7% working interests, respectively.

As the Chairman stated, this was a significant undertaking for Providence and I would like to sincerely extend our thanks to the over 50 subcontracting companies in Ireland, the UK, the USA and elsewhere involved in our programme. As the first well to be approved under the new consenting regime, I would also like to express our thanks to all the various Irish regulatory authorities with whom we worked to ensure the safe operational and environmentally benign drilling of this significant exploration well.

Whilst the 53/6-1 Druid/Drombeg well and associated farm-outs were major operational achievements for the company, they were by no means the only ones, and indeed, we also agreed two further commercial deals on other assets.

In June 2017, we agreed another farm-out deal with a subsidiary of Total, whereby Total took a 50% working interest in Licensing Option (LO) 16/27, which contains the undrilled Paleocene Avalon exploration prospect. LO 16/27 was awarded to Providence in the last Irish Atlantic Margin Licensing Round, having been our number one target in that round. It is therefore very encouraging that Total endorsed our view by joining us on this license and it is even more notable that, as just recently announced, the LO 16/27 partners (Total 50%, Providence 40% and Sosina 10%) have applied to the Irish government to convert LO 16/27 to a Frontier Exploration Licence. Under the terms of the farm-out agreement, if the JV subsequently elect to drill an exploration well, Total will provide a 1.2 to 1 well promote on the drilling of an exploration well (up to a well cost cap of US\$42 million) and thereafter, at working interest levels.

The fourth major commercial deal agreed was the farm-out of a 50% working interest in SEL 1/11, Barryroe. On March 28, 2018 we announced a farm-out with APEC Energy Enterprise Limited for the drilling of 3 wells and associated side-tracks and testing at Barryroe. APEC, working in a strategic partnership with China Oilfield Services Limited and JIC Capital Management Limited, will take a 50% working interest in SEL 1/11 and will provide financing to Providence and Lansdowne to fund their respective 40% and 10% working interests. This means that Providence and Lansdowne have no upfront risk or capital exposure for the initial appraisal drilling programme, which is designed to take Barryroe to Final Investment Decision (FID) status. The loan financing is charged at LIBOR +5%, is non-recourse and is only repayable from Barryroe production cash flow.

Importantly, the involvement of this Chinese consortium provides not only a fully funded drilling programme but it also creates a roadmap to take this project, subject to the results of the drilling, to project sanction and on to first oil. With the APEC consortium having the right to take over operatorship post drilling, we now have the operational and financial capabilities to move Barryroe forward.

## C.E.O. – OPERATIONS REVIEW (CONTINUED)

The last component of the farm-out to APEC is the granting of warrants whereby APEC can subscribe for 59.2 million ordinary shares in Providence, which is equivalent to 9.9% of the fully issued share capital of the Company. However, these warrants, priced at £0.12 per share, can only be exercised by APEC post the completion of the drilling programme and if exercised, would deliver incremental cash to Providence of circa US\$10 million.

The closing of the Barryroe farm-out is subject to the conclusion of ancillary documentation to affect the terms of the signed Farm-out Agreement and is also subject to the consent of the Irish and Chinese governments. Closing is expected in Q3 2018, at which point there will be operational and planning/consenting ramp-up to effect drilling in 2019, subject to normal regulatory consents.

Having concluded these four-major commercial deals, we still have more to do and so we continue to work hard to advance other assets within our portfolio.

At FEL 6/14, Newgrange, we were recently awarded a license extension and we are now consenting and preparing for an exploration well site survey, which is expected to be carried out in Q3 2018. This survey is designed to get Newgrange to a drill ready status such that an exploration well could be drilled as an incremental well to a programme being carried out by either a Providence consortium or another operator offshore Ireland utilising rig share arrangements. And at the same time, we continue to operate a farm-out process with international E&P players, where I can confirm that there is good interest.

The other major recent operational activity has been at FEL 3/04, Dunquin. FEL 3/04 contains two large Lower Cretaceous carbonate reef build-ups, Dunquin North and Dunquin South. Dunquin North was drilled in 2013 by an ExxonMobil led consortium comprising Eni, Repsol, Providence, Atlantic Petroleum and Sosina. This well was drilled safely in the summer of 2013 but it encountered a water bearing reservoir and so it was plugged and abandoned. Whilst not commercially viable, the results of the well were significant for the advancement of exploration interest in the area as the well encountered a residual low saturation oil accumulation that is interpreted to be the breached remnant of a previous 1.2 BBOE oil accumulation. As the first well drilled in the basin, it did, however, prove the southern Porcupine Basin to be hydrocarbon bearing and this led, in part, to the hugely successful Irish Atlantic Margin Licensing Round which saw Licensing Options being awarded to major industry players, including ExxonMobil/Statoil, Nexen-CNOOC, Eni/BP, Woodside and Cairn.

Following a re-alignment of equity within the Dunquin JV partnership, Eni took over operatorship with a 36.913% working interest, with partners Repsol (33.557%), Providence (26.846%) and Sosina (2.684%). During 2017, the JV elected to license newly acquired 3D seismic data acquired over FEL 3/04 in 2017. The purpose of these 3D seismic was to ascertain whether there were clear differences between Dunquin North and Dunquin South and,

in particular, to understand why breaching of oil had occurred at Dunquin North.

Whilst the results of the 3D are confidential to the JV, shareholders should note the recent release of new data on 2013 44/23-1 Dunquin North exploration well. At the recent AAPG European Regional Conference in Lisbon earlier this month, four technical papers were presented on Dunquin and, for the first time, previously unreleased Dunquin North well data (including reservoir parameters, oil saturation levels etc.) were made public. Confidentiality provisions of the JV currently limit any discussion on what this could mean for Dunquin South, but further information will be provided when appropriate.

Finally, details on the balance of the portfolio are included in the remaining pages of the operational review. Financially, the Company recorded a loss for the financial year of €20.419 million, which includes a full impairment of the costs for the drilling of the 53/6-1 Druid/Drombeg exploration well. Cash on the balance sheet at year end was €19.603 million and the Company had no debt.

We are obviously very closely monitoring the proposals put forward in the Climate Emergency Measures Bill 2018 and have noted that this will be considered further at Committee level, though no set timetable has been confirmed. Given our relative geographical isolation and the fact that we currently import 100% of our oil and c. 40% of our gas, energy supply & security is a very big issue for Ireland. Whilst the National Mitigation Plan sets out a plan for a lower carbon Ireland, to some, this is not sufficient, nor quick enough. Ironically, it could be argued that this proposed bill inadvertently highlights the significant issues regarding energy policy in Ireland. These significant issues include security of energy supply, the impact of Brexit, the lack of installed renewable energy capacity, planning limitations, together with the fact that our economy is heavily reliant on imported fossil fuels. As such a key provider of energy, the oil & gas industry has an important role to play and we will be working with the industry and other stakeholder groups to ensure that this important national issue is treated with the consideration that it deserves.

In summary, 2017 was a very busy year and 2018 is shaping up to be equally busy. The four farm-out deals were critical deals for the Company – they not only provided incremental capital to advance our assets – but they have allowed the us to deliver on our stated objectives, with clear third-party industry validation.

Finally, I would like to thank all of our stakeholders and to acknowledge the enormous efforts of the Providence team and the guidance and support of the Board of Directors.

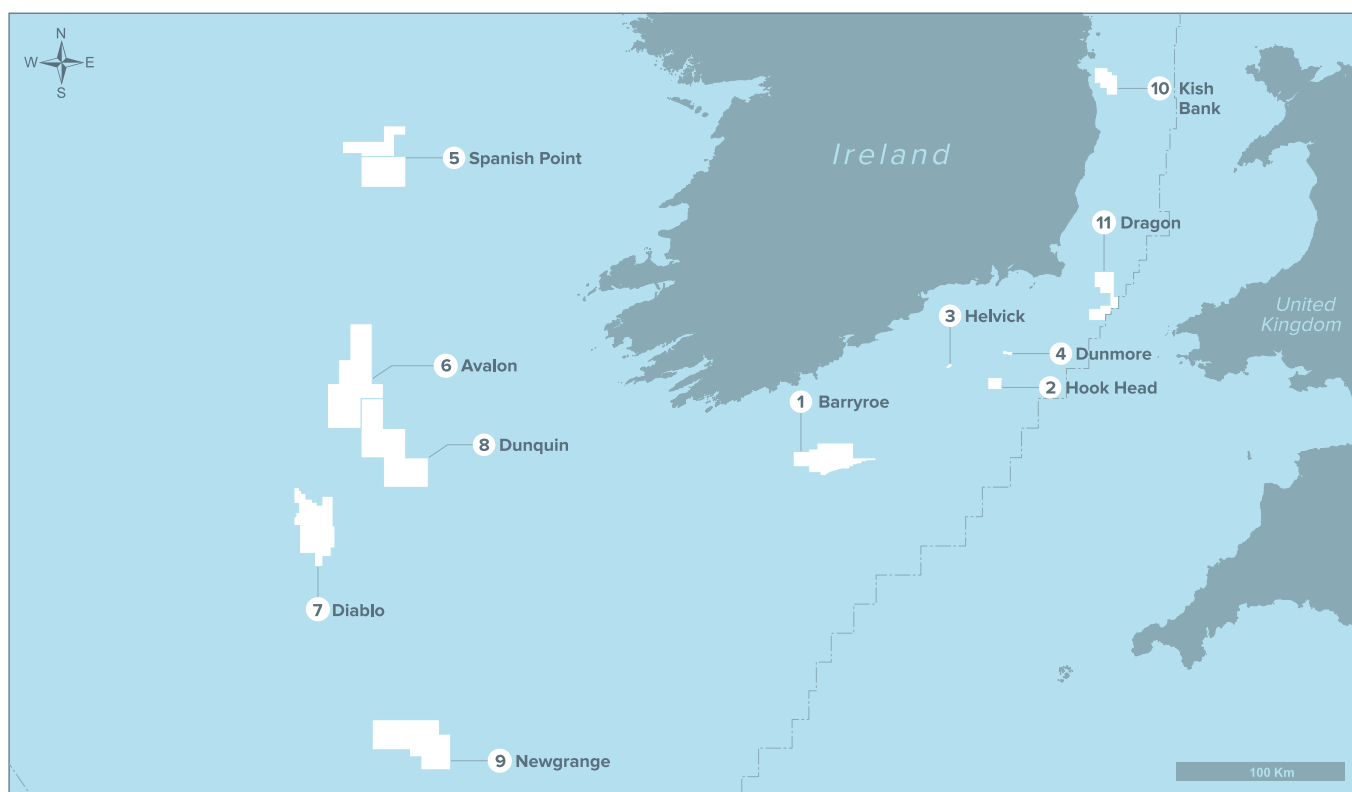
**Tony O'Reilly**  
Chief Executive

# LIST OF ASSETS

Ref	Licence	Issued	Asset	Operator	Partners	PVR %	Type
<b>NORTH CELTIC SEA BASIN</b>							
1	SEL 1/11	2011	BARRYROE	Providence*	APEC**, Lansdowne	80.00**	Oil discovery
2	SEL 2/07	2007	HOOK HEAD	Providence	Atlantic, Sosina	72.50	Oil and gas discovery
3	Lease Undertaking	2016	HELVICK	Providence	Atlantic, Sosina, Lansdowne, MFDevCo	56.25	Oil and gas discovery
4	Lease Undertaking	2016	DUNMORE	Providence	Atlantic, Sosina, MFDevCo	65.25	Oil discovery
<b>NORTHERN PORCUPINE BASIN</b>							
5	FEL 2/04	2004	SPANISH POINT	Cairn	Providence, Sosina	58.00	Oil and gas discovery
5	FEL 4/08	2008	SPANISH POINT NORTH	Cairn	Providence, Sosina	58.00	Oil and gas exploration
<b>SOUTHERN PORCUPINE BASIN</b>							
6	LO 16/27	2016	AVALON	Total	Providence, Sosina	40.00	Oil and gas exploration
7	FEL 2/14	2014	DIABLO	Total	Providence, Cairn, Sosina	28.00	Oil and gas exploration
8	FEL 3/04	2004	DUNQUIN	Eni	Providence, Repsol, Sosina	26.85	Oil exploration
<b>GOBAN SPUR BASIN</b>							
9	FEL 6/14	2014	NEWGRANGE	Providence	Sosina	80.00	Oil and gas exploration
<b>KISH BANK BASIN</b>							
10	SEL 2/11	2011	KISH BANK	Providence		100.00	Oil and gas exploration
<b>ST GEORGE'S CHANNEL BASIN</b>							
11	SEL 1/07	2007	DRAGON	Providence		100.00	Gas discovery

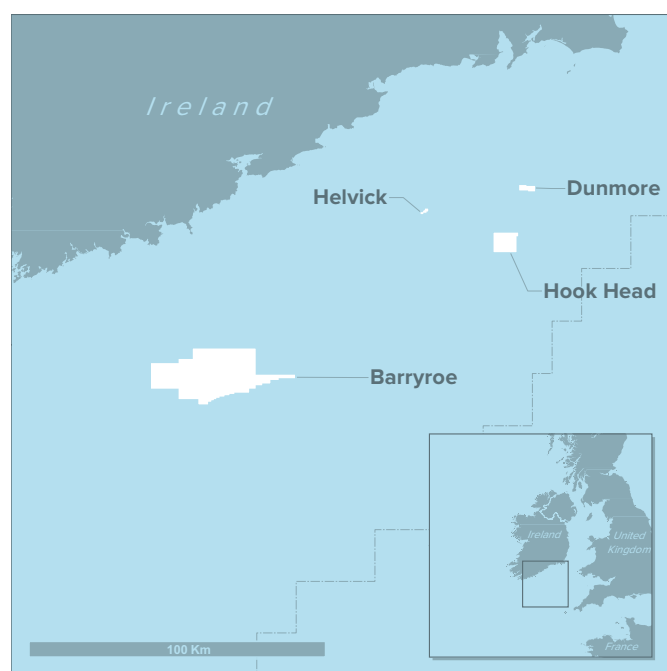
\* Held through wholly owned subsidiary, Exola DAC.

\*\* Subject to Farm-out announced on March 28, 2018 whereby APEC Energy Enterprise Limited will take a 50% working interest in return for an agreed work programme. Subject to closing, Providence's stake (held through its wholly owned subsidiary, Exola DAC) will reduce to 40%.



# LIST OF ASSETS (CONTINUED)

## Appraisal: North Celtic Sea Basin



### SEL 1/11 – Barryroe Project

Through its wholly owned subsidiary Exola DAC, the Company currently holds an 80% working interest in and is operator of SEL 1/11 which contains the Barryroe oil accumulation, but this working interest will be reduced to 40% subject to the closing of the Farm-out Agreement signed with APEC Energy Enterprise Limited as announced on March 28, 2018 (see below).

SEL 1/11 is located in the North Celtic Sea Basin, c. 50 km off the south coast of Ireland, being situated in c. 100 m water depth. The licence is adjacent to the giant Petronas-operated Kinsale Head Gas Field.

### History

In the past, under different operators, five wells were successfully drilled on Barryroe. All of these wells successfully logged hydrocarbon-bearing reservoirs with three successfully flowing oil to surface. In 2011, having acquired new 3D seismic data, the Company drilled the sixth well on this areally extensive field. In March 2012, the Barryroe partners announced the flow rates from this well, results which far exceeded pre-drill expectations with oil rates in excess of 3,500 BOPD from a 7 m vertical section of reservoir.

Post-well analysis, in conjunction with the new 3D seismic data set, led to a substantial upgrade in the field size to over 1 billion barrels STOIP (2C). Subsequent work on multiple development concepts, together with detailed engineering studies on recovery factors, led to estimated 2C recoverable resources of over 300 million barrels of oil from the two main tested reservoir intervals.

In April 2013, a Competent Persons Report was issued by Netherland Sewell & Associates Inc. confirming the Company's previously published figures on the main basal sandstone reservoir. In conjunction with a previous audit carried out by RPS Energy on the overlying secondary Middle Wealden reservoir, the total upgraded resource base at Barryroe is gross 346 MMBOE REC.

Further incremental resource potential has also been identified in logged hydrocarbon bearing intervals within stacked Lower Wealden and Purbeckian sandstones, which the Company estimates contain total associated P90, P50 & P10 in place oil resources of 456 MMBO, 778 MMBO and 1,165 MMBO, respectively.

In 2016, the Company updated on the resource potential of the Upper C-Sand interval. The latest estimated GIIP within SEL 1/11 & OPL1 option area is now estimated at c. 400 BSCF. During 2017, the Barryroe partners were granted a 2-year extension to the current phase of the Barryroe licence (SEL 1/11) to July 2019 as well as an extension to the term of the 2nd phase to July 2021.

### Farm-out to APEC

In March 2018, the Company announced that it had signed a Farm-out Agreement with APEC Energy Enterprise Limited in relation to SEL 1/11. APEC is a privately owned Chinese company which has a strategic partnership with China Oilfield Services Co., Ltd and JIC Capital Management Ltd for the investment and development of offshore oil and gas opportunities worldwide utilising Chinese drilling units, services and equipment.

Under the terms of the Farm-out Agreement, in consideration for APEC being assigned a 50% working interest in SEL 1/11, the following terms apply:

#### Commercial Terms

APEC will be directly responsible for paying 50% of all the cost obligations associated with the drilling of 3 vertical wells, plus associated side-tracks and well testing (hereinafter referred to as the "Drilling Programme");

APEC will provide a drilling unit and related operational services for the Drilling Programme;

APEC will finance, by way of a non-recourse loan facility (the "Loan"), the remaining 50% of all costs of the Barryroe Partners in respect of the Drilling Programme;

The Loan, drawable against the budget for the Drilling Programme, will incur an annual interest rate of LIBOR +5% and will be repayable from production cashflow from SEL 1/11 with APEC being entitled to 80% of production cashflow from SEL 1/11 until the Loan is repaid in full;

Following repayment of the Loan, APEC will be entitled to 50% of production cashflow from SEL 1/11 with Exola and Lansdowne being entitled to 40% and 10% of production cashflow, respectively.

#### Operational Terms

Exola will act as operator for the Drilling Programme with technical assistance being provided by the APEC Consortium; and,

After the completion of the Drilling Programme, APEC will have the right to become operator for the development/production phase.

#### Closing

The closing of the Farm-out, which is expected to occur in Q3 2018, is conditional on completion of all ancillary legal documentation required to implement the terms of the Farm-out Agreement, and is subject to the approval of the Minister of State at the Department of Communications, Climate Action and Environment and the approval of the Chinese government.



Subject to closing, the revised equity in SEL 1/11 will be Exola (operator, 40%), APEC (50%) & Lansdowne (10%).

### SEL 2/07 - Hook Head Project

The Company currently holds a 72.5% working interest in and is operator of Hook Head which is located c. 60 km off the south coast of Ireland and is situated in c. 70 m water depth. Currently held under SEL 2/07, the area is the subject of a Lease Undertaking application with the Irish government.

#### History

SEL 2/07 was awarded to the Company and its partners in 2007.

Hook Head has had four wells drilled on it, all of which have logged hydrocarbon bearing reservoir intervals. Hook Head has audited recoverable resources of c. 35 MMBO (2C) in the drilled central part of the structure. The Company has made an application for a Lease Undertaking for Hook Head to allow the partners to evaluate innovative methods to commercialise this discovery with third parties.

The current working interests in Hook Head are Providence (72.5%), Atlantic (18.3%), and Sosina (9.2%)

### Lease Undertakings - Helvick & Dunmore Projects

The Company currently holds a 56.25% working interest in and is operator of Helvick which is located c. 40 km off the south coast of Ireland and is situated in c. 75 m water depth. Previously held under SEL 2/07, the area is now held under a Lease Undertaking in conjunction with Dunmore. The working interests in Helvick are Providence (56.25%), Atlantic (16.5%), Lansdowne (9%), Sosina (8.25%) and MFDevCo (10%), with the Company acting as operator.

The Company currently holds a 65.25% working interest in and is operator of Dunmore which is located c. 40 km off the south coast of Ireland and is situated in c. 70 m water depth. Previously held under SEL 2/07, the area is now held under a Lease Undertaking in conjunction with Helvick. The current working interests in Dunmore are Providence (65.25%), Atlantic (16.5%), Sosina (8.25%), and MFDevCo (10%) with the Company acting as operator.

#### History

In November 2013, the Company agreed a phased farm-in in relation to the Helvick and Dunmore discoveries with MFDevCo, formerly known as ABT Oil and Gas, a UK based company who has proprietary technology for the deployment of low cost development solutions for marginal fields. As part of the farm-in, MFDevCo will assist the joint venture partners in the carrying out of a detailed phased work programme. In March 2016, the Minister awarded a separate Lease Undertaking for both the Helvick and Dunmore oil discoveries.

The MFDevCo work programme will determine whether the discoveries can be developed commercially, through the use of MFDevCo's innovative low-cost development technologies. If the joint venture partners determine that the discoveries can be developed commercially, MFDevCo will carry out the necessary work required to prepare and submit, to the Minister, an outline plan of development and an application for a Petroleum Lease in respect of each discovery.

Subject to the award of a Petroleum Lease by the Minister, the next phase of the work programme would then involve the preparation and submission of a formal plan of development to the Minister. Subject to completion of the work programme in full and Ministerial approval of the plan of development, MFDevCo will earn in aggregate a 50% working interest in the Helvick and Dunmore discoveries.

The audited recoverable resource estimate for Helvick is c. 3 MMBO, whilst the joint ventures' latest internal work indicates a STOIP resource estimate for Dunmore of up to c. 17 MMBO.

MFDevCO is continuing its work programme on Helvick and Dunmore and the Company is awaiting details on its Hook Head Lease Application.

# LIST OF ASSETS (CONTINUED)

## Appraisal: Northern Porcupine Basin



### FEL 2/04 – Spanish Point Prospect

The Company currently holds a 58% working interest in FEL 2/04 with Cairn (operator) and Sosina. The licence is located in the Northern Porcupine Basin, c. 170 km off the west coast of Ireland and situated in c. 400 m water depth. The Licence is currently under discussion with the Irish regulatory authorities as to future status.

### History

FEL 2/04 was originally awarded to the Company (80%, operator) and partner Sosina (20%) in 2004.

In 2008, the Company entered into a staged farm-in arrangement with Chrysaor E&P Ireland Limited (CEPIL) in relation to both FEL 2/04 and FEL 4/08, with CEPIL assuming an initial 30% working interest in return for carrying the costs of a 3D seismic programme, which was subsequently acquired in 2009.

In 2011, the partnership moved to the next stage of the licence with a commitment to drill an appraisal well on Spanish Point. Under the CEPIL farm-in agreement, CEPIL's cost exposure was capped for up to two wells (or well and potential side-track).

In May 2013, CEPIL entered into a farm in agreement with Cairn Energy PLC whereby Cairn became operator with the objective to drill an appraisal/exploration well on Spanish Point. As a result, the revised working interests for FEL 2/04 and FEL 4/08 then changed to Cairn (38%), Providence (32%), CEPIL (26%) and Sosina (4%).

In July 2014, the Company announced that the planned Spanish Point appraisal well was delayed to 2015 due to rig refurbishment issues with the selected rig.

In February 2015, the Company acquired 100% of the issued share capital of CEPIL, effective from November 2014, thereby increasing the Company's working interest to 58% in both FEL 2/04 and FEL 4/08 for a nominal consideration of US\$1.

In March 2015, planned drilling activity was again deferred due to changes to the make-up of the joint venture and the consequent delay to the securing of equipment and other necessary requirements.

In 2015/2016, the Company initiated a farm-out process for part of its interests in FEL 2/04 and 4/08. Due to the challenging economic conditions and re-assessed geological interpretation, no farm-out was concluded and the JV Partners were unable to sanction drilling.

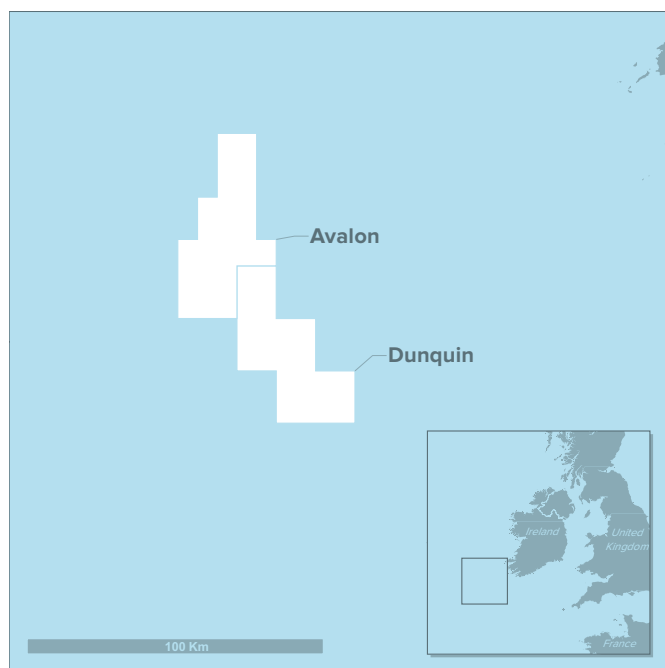
As a result, the partners (led by the operator, Cairn) engaged in discussions with the Irish regulatory authorities as to future status – these discussions are ongoing. Accordingly, due to this uncertainty on licence status, the Directors elected to impair the carrying value of the Spanish Point assets in its 2016 year-end accounts.

### FEL 4/08 – Spanish Point North Prospects

The Company currently holds a 58% working interest in FEL 4/08 with Cairn (operator) and Sosina. FEL 4/08 lies adjacent to and north of FEL 2/04.

Like FEL 2/04, this licence is also currently under discussion with the Irish regulatory authorities as to future status.

## Exploration: Southern Porcupine Basin



### FEL 3/04 – Dunquin South Prospect

The Company currently holds a 26.846% working interest in FEL 3/04 with Eni acting as operator. The equity interests in FEL 3/04 are Eni (36.913%), Repsol (33.557%), Providence (26.846%) and Sosina (2.684%).

The licence lies in the southern Porcupine Basin, c. 200 km off the south-west coast and in c. 1,500 m water depth.

### History

FEL 3/04 was originally awarded to the Company (80%, operator) and partner Sosina (20%) in 2004.

In 2006, the Company agreed a farm-in with ExxonMobil, whereby they assumed an 80% working interest in return for a pre-agreed investment programme. This transaction reduced the Company's working interest to 16% and Sosina's to 4%. In 2006, the partnership acquired c.1,500 line km of 2D seismic reflection profile data over FEL 3/04.

In 2009, Eni farmed into FEL 3/04 for a 40% working interest, resulting in revised working interests of Providence (16%), ExxonMobil (40%), Eni (40%) and Sosina (4%). Separately, ExxonMobil assumed operatorship and moved the partnership to the next phase of the licence by formally making a well commitment.

In 2011, Repsol farmed in for a 25.0% working interest, thereby changing the working interests to ExxonMobil (27.5%), Eni (27.5%), Repsol (25%), Providence (16%) and Sosina (4%). In 2013, Atlantic Petroleum farmed into the licence resulting in final pre-drill working interests of ExxonMobil (25.5%), Eni (27.5%), Repsol (25%), Providence (16%), Atlantic (4%) and Sosina (2%).

Drilling operations on the 44/23-1 Dunquin North exploration well, situated on the northern flank of a c. 700 km<sup>2</sup> intra-basinal ridge system, were completed in July 2013 reaching a final total depth of c. 5,000 m MDBRT. The primary Lower Cretaceous Dunquin North prospect was encountered within the pre-drill depth prognosis and comprised a thick over-pressured carbonate reservoir system. The well was terminated having drilled a total thickness of c. 250 m of massive porous carbonate reservoir. Preliminary well analysis indicated the reservoir to be water bearing, however, petrophysical log interpretation, elevated gas levels, together with oil shows in sidewall cores over the upper section of the reservoir, suggested the presence of a residual oil column.

In 2014, the results of the post well analysis from the Dunquin North exploration well were announced which confirmed that the prospect contained at least a c. 44 m residual oil column in a thick, over-pressured, high porosity carbonate reservoir system that was breached, with pre-breach oil STOIP volumetrics of c. 1.2 BBOE, and with a current estimated residual oil STOIP of c. 600 MMBO.

ExxonMobil, the then operator, also carried out an assessment of the other exploration prospect contained in FEL 3/04, Dunquin South, which identified un-risked hydrocarbons in place of 3.475 BBOE (Pmean), with a recoverable estimate of 1.389 BBOE (Pmean).

In July 2015, the Company announced that it would acquire Atlantic's 4% working interest for a nominal consideration.

In March 2016, the Company announced that Dunquin North post-well technical studies were continuing with a focus on the future potential of the adjacent Dunquin South exploration prospect. Additional stacked potential was also assessed in the underlying c.700 km<sup>2</sup> Dunquin Ridge. A re-analysis of the 44/23-1 Dunquin North well data suggests that the original hydrocarbon column may have been significantly greater than the previously reported 44 m and may have covered the entire 250 m drilled interval. This new interpretation has significant read through implications for the Dunquin South prospect and the underlying Dunquin Ridge.

Following the announcement in August 2016 of ExxonMobil's withdrawal from FEL 3/04, the remaining partners in FEL 3/04 increased their equity interests in the licence through a pro-rata distribution of ExxonMobil's equity interest with Eni assuming the role of operator.

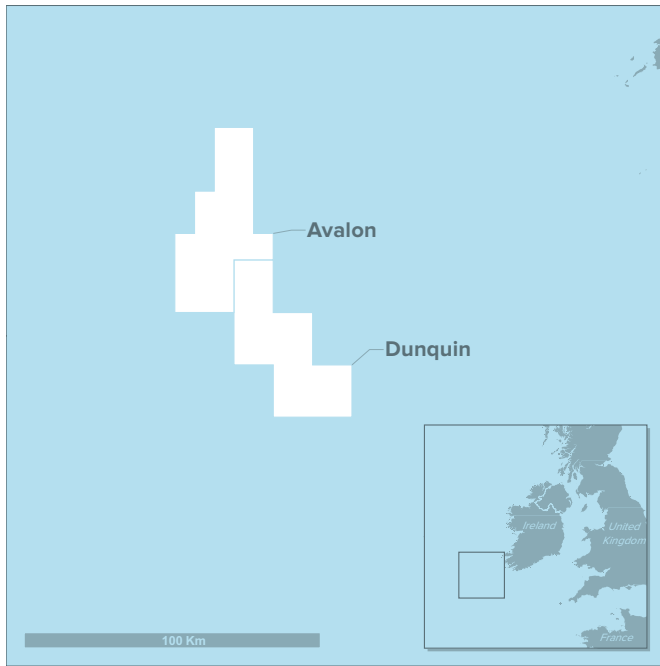
In April 2017, the Company announced that the Dunquin JV partnership had agreed to licence 1,800 km<sup>2</sup> of 3D data over FEL 3/04 to be acquired as part of a multi-client seismic survey during summer 2017. The purpose of this 3D is to distinguish between the breached Dunquin North structure and the undrilled Dunquin South structure.

This data is currently being assessed by the partnership.

# LIST OF ASSETS

## (CONTINUED)

### Exploration: Southern Porcupine Basin



In June 2017, the Company agreed a farm-out with Total. In consideration for Total taking a 50% working interest in LO 16/27, Total agreed to pay:

- Pay its pro-rata share of past gross costs of c. US\$0.175 million
- In addition to its pro-rata share, pay 21.4% of the past and future costs during the 2-year term of LO 16/27, subject to a gross cost cap of US\$1.33 million

Under the terms of the Farm-out Agreement, and subject to Ministerial approval, Total would assume operatorship of LO 16/27 and any subsequent licensing authorisations issued.

In the event that the JV partners agree to convert LO 16/27 into a Frontier Exploration Licence, and a subsequent decision is taken to drill an exploration well, Total will pay 60% of the drilling costs, subject to a gross well cap of US\$42 million.

With ministerial approval being granted for the farm-out to Total, the JV partnership elected to progress the LO 16/27 to Frontier Exploration Licence status and an application has been submitted to the Irish government.

### LO 16/27 – Avalon Prospect

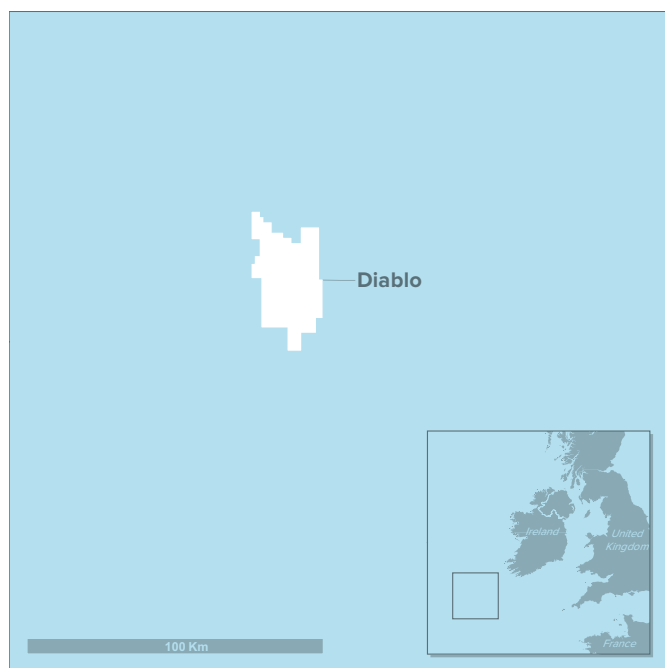
The Company currently holds a 40% working interest in LO 16/27 with Total acting as operator. The working interests in LO 16/27 are Total (50%), Providence (40%) and Sosina (10%). The licence lies in the southern Porcupine Basin, c. 150 km off the west coast and in c. 1,300 m water depth.

### History

In 2016, the Company (80%) and its partner Sosina (20%) were awarded Licensing Option 16/27 over a 1,324 km<sup>2</sup> area. The Licensing Option lies directly adjacent to and north of FEL 3/04 which contains the 600 MMBO Dunquin North residual oil accumulation and the Dunquin South exploration prospect.

During regional interpretation and mapping of vintage 2D seismic reflection data, Providence identified an areally extensive (c. 550 km<sup>2</sup>) north-south orientated Paleocene basin-floor channel and fan system ('Avalon') within the axial part of the Porcupine Basin. The Avalon system, which is located c. 2,500 m BML, is interpreted to be sourced from the north of the basin and shales out in a southerly distal direction. A structural flexure down to the north negates the requirement for sandstone pinch out in the proximal sediment transport direction, greatly improving reservoir sealing potential. The presence of a thick sandstone interval is indicated by compactional drape morphologies which are imaged within parts of the system. The pre-existing Mesozoic structural grain appears to have exerted some control on deposition as evidenced by thickening of the system within pre-existing structural lows. Whilst limited seismic reflection gather data were available during the evaluation phase, the available data suggest the potential for a depth-conformant amplitude versus offset (AVO) anomaly.

## Exploration: Southern Porcupine Basin



### FEL 2/14 – Diablo Prospect

The Company currently holds a 28% working interest in FEL 2/14, with partners Total, (operator), Cairn and Sosina. The licence lies in the southern Porcupine Basin, c. 150 km off the west coast and in c. 1,300 m water depth.

### History

FEL 2/14 was originally awarded to the Company (80%) and partner Sosina (20%) as LO 11/9 in October 2011 as part of the 2011 Irish Atlantic Margin Licensing Round. In April 2014, LO 11/9 was converted into FEL 2/14 with the same working interests.

During the initial pre FEL 2/14 authorisation phase (LO 11/9), the joint venture identified two large vertically stacked Paleocene (“Druid”) and Lower Cretaceous (“Drombeg”) fan systems with notable Class II amplitude versus offset (AVO) anomalies primarily from previously acquired 2D seismic data in 2008. The joint venture subsequently agreed to licence part of a multi-client 3D seismic survey over the area. This 3D survey was acquired by Polarcus in the summer of 2014 and was subsequently processed by ION Geophysical in 2014/15.

The Company entered into an exploration collaboration agreement with Schlumberger in respect of the southern Porcupine and Goban Spur Basins. During 2016, the results of the Collaborative Project confirmed the significant resource potential of Druid and Drombeg and a decision was taken to advance a drilling programme.

Following a capital raise in July 2016, the Company accelerated consenting and operational plans to drill an exploration well on FEL 2/14 in summer 2017. Over this same period, the Company operated a data room process for potential new co-venture partners. This farm-out process resulted in the farm-out of equity in FEL 2/14 to Cairn Energy, whereby Cairn took a 30% interest in FEL 2/14 with Cairn being responsible for 45% of the drilling costs of Druid and Drombeg (up to a cap of US\$42 million gross well cost), after which the parties paid their costs according to their equity share.

The Company subsequently agreed an option deal with Total whereby Total had the right to take a 35% interest in FEL 2/14, exercisable 60 working days after the completion of drilling, by agreeing to pay an option fee to Providence and Sosina of gross US\$27 million.

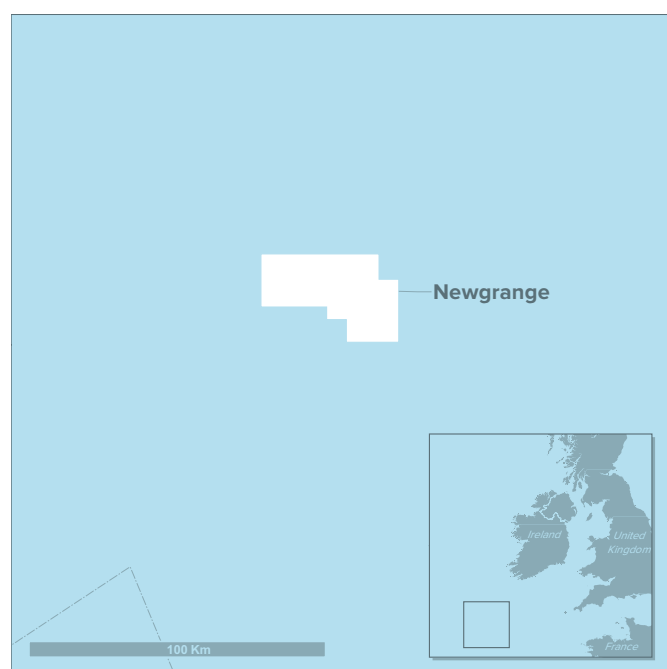
In July 2017, the 53/6-1 exploration well was commenced drilling operations using the Stena IceMAX drill-ship targeting the Paleocene Druid Reservoir interval and the Lower Cretaceous Drombeg Reservoir interval encountered. As announced in July and September, both reservoirs were encountered within the pre-drill depth prognosis, but both reservoirs were water bearing. Accordingly, in accordance with the pre-drill plan, the 53/6-1 exploration well was plugged and abandoned.

In December 2017, Total exercised their option to farm-in for a 35% working interest and the assumption of operatorship, which has now been approved by the Irish regulatory authorities. Currently, post well studies are ongoing and the JV partners will evaluate these data in the context of the underlying Diablo exploration prospect.

# LIST OF ASSETS

## (CONTINUED)

### Exploration: Goban Spur Basin



#### FEL 6/14 – Newgrange Prospect

The Company currently holds an 80% working interest in FEL 6/14, with partner Sosina. The licence lies in the Goban Spur Basin, some 260 km off the south-west coast of Ireland, in c. 1,000 m water depth.

#### History

FEL 6/14 was originally awarded to the Company (80%) and its partner Sosina (20%) in October 2011 as LO 11/11 during the 2011 Irish Atlantic Margin Round. In April 2014, LO 11/11 was converted into FEL 6/14 with the same working interests.

The Newgrange prospect is a similar Lower Cretaceous carbonate play-type to the previously drilled Dunquin North residual oil accumulation located in FEL 3/04.

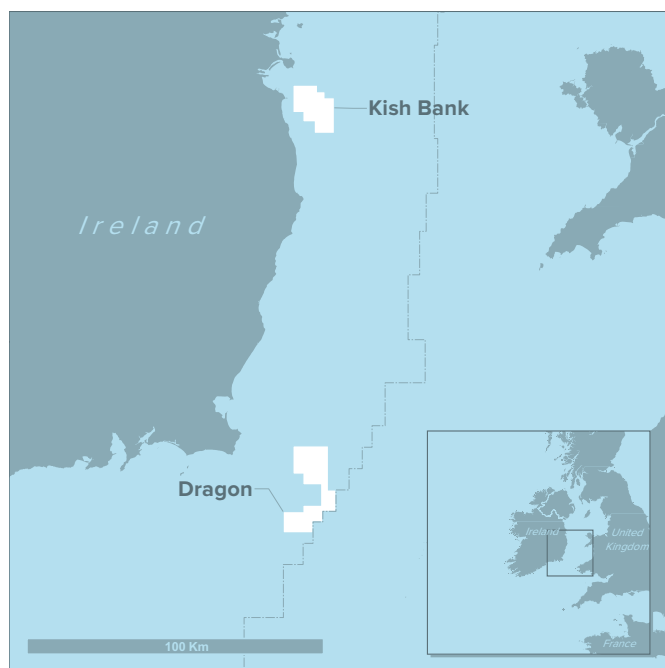
The Newgrange prospect is located in c. 1,000 m water depth. However, it is notable that the crest of the Cretaceous closure is just c. 500 m below the seabed which means that this prospect should be particularly cost-effective to drill. The previously drilled 62/7-1 well, which was located c. 30 km from the Newgrange prospect and was drilled down-structure, encountered hydrocarbon shows in sands of Lower Jurassic age indicating the presence of an active petroleum system.

In 2014, a non-exclusive multi-client 2D seismic survey was acquired over Newgrange and the surrounding area, of which the Company licenced c. 2,500 line km of data. Geopressure analysis from these newly acquired 2D seismic data indicates the likely presence of top-seal at Newgrange. Pre-stack seismic inversion and rock physics analysis showed low acoustic impedance, indicative of good quality reservoir within the Lower Cretaceous section. Mapping of these newly acquired 2D seismic data indicated the pre-rift Base Cretaceous Newgrange structural closure to be much larger than previously thought covering a total area of c. 1,800 km<sup>2</sup> with c. 1,000 km<sup>2</sup> within the Company's licenced area. In 2016, the Irish government awarded multiple Licensing Options in the surrounding southern Porcupine/Goban Spur area – with notable licensees including ExxonMobil, Statoil, Nexen-CNOOC, Woodside & Eni (in conjunction with BP).

In July 2016, the second phase results from the Schlumberger exploration collaboration project were released. The results supported top seal and reservoir presence for the Cretaceous Newgrange target. The estimated gross un-risked Prospective Resource potential for Newgrange is estimated to be c. 13.6 TSCF GIIP or c. 9.2 BBO STOIP. In addition, top seal capacity analysis indicates the potential for a hydrocarbon column of up to c. 350 m.

In 2017, the Company elected to advance the preparations for drilling of Newgrange and accordingly, the Company has applied for consent to carry out an exploration well site survey, with Gardline being awarded the contract to carry out such survey, which is expected to commence in Q3 2018. Additionally, the Company is running a farm-out data room process where there is good industry interest.

## Exploration: Kish Bank, St George’s Channel and South Celtic Sea Basins



### Recent Activity

The status of the licence is currently under review and discussion with the regulatory authorities pending clarity on the Foreshore Act and the ability of the Company to carry out its planned activities.

### SEL 1/07 – Dragon Prospect

SEL 1/07 was awarded to the Company in February 2007 (100%), having previously being held under a Licensing Option authorisation. The licence is situated on the Irish/UK median line in the St George’s Channel. Having relinquished the adjacent UK licence (P 1930) due to limited resource potential, based on newly reprocessed PSDM 3D seismic data, the Company is currently discussing the future status of the Irish licensing authorisation with the Irish regulator.

### SEL 2/11 – Kish Bank Prospect

The Company currently holds an 100% working interest in SEL 2/11, which lies c. 8 km offshore Dublin in c. 25 m water depth.

### History

Licensing Option (LO) 08/2 was originally awarded to the Company (50%) and Star Energy (Petronas, 50%) in 2008, with the Company as operator.

In December 2011, LO 08/2 was converted into SEL 2/11 with the same working interests and an exploration well commitment was made by the JV partners. In January 2012, a Foreshore Licence application was made to carry out temporary seismic and exploration drilling works on the Kish Bank Oil Prospect. This Foreshore Licence was granted to the Company in October 2012.

In February 2013, the Company elected to voluntarily surrender the Foreshore Licence when it became clear that there had been a governmental transposition error in relation to the European EIA Directive. In 2014, this transposition error was finally corrected but further consultation is now ongoing regarding the application of the Foreshore Act.

In January 2016, the Company assumed a 100% working interest in SEL 2/11 and subsequently, the Company has sought a further time extension from the Irish government so that the Company can advance the requisite permitting process for the drilling of an exploration well. The Lower Triassic Sherwood Sandstone Kish Bank Oil Prospect has estimated un-risked recoverable prospective resources of c. 210 MMBO.

# BOARD OF DIRECTORS

## **Pat Plunkett B.A. Non-Executive Chairman**

Pat Plunkett was appointed Non-Executive Chairman of the Company in October 2016. He was previously Non-Executive Chairman of Tullow Oil PLC from 2000 to 2011 during which time Tullow grew from a small cap Oil & Gas PLC to become Africa's leading independent oil company and a constituent of the UK's FTSE100. He is currently Executive Chairman of T5 Oil and Gas Ltd, a private company he founded in 2013 and which is focused on acquiring oil and gas assets in Africa and the Middle East. Pat has over 30 years' experience in the financial services sector. He was a founding partner of the Riada & Co stockbroking and corporate finance businesses and following their acquisition by ABN AMRO NV, he continued to manage these businesses until 1998. He is a former Director of the Irish Stock Exchange.

## **Tony O'Reilly B.A. Chief Executive**

Tony O'Reilly has been Chief Executive of Providence Resources P.l.c. since 2005, having founded the Company in 1997 and he has served as a Director since its incorporation. He has previously worked in mergers and acquisitions at Dillon Read and in corporate finance at Coopers and Lybrand, advising natural resource companies. He served as Chairman of ARCON International Resources P.l.c. (having been Chief Executive from 1996 to 2000) until April 2005 when ARCON merged with Lundin Mining Corporation.

## **Dr. John O'Sullivan Ph.D., CGeol Technical Director**

John is a geology graduate of University College, Cork and holds a Masters in Applied Geophysics from the National University of Ireland, Galway. He also holds a Masters in Technology Management from the Smurfit Graduate School of Business at University College Dublin and a doctorate in Geology from Trinity College Dublin. John is a Chartered Geologist and a Fellow of the Geological Society of London. John has more than 25 years of experience in the oil and gas exploration and production industry having previously worked with both Mobil and Marathon Oil. John is a qualified person as defined in the guidance note for Mining Oil & Gas Companies, March 2006 of the London Stock Exchange.

## **James S.D. McCarthy M.B.A. Non-Executive Director**

James McCarthy was appointed as a Non-Executive Director of the Company in May 2005 and was appointed Chairman of the Board on the retirement of Dr. Brian Hillary on 26 May 2015. He stepped down as Chairman on 1 October 2016. Mr McCarthy holds a Bachelor Degree in Civil Law, an MBA from the University of Pittsburgh and is a qualified solicitor. He is Chief Executive of Nissan Ireland and a Director of Corporate Finance Ireland Limited, Windsor Motors and Rockall Technologies Limited and a number of other companies. Mr McCarthy is a former Director of Arcon International Resources P.l.c

## **Lex Gamble B.A., M.B.A. Non-Executive Director**

Lex Gamble was appointed as a Non-Executive Director of the Company in August, 2005. Mr. Gamble holds a Bachelor of Arts Degree from the University of Washington, and a Master's Degree from Harvard Business School. He is a Director of Cardiac Insights Inc. and a former Director of Harris Private Bank NA, North-western Trust Co., Keystone Capital Corp., General Nutrition Corp. and Ashford Castle. He has been an investment banker for over 35 years serving as a Managing Director of Smith Barney, Morgan Grenfell and Kidder Peabody. He has provided strategic advice to more than 200 U.S. and international companies, including several in the FTSE 100 and Fortune 500.

## **Philip O'Quigley B.Comm., FCA Non-Executive Director**

Philip O'Quigley was Finance Director of Providence Resources from June 2008 until his appointment as Chief Executive Officer of Falcon Oil & Gas in May 2012. Philip continues to serve the Company in his capacity as Non-Executive Director. Philip has over 20 years' experience in finance positions in the oil and gas industry. His career spans a number of London and Dublin listed resources companies. He is the chairperson of the Onshore Petroleum Association of South Africa. Philip is a fellow of the Institute of Chartered Accountants in Ireland and qualified as a Chartered Accountant with Ernst & Young.

## **Dr. Angus McCoss, Ph.D. Non-Executive Director**

Angus McCoss joined the Board as a Non-Executive Director in June 2017. Angus holds a Ph.D. in Structural Geology and is a member of the Advisory Board of the industry-backed Energy and Geoscience Institute of the University of Utah. Angus is the Exploration Director and main Board Director of Tullow Oil PLC, a leading independent oil & gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges. Angus joined Tullow in 2006 following 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. Angus held a number of senior positions at Shell, including Regional Vice President of Exploration for the Americas and General Manager of Exploration in Nigeria.



# DIRECTORS' REPORT

The Directors submit their Annual Report together with the audited financial statements of the Company and its subsidiaries ("Providence" or the "Group") for the year ended 31 December 2017.

## Principal Activities, Business Review and Future Developments

Information with respect to the Group's principal activities and the review of the business and future developments as required by Section 327 of the Companies Act 2014 is contained in the Chairman's Remarks, the CEO – Operations Review and List of Assets on pages 2 to 13.

During the period under review, the principal focus of management has been on the Group's hydrocarbon interests, offshore Ireland.

## Results for the Year and State of Affairs at 31 December 2017

The Consolidated Income Statement for the year ended 31 December 2017 and the Consolidated Statement of Financial Position at that date are set out on pages 24 and 26 respectively. The loss for the year amounted to €20.419 million and net asset at 31 December 2017 were €83.704 million. No dividends or transfers to reserves are recommended by the Directors.

## Important Events since the Year End

On 8 January 2018, the Company announced the appointment of Mirabaud Securities Limited as joint broker to the Company.

On 28 March 2018, Exola DAC ("Exola"), a wholly owned subsidiary of the Company, signed a Farm-out Agreement in relation to SEL 1/11 (Barryroe) with APEC Energy Enterprise Limited ("APEC").

The closing of the Farm-out, which is expected to occur in Q3 2018, is conditional on completion of all ancillary legal documentation required to implement the terms of the Farm-out Agreement, and is subject to the approval of the Minister of State at the Department of Communications, Climate Action and Environment and the approval of the Chinese government.

Under the terms of the Farm-out:

- APEC will take a 50% equity interest;
- APEC will be directly responsible for paying 50% of all the cost obligations associated with the drilling of 3 vertical wells, plus associated side-tracks and well testing (the "Drilling Programme").
- APEC will provide a drilling unit and related operational services for the Drilling Programme;
- APEC will finance, by way of a non-recourse loan facility (the "Loan"), the remaining 50% of all costs of the Barryroe Partners in respect of the Drilling Programme;
- The Loan, drawable against the budget for the Drilling Programme, will incur an annual interest rate of LIBOR +5% and will be repayable from production cashflow from SEL 1/11 with APEC being entitled to 80% of production cashflow from SEL 1/11 until the Loan is repaid in full;
- Following repayment of the loan, APEC will be entitled to 50% of production cashflow from SEL 1/11 with Exola and Lansdowne being entitled to 40% and 10% of production cashflow, respectively;

- Upon completion of the Drilling Programme, APEC will be able to subscribe for warrants over 59.2 million shares in Providence at a strike price of £0.12 per share. The warrants are exercisable for a period of 6 months following the completion of the Drilling Programme.
- Exola will act as operator for the drilling programme with technical assistance being provided by APEC; and
- After completion of the drilling programme, APEC will have the right to become operator for the development/production phase;

On 3 April 2018, the Company announced that Ministerial consent was obtained to the extension of the first phase of FEL 6/14 (Newgrange) to March 2019. Subject to obtaining a regulatory consent for the site survey, the JV Partners plan to conduct a 2D seismic data and well site survey over the crest of the Newgrange prospect in Q3 2018.

## Directors

In June 2017, Dr. Angus McCoss was appointed as a Non-Executive Director.

Mr. Lex Gamble and Mr. Philip O'Quigley both retire from the Board by rotation and being eligible, offer themselves for re-election. Dr. Angus McCoss, having been appointed in June 2017 offers himself for election.

Mr. Tony O'Reilly, Chief Executive, has a service contract, effective from 1 May 2015, with the Company in respect of services outside of the Republic of Ireland through a company beneficially owned by him, Kildare Consulting Limited. The emoluments and fees payable under the above mentioned contract amounted to €606,930 for 2017 (see Note 25 (Related Party Transactions)). The above mentioned contract is of two years duration and is subject to one year's notice period. The contract was renewed on 1 April 2017 for a further duration of 2 years.

Other than the above, there have been no contracts or arrangements during the financial year in which a Director of the Company was materially interested and which was significant in relation to the Company's business.

## Directors' Shareholdings and Other Interests

The interests of the Directors and their spouses and minor children in the share capital of the Company, all of which were beneficially held, were as follows:

Directors	31 December 2016	31 December 2017 Or date of appointment if later	9 May 2018
Pat Plunkett	1,000,000	1,000,000	1,000,000
Tony O'Reilly	500,011	500,011	500,011
Dr. John O'Sullivan	226,154	226,154	226,154
Lex Gamble	400,000	400,000	400,000
Philip O'Quigley	167,531	167,531	167,531
James McCarthy	203,300	203,300	203,300
Angus McCoss	0	0	0
<b>Company Secretary</b>			
Criona Ryan	0	0	0

# DIRECTORS' REPORT

## (CONTINUED)

Details of outstanding options are as follows (correct as of May 9, 2018):

Directors	At 31 December 2016	At 31 December 2017	Price (Euro)	Expiry Date
Pat Plunkett	0	1,750,000	0.17	June 2024
Tony O'Reilly	12,000,000	12,000,000	0.45	August 2019
Dr. John O'Sullivan	9,000,000	9,000,000	0.45	August 2019
James SD McCarthy	400,000	400,000	0.45	August 2019
	0	400,000	0.17	June 2024
Lex Gamble	400,000	400,000	0.45	August 2019
	0	400,000	0.17	June 2024
Phillip O'Quigley	400,000	400,000	0.45	August 2019
	0	400,000	0.17	June 2024
Angus McCoss	0	800,000	0.17	June 2024
<b>Secretary</b>				
Críona Ryan	15,000	15,000	6.13	July 2019
	275,000	275,000	0.142	August 2023

Based on the closing share price on 31 December 2017, no options over shares were capable of being exercised, as the share price was below the exercise price. The closing market price of the ordinary shares at 31 December 2017 was €0.0950 and the range during the financial year was €0.0543 to €0.2300.

### Special Business

1) That, the Directors be and they are hereby empowered pursuant to Section 1022 and Section 1023(3) of the Companies Act 2014 to allot equity securities (within the meaning of Section 1023 of the Companies Act 2014) for cash as if the said Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power being limited to:

(a) the allotment of equity securities in connection with or pursuant to any offer of equity securities open for a period fixed by the Directors, by way of rights issue, open offer or otherwise (an "Offering") to the holders of ordinary shares and/or any other persons entitled to participate therein (including without limitation any holders of options under the Company's share option scheme(s) for the time being) in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the number of ordinary shares which such other persons are for the purposes of such Offering deemed to hold) on a record date fixed by the Directors (whether before or after the date of this meeting) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements or otherwise howsoever;

(b) pursuant to the terms of any scheme for Directors and/or employees etc. of the Company and/or its subsidiaries; and

(c) otherwise than pursuant to sub-paragraphs (a) and (b) above, having in the case of the relevant shares (as defined by the said Section 1023 the allotment of equity securities up to a nominal aggregate amount equal to €5,976,589 (representing approximately 10% of the issued share capital of the Company as at the close of business on 8 May 2018),

provided in each case the power shall, unless revoked or renewed by special resolution or the Constitution of the Company, expire on the earlier of fifteen months from the date of passing this Resolution and the conclusion of the next annual general meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or issued after such expiry and the Directors may allot equity securities (as defined by the said Section 1023) in pursuance of such offer or agreement as if the power conferred hereby had not expired.

The Directors are of the opinion that the above proposals are in the best interest of shareholders and unanimously recommend to you to vote in favour of all resolutions as they intend to do in respect of their own beneficial holdings.

### Compliance Policy Statement of Providence Resources P.I.c.

The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section ('relevant obligations'). The Directors confirm that:

– a compliance policy statement has been drawn up setting out the Company's policies that in their opinion are appropriate with regard to such compliance;

- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- a review has been conducted, during the financial year, of those arrangements and structure.

It is also the policy of the Company to review at least twice during the course of each financial year of the Company the arrangements and structures referred to above which have been implemented with a view to determining if they provide a reasonable assurance of compliance in all material respects with Relevant Obligations.

### Statement of Directors' Responsibilities in respect of the Annual 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 Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and the Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS101'), issued by the Financial Reporting Council in the UK and promulgated by the Institute of Chartered Accountants in Ireland.

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 as regards the Company, comply with FRS101 together with the requirements of the Companies Act 2014; 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 assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of 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 the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of 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.

### Going Concern

The Directors have considered carefully the financial position of the Group and, in that context, have prepared and reviewed cash flow forecasts for the period to 31 May 2019. As set out further in the Chairman's Remarks and the Chief Executive's Operations Review, the Group has sufficient funds to cover the levels of capital expenditure in 2018 and 2019, consistent with its strategy as an exploration company. In this regard, the Directors have considered both current and future expenditure commitments and also the options available to fund such commitments, including further farm-out arrangements, disposal of assets, and both equity and debt funding alternatives. Having regard to current levels of funding in place, the recently announced farm-out of Barryroe which reduces the Group's cost exposure, and the other options available, the Directors are satisfied that the Group will be in a position to fund the capital expenditure programme as well as other planned exploration and operating activities. The Directors have considered the proposals put forward in the Climate Emergency Measures Bill 2018 and have noted that this will be considered further at committee level, though no set timetable has been confirmed. Whilst this is subject to further deliberation, the Board have considered the matter while preparing the cashflows and the potential impact that this might have on the business. The Directors concluded, taken all information that is currently available, that the Group has sufficient funds available over the next 12 months while the Bill is being further deliberated. On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### Corporate Governance

The Company is committed to high standards of corporate governance. Although the Company, as an ESM and AIM quoted Company, is not required to comply with the UK Corporate Governance Code, the Directors support high standards of corporate governance and, in so far as is practical given the Company's size, have implemented the following corporate governance provisions for the year ended 31 December 2017.

### The Board

The Board is made up of two Executive and five Non-Executive Directors. Biographies of each of the Directors are set out on page 14.

All the Directors bring independent judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experience in the industry. The Board agrees a schedule of regular meetings to be held in each calendar year and also meets on other occasions as necessary. Meetings are held at the head office in Dublin. Board meetings were held on 16 occasions during 2017. An agenda and supporting documentation was circulated in advance of each meeting.

There is an agreed list of matters which the Board has formally reserved to itself for decision, such as approval of the Group's commercial strategy, trading and capital budgets, financial statements, Board membership, acquisitions and disposals, major capital expenditure, risk management and treasury policies.

# DIRECTORS' REPORT

## (CONTINUED)

Responsibility for certain matters is delegated to Board Committees.

There is an agreed procedure for Directors to take independent legal advice. The Company Secretary is responsible for ensuring that Board procedures are followed, and all Directors have direct access to the Company Secretary.

All Directors receive regular Group management financial statements and reports and full Board papers are sent to each Director in sufficient time before Board meetings, and any further supporting papers and information are readily available to all Directors on request. The Board papers include the minutes of all committees of the Board which have been held since the previous Board meeting, and, the chairman of each committee is available to give a report on the committee's proceedings at Board meetings if appropriate.

The Board has a process whereby each year every Director will meet the Chairman to review the conduct of Board meetings and the general corporate governance of the Group. The role of the Chairman (Mr. Pat Plunkett) is Non-Executive. The Non-Executive Directors are independent of management and have no material interest or other relationship with the Group.

Each year, one third of the Directors retire from the Board by rotation and every Director is subject to this rule. Effectively, therefore, each Director will retire by rotation within each three-year period.

### Board Committees

The Board has implemented an effective committee structure to assist in the discharge of its responsibilities. The committees and their members are listed inside the back cover of this Report. All committees of the Board have written terms of reference dealing with their authority and duties. Membership of the Audit, Remuneration and Nomination Committees is comprised exclusively of Non- Executive Directors. The Company Secretary acts as secretary to each of these committees.

### Audit Committee

The Audit Committee reviews the accounting principles, policies and practices adopted in the preparation of the interim and annual financial statements and discusses with the Group's Auditors the results and scope of the audit. It also reviews the scope and performance of the Group's internal finance function and the effectiveness and independence of the external Auditors. The external Auditors are invited to attend the Audit Committee meetings, and the Chief Financial Officer also attends. The external auditors have the opportunity to meet with the members of the Audit Committee alone at least once a year. The Audit Committee comprises three Non-Executive Directors and is chaired by Mr. Lex Gamble. The partner responsible for the external Audit is changed every 5 years to ensure audit independence.

### Remuneration Committee

The Remuneration Committee comprises four Non-Executive Directors and is chaired by Mr. Philip O'Quigley. Emoluments of Executive Directors and senior management are determined by the Remuneration Committee. In the course of each financial year the Remuneration Committee determines basic salaries as well as the parameters for any possible bonus payments.

The Remuneration Committee applies the same philosophy in determining Executive Directors' remuneration as is applied in respect of all employees. The underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. The Remuneration Committee is mindful of the need to ensure that, in a competitive environment, the Group can attract, retain and motivate executives who can perform to the highest levels of expectation. Annual bonuses, if any, are determined by the Remuneration Committee on the basis of objective assessments based on the Group's performance during the year in terms of key financial indicators, as well as a qualitative assessment of the individual's performance.

Details of Directors' remuneration for the current period are set out in Note 8 on page 37 in the financial statements.

### Nomination Committee

The Nomination Committee comprises four Non-Executive Directors. The Nomination Committee, which is chaired by Mr. James McCarthy, formally agrees criteria for new Non-Executive Director appointments, including experience of the industry in which the Group operates and professional background.

### Share Option Scheme

Share option schemes were introduced in August 1997 (expired August 2007), May 2005 (expired October 2015) and June 2009 from which new share options may be offered to employees, Directors and consultants. Options are recommended at a level to attract retain and motivate participants in the competitive environment in which the Group operates. There have been no changes in this policy since the adoption of the first scheme in August 1997. The 1997 and 2005 Scheme have both now expired and no new options may be granted from these schemes. The Remuneration Committee reviews and assesses proposals to grant share options to participants under the 2009 share option scheme. Participation is at the discretion of Directors for eligible participants.

Under the 2009 Scheme, which is a ten year scheme, the exercise period for any options granted is seven years. The 2009 Scheme provides for the award of options over ordinary shares up to a maximum of 5% of the issued share capital of the Company.

The 2009 Scheme set out certain share growth performance criteria with the base price against which such criteria is assessed being established from the closing market price of the ordinary shares on the date preceding the date of grant. The 2009 Scheme operates as an equity-settled share option scheme and options can be granted subject to the following conditions (which can be varied at the Company's sole discretion):

- (i) 50% of the total number of options granted are exercisable after one year from the date of grant, provided that the market price of the ordinary shares has increased by a minimum of 25% and that such an increase is maintained over a period of three months prior to the exercise of any option;
- (ii) The remaining 50% of the total number of option granted are exercisable after a further year has elapsed, provided that the market price of the ordinary shares has increased by a minimum of 50% and that such an increase is maintained over a period of three months prior to the exercise of any option.

In 2017, the Company granted 3.75 million options over 3.75 million ordinary shares of €0.10 each in the Company, with effect from 8 June 2017, with a strike price set at €0.17 per ordinary share.

### 2016 LTIP Scheme

In 2016, the Director implemented a long term incentive plan (the “2016 LTIP Scheme”) for Directors following alterations to certain provisions of the 2009 Share Option Scheme (the “2009 Scheme”). The alterations provide for a fixed exercise price significantly above the then market price and a reduction to the period of time during which options can be exercised. The applicable alterations were as follows:

- (i) 50% of the total number of options granted are exercisable after one year from the date of grant provided that the market price of the ordinary shares exceeds a price of €0.45 per ordinary share;
- (ii) The remaining 50% of the total number of options granted are exercisable after a further year has elapsed, provided that the market price of the Ordinary Shares exceeds a price of €0.45 per Ordinary Share.

No options shall be exercisable more than three years after the grant date and all options which have not been exercised by that date shall lapse.

In addition, the 2016 LTIP Scheme details the manner in which options are exercisable by “Good Leavers” and “Bad Leavers”.

If a Participant ceases to hold office or employment by virtue of which he is eligible to participate in the Scheme due to:

- (a) resignation (other than due to terminal illness or total permanent incapacitation);
- (b) dismissal for cause or poor performance; or
- (c) any other circumstances (other than due to genuine redundancy or death) determined by the Board to constitute a Bad Leaver,

then, the Board may in its absolute discretion decide whether any option or any portion thereof, shall be exercisable (subject to the conditions applicable thereto) on or after such cessation provided however that no option shall be exercisable or exercised later than the expiration of the earlier of the following periods which ever shall first occur:-

- (i) the third anniversary of the grant of that option; or
- (ii) one month after such cessation of employment.

If a Participant ceases to hold office or employment by virtue of which he is eligible to participate in the Scheme due to genuine redundancy or otherwise for reasons other than as a Bad Leaver, then in such case an option held by such Participant may, subject to the conditions applicable thereto, be exercisable to the earliest of:

- (i) the third anniversary of the grant of that option; or
- (ii) the expiry of twelve months from the date of death of the Participant, and shall lapse on the expiry of such period.

The total number of options granted under 2016 LTIP Scheme to date is 22.6 million.

For the avoidance of doubt, the above alterations made to the 2009 Scheme only relate to options being granted under the 2016 LTIP Scheme. All other options granted or capable of being granted are subject to the original provisions of the 2009 Scheme.

### Shareholders

There is regular dialogue with institutional shareholders and presentations are made at the time of the release of the annual and interim results. The Company encourages communication with private shareholders throughout the year and welcomes their participation at general meetings. The Company’s website is [www.providenceresources.com](http://www.providenceresources.com). This website is regularly updated. All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and Accounts. The chairmen of the Board’s committees will also be available at the Annual General Meeting. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views. Notice of the Annual General Meeting together with the Annual Report and accounts is sent to shareholders in accordance with the Constitution of the Company and details of the proxy votes for and against each resolution are announced after the result of the hand vote.

### Internal Control

The Directors have overall responsibility for the Group’s system of internal control to safeguard shareholders’ investments and the Group assets and have delegated responsibility for the implementation of this system to executive management. This system includes financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group’s accounting records. Following the publication of the Turnbull Report, the Board established a process of compliance which involved an expansion of the Board’s responsibility to maintain, review and report on all internal controls, including financial, operational and compliance risk management. Among the processes applied in reviewing the effectiveness of the system of internal controls are the following: Budgets are prepared for approval by executive management and inclusion in a Group budget approved by the Board. Expenditure and income are regularly compared to previously approved budgets. The Board establishes treasury and commodity risk policies as appropriate, for implementation by executive management. 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 or by the Board of subsidiary companies.

Regular management meetings take place to review financial and operational activities. Cash flow forecasting is performed on an ongoing basis to ensure efficient use of cash resources. Regular financial results are submitted to and reviewed by the Board of Directors.

The Directors, through the Audit Committee, review the effectiveness of the Group’s system of internal financial control.

A review of the effectiveness of the system of internal control is carried out annually, through the annual audit process. The Board

# DIRECTORS' REPORT

## (CONTINUED)

has considered the requirement for an internal audit function. Based on the scale of the Group's operations and close involvement of the Board, the Directors have concluded that an internal audit function is not currently required.

### Risk Management

#### Currency Risk Management

The Board reviews its annual Euro, Sterling and US dollar requirements by reference to bank forecasts and prevailing exchange rates and management is authorised to achieve best available rates in respect of each forecast currency requirements.

#### General Industry Risk

The Group's business may be affected by the general risks associated with all companies in the oil and gas industry. These risks (the list of which is not exhaustive) include: general economic activity, the world oil and gas prices, the marketability of the hydrocarbons produced, action taken by other oil-producing nations and the extent of governmental regulation and taxation.

All drilling to establish productive hydrocarbon reserves is inherently speculative and, therefore, a considerable amount of professional judgement is involved in the selection of any prospect for drilling. In addition, even when drilling successfully encounters oil and gas and a well is completed as a producing oil or gas well, unforeseeable operating problems or climatic conditions may arise which render it uneconomical to produce such oil and natural gas.

Estimates of potential reserves include a substantial proportion which are undeveloped. These reserves require further capital expenditure in order to bring them into production. No guarantee can be given as to the success of drilling programmes in which the Group has interests. The Group can operate in different political jurisdictions where there could be risks pertaining to local regulations, war or nationalisation of reserves.

#### Substantial Shareholdings

So far as the Board is aware, no person or company, other than those mentioned below, held 3% or more of the ordinary share capital of the Company at May 9, 2018.

M&G Investment Management Limited	14.67%
Pageant Holdings Limited	11.04%
Merseyside Pension Fund	7.20%
The Capital Group Companies, Inc.	5.90%
Kite Lake Capital Management (UK) LLC	5.05%
Goldman Sachs International	5.05%
Marlborough Fund Managers Limited	4.86%
BlackRock Inc.	3.51%
Janus Henderson Group PLC	3.98%

### Political Donations

There were no political donations during the year (2017 Nil).

### 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.

### Relevant audit information

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware.

These books and accounting records are maintained at the Company's business address, Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland.

### Auditors

KPMG have indicated their willingness to continue in office in accordance with Section 383 (2) of the Companies Act 2014. Shareholders will be asked to authorise the Directors to fix their remuneration.

On behalf of the Directors

**Pat Plunkett**  
Chairman

9 May 2018

**Tony O'Reilly**  
Chief Executive

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE RESOURCES P.L.C.

## 1 Opinion: our opinion is unmodified

We have audited the financial statements of Providence Resources P.l.c. ("the Group") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including the accounting policies in note 1. 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 (EU) and, as regards the Company financial statements, as applied in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101") and the provisions of the Companies Act 2014.

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 2017 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 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with FRS 101 issued by the UK's Financial Reporting Authority as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities are further described in the *Auditor's Responsibilities* section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

### Carrying value of Exploration and Evaluation ('E&E') assets

Refer to pages 29 to 33 (accounting policy) and page 39 (financial disclosures)

#### The key audit matter

The carrying value of E&E assets as at 31 December 2017 is €74.831 million.

The assessment of the carrying value of E&E assets requires management to exercise judgement and this judgement requires consideration of a number of factors, including but not limited to, an interpretation and assessment of the results of drilling and other appraisal activities during the year, the group's intention to proceed with a future work programme for a prospect or licence, and an assessment of the likely economic opportunity.

#### How the matter was addressed in our audit

We evaluated management's assessment of E&E assets with reference to the criteria of IFRS 6: Exploration for and Evaluation of Mineral Resources and the Group's accounting policy.

The audit procedures we performed included, but were not limited to, obtaining an understanding of the Group's ongoing E&E activity by interviewing executive and finance staff covering all key licences, and gathering audit evidence to assess the value of E&E assets carried forward. Such evidence included approved project budgets, confirmations of ongoing appraisal activity and communications with joint venture partners.

Where an asset has demonstrated indicators of impairment but has been retained on the balance sheet, we have gathered evidence to assess the status of current and future appraisal activity, allocation of budget and any conclusion on commerciality.

Where an asset has been impaired we have reviewed evidence of the impairment and we have challenged management on the events that led to the impairment.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## How the matter was addressed in our audit (continued)

Based on evidence obtained we found that the judgements exercised, and conclusions reached, by management are appropriate.

## Going concern assumption

Refer to page 29 (accounting policy)

## The key audit matter

The Group is dependent upon its cash resources and ability to generate additional funds through further farm-out arrangements, disposal of assets, and both equity and debt funding alternatives in order to fund current and future expenditure commitments.

## How the matter was addressed in our audit

Our audit work has focused on evaluating and challenging the reasonableness of the assumptions included in management's cash flow forecasts.

Our procedures included verifying the consistency of key inputs relating to future costs to other financial and operational information obtained during our audit and performing sensitivity analysis on management's cash flow forecasts.

Management has concluded that the going concern basis remains appropriate for a period of 12 months from the date of approval of the 2017 Annual Report.

Based on evidence obtained, we found that the going concern assumption remains appropriate.

## 3 Our application of materiality and an overview of the scope of our audit

The Group materiality that we used in the current year was €490k which is 0.5% of total Group assets. The Company materiality that we used in the current year was €441k which is 0.4% of total Company assets.

Our audit scope included a full audit of all components which account for 100 per cent of the Group's total loss before tax and net assets.

Our audit of the Group and the Company was undertaken to the materiality levels specified above and was performed by a single engagement team in Dublin.

## 4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## 5 We have nothing to report on the other information in the annual report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the Directors' report;
- in our opinion, the information given in the Directors' Report is consistent with the financial statements;
- in our opinion, the Directors' Report has been prepared in accordance with the Companies Act 2014.

## 6 Our opinions on other matters prescribed the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose 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 Company's statement of financial position is in agreement with the accounting records.



## 7 We have nothing to report on other matters on which we are required to report by exception

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.

## 8 Respective responsibilities

### *Directors' responsibilities*

As explained more fully in their statement set out on pages 15 to 20, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at

[https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf)

## 9 The purpose of our audit work and to whom we owe our responsibilities

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 our report, or for the opinions we have formed.

### **Conall O'Halloran**

for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm

1 Stokes Place

St. Stephen's Green

Dublin 2

D02 DE03

9 May 2018

# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 €'000	2016 €'000
<b>Continuing operations</b>			
Administration and legal expenses	3	(6,491)	(3,688)
Pre-licence expenditure		(268)	(61)
Impairment of exploration and evaluation assets	11	(14,643)	(15,095)
<b>Operating loss</b>	2,9	<b>(21,402)</b>	(18,844)
Finance income	4	1,116	39
Finance expense	5	(133)	(1,741)
<b>Loss before income tax</b>		<b>(20,419)</b>	(20,546)
Income tax expense	6	—	—
<b>Loss for the financial year</b>		<b>(20,419)</b>	(20,546)
<b>Loss per share (cent) – total</b>			
Basic and diluted loss per share	10	(3.42)	(5.80)

The total loss for the year is entirely attributable to equity holders of the Company.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 €'000	2016 €'000
Loss for the financial year		(20,419)	(20,546)
<i>OCI items that may be reclassified into profit or loss:</i>			
Foreign exchange translation differences	5	(7,626)	1,994
<b>Total (expense)/income recognised in other comprehensive income from continuing operations</b>		<b>(7,626)</b>	<b>1,994</b>
<b>Total comprehensive expense for the year</b>		<b>(28,045)</b>	<b>(18,552)</b>

The total comprehensive expense for the year is entirely attributable to equity holders of the Company.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2017

	Note	2017 €'000	2016 €'000
<b>Assets</b>			
Exploration and evaluation assets	11	74,831	89,276
Property, plant and equipment	12	62	102
Intangible assets	13	88	192
<b>Total non-current assets</b>		<b>74,981</b>	<b>89,570</b>
Trade and other receivables	14	7,660	255
Cash and cash equivalents	15	19,603	31,403
<b>Total current assets</b>		<b>27,263</b>	<b>31,658</b>
<b>Total assets</b>		<b>102,244</b>	<b>121,228</b>
<b>Equity</b>			
Share capital	16	71,452	71,452
Capital conversion reserve fund		623	623
Share premium	16	247,918	247,918
Foreign currency translation reserve		6,189	13,815
Share based payment reserve		1,502	1,398
Retained deficit		(243,980)	(223,888)
<b>Total equity attributable to equity holders of the company</b>		<b>83,704</b>	<b>111,318</b>
<b>Liabilities</b>			
Decommissioning provision	19	6,956	7,783
<b>Total non-current liabilities</b>		<b>6,956</b>	<b>7,783</b>
Loans and borrowings	18	—	—
Trade and other payables	21	11,584	2,127
<b>Total current liabilities</b>		<b>11,584</b>	<b>2,127</b>
<b>Total liabilities</b>		<b>18,540</b>	<b>9,910</b>
<b>Total equity and liabilities</b>		<b>102,244</b>	<b>121,228</b>

On behalf of the Board

**Pat Plunkett**  
Chairman

**Tony O'Reilly**  
Chief Executive

9 May 2018

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
<b>At 1 January 2017</b>	71,452	623	247,918	13,815	1,398	(223,888)	111,318
<i>Total comprehensive income</i>							
Loss for financial year	—	—	—	—	—	(20,419)	(20,419)
Currency translation	—	—	—	(7,626)	—	—	(7,626)
Total comprehensive income	—	—	—	(7,626)	—	(20,419)	(28,045)
<i>Transactions with owners, recorded directly in equity</i>							
Share based payments	—	—	—	—	431	—	431
Share options lapsed in year	—	—	—	—	(327)	327	—
<b>At 31 December 2017</b>	71,452	623	247,918	6,189	1,502	(243,980)	83,704
<i>Total comprehensive income</i>							
Loss for financial year	—	—	—	—	—	(20,546)	(20,546)
Currency translation	—	—	—	1,994	—	—	1,994
Total comprehensive income	—	—	—	1,994	—	(20,546)	(18,552)
<i>Transactions with owners, recorded directly in equity</i>							
Share based payments	—	—	—	—	142	—	142
Share options cancelled in year	—	—	—	—	(1,493)	1,493	—
Share options lapsed in year	—	—	—	—	(837)	837	—
Shares issued in year (note 16)	45,758	—	20,920	—	—	(5,892)	60,786
<b>At 31 December 2016</b>	71,452	623	247,918	13,815	1,398	(223,888)	111,318

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 €'000	2016 €'000
<b>Cash flows from operating activities</b>		
Loss after tax for the year	(20,419)	(20,546)
<i>Adjustments for:</i>		
Depletion and depreciation	67	66
Amortisation of intangible assets	104	104
Impairment of exploration and evaluation assets	14,643	15,095
Finance income	(1,116)	(39)
Finance expense	133	1,741
Equity settled share payment charge	431	142
Foreign exchange	2,814	1,113
Change in trade and other receivables	(7,405)	1,919
Change in trade and other payables	9,457	(10,585)
Interest paid	—	(1,266)
<b>Net cash outflow from operating activities</b>	<b>(1,291)</b>	<b>(12,256)</b>
<i>Cash flows from investing activities:</i>		
Interest received	156	39
Acquisition of exploration and evaluation assets	(8,015)	(3,982)
Acquisition of property, plant and equipment	(27)	—
<b>Net cash used in investing activities</b>	<b>(7,886)</b>	<b>(3,943)</b>
<i>Cash flows from financing activities:</i>		
Proceeds from issue of share capital	—	61,202
Share issue costs	—	(416)
Repayment of loans and borrowings	—	(19,633)
<b>Net cash from financing activities</b>	<b>—</b>	<b>41,153</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,177)</b>	<b>24,954</b>
<b>Cash and cash equivalents at 1 January</b>	<b>31,403</b>	<b>6,518</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(2,623)	(69)
<b>Cash and cash equivalents at 31 December</b>	<b>19,603</b>	<b>31,403</b>

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Accounting policies

### Reporting entity

Providence Resources P.I.c. (the “Company”) is a company domiciled in Ireland. The consolidated financial statements of the Company for the year ended 31 December 2017 are comprised of the financial statements of the Company and its subsidiaries, together referred to as the “Group”.

### Basis of preparation

The consolidated financial statements are presented in euro, rounded to the nearest thousand (€'000) except where otherwise indicated. The euro is the functional currency of the parent company. The consolidated financial statements are prepared under the historical cost basis except for share options which are measured at grant date fair value, and derivative financial instruments which are measured at fair value at each reporting date.

The preparation of financial statements requires management to use judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Details of critical judgements are disclosed in the accounting policies.

Under the provisions of Section 304 of the Companies Act 2014, the parent company is not presenting a separate profit and loss account. A loss of €31,147,000 (2016: €15,929,000) for the financial year ended 31 December 2017 has been dealt with in the separate profit and loss account of the Company.

The financial statements were authorised for issue by the board of directors on May 9, 2018.

### Going concern

The Directors have considered carefully the financial position of the Group and, in that context, have prepared and reviewed cash flow forecasts for the period to 31 May 2019.

As set out further in the Chairman's Remarks and the Chief Executive's Operations Review the Group has sufficient funds to cover the levels of capital expenditure in 2018 and 2019, consistent with its strategy as an exploration company.

In this regard, the Directors have considered both current and future expenditure commitments and also the options available to fund such commitments, including further farm-out arrangements, disposal of assets, and both equity and debt funding alternatives. Having regard to current levels of funding in place, the recently announced farm-out of Barryroe which reduces the Group's cost exposure, and the other options available, the Directors are satisfied that the Group will be in a position to fund the capital expenditure programme as well as other planned exploration and operating activities. The Directors have considered the proposals put forward in the Climate Emergency Measures Bill 2018 and have noted that this will be considered further at committee level, though no set timetable has been confirmed. Whilst this is subject to further deliberation, the Board have considered the matter while preparing the cashflows and the potential impact that this might have on the business. The Directors concluded, taking all information that is currently available, that the Group has sufficient funds available over the next 12 months while the Bill is being further deliberated. On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRS).

### Recent accounting pronouncements

The following are amendments to existing standards and interpretations that are effective for the Group's financial year from 1 January 2017:

- Annual Improvements to IFRSs 2012-2014 cycle
- IFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*
- IFRS 14: *Regulatory Deferral Accounts*
- IAS 16 & IAS 38: *Acceptable Methods of Depreciation/Amortisation*
- IAS 16: *Property, Plant and Equipment* and IAS 41: *Bearer Plants*
- IAS 27: *Equity method in Separate Financial Statements*
- IAS 1: *Disclosure Initiative*
- IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the consolidation exception.*

The adoption of the above and interpretations and amendments did not have a significant impact on the Group's consolidated financial statements.

### New IFRSs and amendments

- Annual Improvements to IFRSs 2014-2017 cycle\*
- IFRS 15, *Revenue from Contracts with Customers* (effective for the Group's 2018 consolidated financial statements)
- IFRS 9, *Financial Instruments* (effective for the Group's 2018 consolidated financial statements)
- IFRS 16 *Leases* (effective for the Group's 2019 consolidated financial statements)\*
- IFRS 2: *Classification and Measurement of Share Based Payments*\*
- IAS 7: *Disclosure Initiative*\*
- IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses.*\*

\* Not yet EU Endorsed

The Directors do not believe that any of the above standards will have a significant impact on Group reporting.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1 Accounting policies (continued)

### Basis of consolidation

The consolidated financial statements include the financial statements of Providence Resources P.l.c. and its subsidiaries.

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to or has the right to variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### Judgements and estimates

#### Jointly controlled operations

Jointly controlled operations are those activities over which the Group exercises joint control with other participants, established by contractual agreement. The Group recognises, in respect of its interests in joint operations, the assets that it controls, the liabilities that it incurs, the expenses that it incurs and the share of the income that it earns from the sale of goods or services by the joint operation.

Preparation of financial statements pursuant to EU IFRS requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses recognised both within the income statement and the statement of comprehensive income together with the valuation of the assets and liabilities in the statement of financial position. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation. It should be noted that the impact of valuation in some assumptions and estimates can have a material impact on the reported results. The following are key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies.

#### Exploration and evaluation assets

The carrying value of exploration and evaluation assets was €74.8 million (2016: €89.3 million) at 31 December 2017. The Directors carried out a review, in accordance with IFRS 6 Exploration for and Evaluation of Mineral Interests, of the carrying value of these assets and are satisfied that these are recoverable, acknowledging however that their recoverability is dependent on future successful exploration efforts.

#### Decommissioning

The decommissioning provision amounts to €7.0 million (2016: €7.8 million) and represents management's best estimate of the costs involved in decommissioning the various exploration licence areas to return them to their original condition. These estimates include certain management assumptions with regard to future costs, inflation rates and discount rates.

#### Going concern

Refer to page 29 for further details

### Employee benefits

#### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

#### (ii) Share based payment transactions

The Company's "2005 Scheme", "2009 Scheme" and "2016 Scheme" are equity-settled share based payment arrangements with non-market performance conditions which fall within the scope of and are accounted for under the provisions of IFRS 2 – *Share Based Payment*. Accordingly, the grant date fair value of the options granted under these schemes is recognised as a personnel expense with a corresponding increase in the "Share based payment reserve", within equity, over the vesting period. The fair value of these options is measured using an appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.



## 1 Accounting policies (continued)

### Finance income and expenses

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

Finance expenses comprise interest or finance expense on borrowings, unwinding of any discount on provisions, and foreign exchange movements in the retranslation of non-euro denominated liabilities. Borrowing costs are recognised in profit or loss using the effective interest method.

### Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. 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 gains or losses are generally recognised in the income statement. Gains and losses arising on loans are classified as part of finance costs.

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 that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments, which are not deemed to be impaired, or a financial liability designated as a hedge of the net investment in a foreign operation (see (ii) below).

#### (ii) Foreign operations

The assets and liabilities of foreign operations are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences associated with the retranslation of foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of the relevant amount in the FCTR is transferred to the income statement.

### Income tax expense

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: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they are unlikely to 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities on a net basis or their tax assets and liabilities will be settled simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

### 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 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 potentially dilutive ordinary shares.

### Exploration and evaluation assets and development and production assets

The Group has adopted IFRS 6 *Exploration for and Evaluation of Mineral Resources* in preparing these financial statements.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1 Accounting policies (continued)

### (i) Exploration and evaluation assets

Expenditure incurred prior to obtaining the legal rights to explore an area is written off to the income statement. Expenditures incurred on the acquisition of a licence interest are initially capitalised on a licence by licence basis considering the degree to which the expenditure can be associated with finding specific reserves. Exploration and evaluation expenditure incurred in the process of determining exploration targets within licensed areas is also capitalised. No value is attributed to exploration licenses granted. These expenditures are 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 discovered.

Exploration and evaluation drilling costs are capitalised within each licence area until the success or otherwise of the well has been established. Unless further evaluation expenditures in the licence area have 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. Internal costs are capitalised where it is evident that these costs are directly attributable to the evaluation or exploration of those assets. Interest is capitalised within exploration and evaluation assets if it is directly attributable to the evaluation or exploration of those assets.

Expenditure on exploration and evaluation assets 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. This is in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*.

### (ii) Development and production oil and gas assets

Following appraisal of successful exploration wells and the establishment of commercial reserves, the related capitalised exploration and evaluation expenditures are reclassified as development and production assets.

Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development and production assets or replaces part of the existing development and production assets. Any costs associated with the replacement of assets are expensed to the income statement.

### (iii) Depletion

The Group depletes expenditure on development and production assets on a unit of production basis, based on proved and probable reserves on a licence by licence basis. Capitalised costs, together with anticipated future development costs calculated at price levels ruling at the reporting date, are amortised on a unit of production basis.

Amortisation is calculated by reference to the proportion that production for the period bears to the total of the estimated remaining commercial reserves as at the beginning of the period. Changes in reserves quantities and cost estimates are recognised prospectively.

### (iv) Cash calls

The Group has shared interests in a number of licence areas. In cases where the Group acts as operator of these licence areas, requests for cash from other partners, known as cash calls (or invoices), are made in accordance with agreed budgets. These cash call amounts are recognised as a credit to evaluation, exploration, development and production assets where appropriate to ensure that costs capitalised reflect the Group's interest only.

### (v) Impairment

Exploration and evaluation assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances, the exploration and evaluation asset is allocated to development and production assets within the same cash generating unit and tested for impairment. Any such impairment arising is recognised in the income statement for the period. Where there are no development and production assets, the impaired costs of exploration and evaluation are charged immediately to the income statement.

### (vi) Decommissioning costs and provisions

Provision is made for the decommissioning of oil and gas wells and other oilfield facilities. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recorded and this calculation is reassessed at each reporting date. The unwinding of the discount is reflected as a finance cost in the income statement over the expected remaining life of the well. 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.

## 1 Accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognised on a straight line basis over the estimated useful lives of the related assets.

The estimated useful lives for the current and comparative periods are as follows:

- furniture and equipment      3-10 years

### Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Amortisation is recognised on a straight line basis over the estimated useful lives of the related assets.

The estimated useful lives for the current and comparative periods are as follows:

- capitalised software          3 years

### Leased assets

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than 90 days. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any estimated shortfall in receipt. An estimate of any shortfall in receipt is made when there is objective evidence that a loss has been incurred. Bad debts are written off when identified.

### Trade and other payables

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

### Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not carried at fair value through the income statement, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost.

A financial instrument is recognised where the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from retained earnings, net of any tax effects.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2 Operating segments

Operating segment information is presented in the consolidated financial statements in respect of the Group's geographical segments which represent the financial basis by which the Group manages its business. The Group has 2 principal reportable segments as follows:

- UK exploration assets: oil and gas exploration assets in the UK
- Republic of Ireland exploration assets: oil and gas exploration assets in the Republic of Ireland

Group assets and liabilities include cash resources held by the Group, and corporate expenses include interest income earned and other operational expenditure incurred by the Group. These areas are not within the definition of an operating segment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment result and total asset value as included in the internal management reports that are reviewed by the Group's Board of Directors, who are determined to be the chief operating decision maker ("CODM"), which management believe is the most relevant information when evaluating the results of certain segments relative to other entities that operate within that industry. There are no significant inter segment transactions.

### Segment revenue

The Group generated no revenues during the period.

	2017 €'000	2016 €'000
<b>Segment net loss for the year</b>		
Republic of Ireland – exploration assets	(14,643)	(15,028)
UK-exploration assets	–	(67)
Corporate expenses	(6,759)	(3,749)
<b>Operating loss</b>	<b>(21,402)</b>	<b>(18,844)</b>
	2017 €'000	2016 €'000
<b>Segment assets</b>		
Republic of Ireland – exploration assets	82,641	89,659
Group assets	19,603	31,569
<b>Total assets</b>	<b>102,244</b>	<b>121,228</b>
	2017 €'000	2016 €'000
<b>Segment liabilities</b>		
Republic of Ireland – exploration related liabilities	(18,263)	(9,598)
UK – exploration related liabilities	(15)	(64)
US – liabilities	–	(1)
Group liabilities	(262)	(247)
<b>Total liabilities</b>	<b>(18,540)</b>	<b>(9,910)</b>

## 2 Operating segments (continued)

	2017 €'000	2016 €'000
<b>Capital expenditure</b>		
UK – exploration assets	–	67
	–	67
Republic of Ireland – exploration assets, net of cash calls	8,015	3,915
– property, plant and equipment and intangible assets	27	–
<b>Total capital expenditure, net of cash calls</b>	<b>8,042</b>	<b>3,982</b>
<b>Impairment charge</b>		
UK – exploration assets	–	67
Republic of Ireland – exploration assets	14,643	15,028
	<b>14,643</b>	<b>15,095</b>

## 3 Administration expenses

	2017 €'000	2016 €'000
Corporate, exploration and development expenses	5,431	4,271
Legal expenses	25	68
Foreign exchange loss	2,932	507
<b>Total administration expenses for the year</b>	<b>8,388</b>	<b>4,846</b>
Capitalised in Exploration and Evaluation assets (Note 11)	(1,897)	(1,158)
<b>Total charged to the income statement</b>	<b>6,491</b>	<b>3,688</b>

## 4 Finance income

	2017 €'000	2016 €'000
Bank deposit interest income	156	39
Foreign exchange gain on decommissioning provision (Note 19)	960	–
	<b>1,116</b>	<b>39</b>

## 5 Finance expense

	2017 €'000	2016 €'000
<i>Recognised in income statement:</i>		
Amortisation of arrangement fees and other amounts	–	1,643
Unwind of discount on decommissioning provision (Note 19)	133	359
Interest charge	–	1,093
Foreign exchange (gain)/loss on revaluation of loan, net	–	(299)
Interest charge on legal settlement, net	–	(1,055)
<b>Total finance expense recognised in income statement</b>	<b>133</b>	<b>1,741</b>
	<b>€'000</b>	<b>€'000</b>
<i>Recognised in other comprehensive income:</i>		
Foreign exchange translation differences on foreign operations	(7,626)	1,994

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6 Income tax result

	2017 €'000	2016 €'000
Current tax expense		
Current year	—	—
Adjustment for prior years	—	—
Deferred tax result/charge		
Origination and reversal of temporary differences	—	—
Effect of change in tax rates	—	—
Adjustment in respect of prior year	—	—
<b>Total income tax result for year</b>	<b>—</b>	<b>—</b>

A reconciliation of the expected tax benefit computed by applying the standard Irish tax rate to the loss before tax to the actual tax result is as follows:

	2017 €'000	2016 €'000
Loss before tax	(20,419)	(20,546)
Irish standard tax rate	12.5%	12.5%
Tax credit at the Irish standard rate	(2,552)	(2,568)
Expenses not deductible for tax purposes	2,171	2,288
Losses unutilised	304	(28)
Other timing differences	77	316
Effect of different tax rates in foreign jurisdictions	—	(8)
<b>Tax result for the year</b>	<b>—</b>	<b>—</b>

## 7 Employee expenses and numbers

	2017 €'000	2016 €'000
Wages and salaries	2,175	1,499
Social welfare costs	237	162
Defined contribution pension costs	177	171
Share-based payment expense (Note 22)	432	142
	<b>3,021</b>	<b>1,974</b>

The following expenses, which are included in the above amounts, were capitalised during the year:

	2017 €'000	2016 €'000
Wages and salaries	1,535	562
Share-based payment expense	—	—

The average number of persons employed during the year (including Executive Directors) by activity was as follows:

	2017 Number	2016 Number
Exploration and evaluation	7	7
Corporate management and administration	7	6
	<b>14</b>	<b>13</b>

The Group contributes to an externally funded defined contribution scheme to satisfy the pension arrangements in respect of certain management personnel.

The total pension cost charged for the year was €177,000 (2016: €171,000).

## 8 Directors' remuneration and transactions with key management personnel

Directors' emoluments are analysed as follows:

	Salaries and other emoluments		Bonus payments		Fees		Total	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000
<b>Executive</b>								
Tony O'Reilly	397	412	247	—	—	—	644	412
John O'Sullivan <sup>1</sup>	384	358	165	—	—	—	549	358
Sub-total	781	770	412	—	—	—	1,193	770
<b>Non-Executive</b>								
Angus McCoss <sup>2</sup>	—	—	—	—	26	—	26	—
Lex Gamble	—	—	—	—	45	34	45	34
James McCarthy <sup>3</sup>	—	—	—	—	45	51	45	51
Philip Nolan <sup>4</sup>	—	—	—	—	—	23	—	23
Philip O'Quigley	—	—	—	—	45	34	45	34
Pat Plunkett <sup>5</sup>	—	—	—	—	100	25	100	25
Sub-total	—	—	—	—	261	167	261	167
<b>Total</b>	<b>781</b>	<b>770</b>	<b>412</b>	<b>—</b>	<b>261</b>	<b>167</b>	<b>1,454</b>	<b>937</b>

1 John O'Sullivan emoluments include pension contributions of €49,440 for 2017 (2016: €46,000).

2 Angus McCoss was appointed 1 June 2017.

3 James McCarthy resigned as Chairman on 1 October 2016.

4 Philip Nolan resigned as a Director on 1 October 2016.

5 Pat Plunkett was appointed as Non-Executive Chairman on 1 October 2016.

Directors' remuneration is fixed by the remuneration committee of the Board which is comprised solely of Non-Executive Directors of the Company.

Detail of share options granted to the Directors during the year are disclosed in the Directors' Report. In 2017, share based payments expense were €316,000 (2016: €86,000). Other than the share option schemes (Note 22), the Group did not have any long term incentive scheme in place for Directors. However, the remuneration committee is in the process of developing a long term incentive plan for the Executive Directors.

The emoluments of Mr. Tony O'Reilly include payments made to Kildare Consulting Limited under the terms of his employment contract (Note 25).

There were no loans outstanding to any Director at any time during the year. Details of the Directors' interests in shares and share options are set out on pages 15 to 16.

### Transactions with key management personnel comprising Directors and other senior management

Key management personnel compensation was as follows:

	2017 €'000	2016 €'000
Wages, salaries and fees:		
Executive Directors	1,143	723
Non-Executive Directors	261	167
Other key management salaries	370	289
	1,774	1,179
Social welfare costs	100	69
Defined contribution pension costs	91	89
Share-based payment expense	341	99
	2,306	1,436

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9 Statutory and other information

	2017 €'000	2016 €'000
Auditor's remuneration		
Audit	54	42
Other assurance services, being audit of subsidiary entities	21	21
Taxation services	8	8
Operating lease rentals on property	223	177
Depreciation on property, plant and equipment	67	66
Amortisation of intangible assets	104	104
Impairment of evaluation and exploration assets	14,643	15,095
Pre-licence exploration expenditure	268	61
Directors' emoluments		
Fees	261	167
Salaries and other emoluments	781	770
Bonus	412	—

## 10 Earnings per share

Earnings per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Total 2017 €'000	Total 2016 €'000
Loss attributable to equity holders of the Company	(20,419)	(20,546)

The weighted average number of ordinary shares in issue is calculated as follows:

	2017	2016
In issue at beginning of year ('000s)	597,659	140,077
Adjustments for shares issued in year ('000's)	—	214,374
Weighted average number of ordinary shares ('000s)	597,659	354,451

	Total 2017 €cent	Total 2016 €cent
Basic and diluted loss per share (cent)	(3.42)	(5.80)

There is no difference between the basic loss per ordinary share and the diluted loss per ordinary share for the current year as all potentially dilutive ordinary shares outstanding are anti-dilutive in relation to continuing operations. There were 28,255,000 (2016: 24,690,000) anti-dilutive share options in issue at 31 December 2017.



## 11 Exploration and evaluation assets

	Republic of Ireland €'000	UK €'000	Total €'000
<b>Cost and net book value</b>			
At 1 January 2016	98,211	—	98,211
Additions	4,047	62	4,109
Cash calls received in year	(1,285)	—	(1,285)
Administration expenses	1,153	5	1,158
Impairment charge	(15,028)	(67)	(15,095)
Foreign exchange translation	2,178	—	2,178
<b>At 31 December 2016</b>	<b>89,276</b>	<b>—</b>	<b>89,276</b>
Additions	55,971	—	55,971
Cash calls received in year	(49,853)	—	(49,853)
Administration expenses (note 3)	1,897	—	1,897
Impairment charge	(14,643)	—	(14,643)
Foreign exchange translation	(7,817)	—	(7,817)
<b>At 31 December 2017</b>	<b>74,831</b>	<b>—</b>	<b>74,831</b>

The exploration and evaluation asset balance at 31 December 2017 primarily relates to the Barryroe (€57.3 million), Dunquin (€15.6 million) and Newgrange (€1.8 million) licenses. The remaining €0.1 million relates to other license areas held by the Group in the Republic of Ireland.

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that an impairment charge of €14.6 million (2016: €15.1 million) is required at 31 December 2017.

The results of the 2017 drilling campaign on Druid/Drombeg resulted in the impairment of the licence as only trace hydrocarbons were found and the well was not commercially viable. The Kish Bank licence was impaired, as it is unlikely that further exploration and evaluation work will be undertaken.

The Directors recognise that the future realisation of the remaining exploration and evaluation assets is dependent on future successful exploration and appraisal activities and the subsequent economic production of hydrocarbon reserves. They have reviewed current and prospective plans for each of the licence areas and are satisfied that future exploration and evaluation activities are appropriate in light of the carrying value of these assets.

## 12 Property, plant and equipment

	Furniture and equipment €'000
<b>Cost</b>	
At 1 January 2016	664
Additions in year	—
At 31 December 2016	664
Additions in year	27
<b>At 31 December 2017</b>	<b>691</b>
<b>Depreciation</b>	
At 1 January 2016	496
Charge for year	66
At 31 December 2016	562
Charge for year	67
<b>At 31 December 2017</b>	<b>629</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>62</b>
At 31 December 2016	102

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 13 Intangible assets

	Capitalised software €'000
<b>Cost</b>	
At 31 December 2016	313
Additions in year	—
<b>At 31 December 2017</b>	<b>313</b>
<b>Amortisation</b>	
At 31 December 2016	121
Charge for year	104
<b>At 31 December 2017</b>	<b>225</b>
<b>Carrying value</b>	
<b>At 31 December 2017</b>	<b>88</b>
At 31 December 2016	192

## 14 Trade and other receivables

	2017 €'000	2016 €'000
VAT recoverable	59	38
Other receivables	560	—
Prepayments	130	125
Amounts due from joint operation partners	6,911	92
	<b>7,660</b>	<b>255</b>

## 15 Cash and cash equivalents

	2017 €'000	2016 €'000
Cash held in bank accounts	19,603	31,403
<b>Cash and cash equivalents</b>	<b>19,603</b>	<b>31,403</b>

Included in the cash and cash equivalents balance are amounts totalling €Nil (2016: €Nil) held on behalf of partners in jointly controlled operations.

## 16 Share capital and share premium

	Number (‘000)	€'000
<b>Authorised</b>		
Deferred shares of €0.011 each (a)	1,062,442	11,687
Ordinary shares of €0.10 each	986,847	98,685

- (a) The deferred shares do not entitle the shareholder to receive a dividend or other distribution, do not entitle the shareholder to receive notice of or vote at any general meeting of the Company, and do not entitle the shareholder to any proceeds on a return of capital or winding up of the Company.

## 16 Share capital and share premium (continued)

On 14 July 2016 the Company increased its authorised share capital by 763,715,692 ordinary shares of 0.10c each.

Issued	Total number 000's	Share capital €'000	Share premium €'000
Deferred shares of €0.011 each	1,062,442	11,687	5,691
Ordinary shares of €0.10 each	140,077	14,007	221,307
At 1 January 2016	140,077	25,694	226,998
Shares issued during the year	457,582	45,758	20,920
At 1 January 2017	597,659	71,452	247,918
Shares issued during the year	—	—	—
<b>At 31 December 2017</b>	<b>597,659</b>	<b>71,452</b>	<b>247,918</b>

On 14 July 2016 the Company issued 457,582,000 ordinary shares of nominal value €0.10 cent at €0.152 per share. The Company raised gross proceeds of €66.7 million. Share issue costs of €5.9 million were recorded as a charge within retained reserves.

## 17 Reserves

The statement of changes in equity outlines the movement in reserves during the year. The reserves included within that statement are further explained below:

- (b) The currency translation reserve comprises all foreign exchange differences from 1 January 2006, arising from the translation of the net assets of the Group's non-euro denominated operations, including translation of the profits of such operations from the average exchange rate to the rate at the reporting date.
- (c) The share based payment reserve comprises the fair value of all share options which have been charged over the vesting period, net of amounts relating to share options forfeited, exercised or lapsed during the year, which are reclassified to retained earnings.

## 18 Loans and borrowings

	Melody Bank loan facility €'000	Melody Bank loan fees €'000	Total €'000
At 1 January 2016	19,932	(1,643)	18,289
Drawn down in year	—	1,643	1,643
Repaid in year	(19,633)	—	(19,633)
Foreign exchange	(299)	—	(299)
<b>At 31 December 2016 and 31 December 2017</b>	<b>—</b>	<b>—</b>	<b>—</b>

Under the Facility, Melody had security over all of the Group's assets by way of the floating charge. The charge has now been satisfied.

## 19 Decommissioning provisions

	2017 €'000	2016 €'000
At beginning of year	7,783	7,424
Unwind of discount – continuing operations (Note 5)	133	146
Foreign exchange gain (Note 5)	—	213
Foreign exchange loss (Note 4)	(960)	—
<b>At end of year</b>	<b>6,956</b>	<b>7,783</b>

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2018 and 2022. The provision for decommissioning is reviewed annually. The provision has been calculated assuming industry established oilfield decommissioning techniques and technology at current prices and is discounted at 10% per annum, reflecting the associated risk profile.

## 20 Deferred taxation

The group is not carrying a deferred tax asset of €25.0 million (2016: €24.9 million) which mainly relates to unutilised tax losses available to carry forward, all of which arose in Ireland, on the basis that it is not probable that the Group will have taxable profits available in future periods against which this asset could be utilised.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The gross amount of unused tax loss carry forwards with their expiry dates, are as follows:

	2017 €'000	2016 €'000
One year	193	375
Two years	157	193
Three years	197	157
Four years	491	197
Five years	4,004	491
More than five years	194,579	197,693
<b>Total</b>	<b>199,621</b>	<b>199,106</b>

Unutilised losses may be carried forward indefinitely as long as oil production commences within 25 years from the date of the losses originating.

## 21 Trade and other payables

	2017 €'000	2016 €'000
Relevant contract tax	4,372	—
Accruals	2,079	1,589
Other payables	1,798	538
Amounts payable to joint operating partners	3,335	—
	<b>11,584</b>	<b>2,127</b>

## 22 Share schemes

The Group operates employee share schemes as follows:

### 2005 Scheme

All remaining outstanding options under the 2005 scheme expired during the year.

### 2009 Scheme

In 2009, the Directors adopted a share option scheme which also contains share growth performance criteria. The option price is the market price immediately preceding the date of grant. The "2009 scheme" operates as an equity-settled share option scheme and the options are granted subject to the following conditions:

- (i) 50% of total options granted are exercisable after one year from the date of grant provided that the market price of the Company's shares has increased by a minimum of 25% and has maintained such increase over a period of three months prior to the exercise of any option.
- (ii) The remaining 50% of the total options granted are exercisable after a further year has elapsed provided the market price of the Company's shares has increased by a minimum of 50% from date of grant and has maintained such increase over a period of three months prior to the exercise of any option.

3,750,000 (2016: 2,100,000) options granted during 2017 under this scheme. The fair value of the options granted during the year was estimated at €0.1032 (2016: €0.08) per share using the Black-Scholes option pricing model. The following key input assumptions were applied:

	2017	2016
Volatility	65%	65%
Time period	7 years	7 years
Dividend yield	0%	0%
Risk free interest rate	(0.22%)	(0.53%)
Exercise price	€0.17	€0.14

At 31 December 2017, options over 6.055 million (2016: 2.489 million) shares remained outstanding at subscription prices ranging from €0.142 to €6.13. These options expire at varying dates up to June 2024.

## 22 Share schemes (continued)

### 2016 Scheme

The "2016 scheme" operates as an equity-settled share option scheme and the options are granted subject to the following conditions:

- (i) 50% of total options granted are exercisable after one year from the date of grant provided that the market price of the Company's shares exceeds a price of €0.45 per share.
- (ii) The remaining 50% of the total options granted are exercisable after a further year has elapsed provided the market price of the Company's shares exceeds a price of €0.45 per share.

No option is exercisable more than three years after grant date and no option is exercisable within one year of grant.

22,600,000 options granted during 2016 under this scheme. The fair value of the options granted during the year was estimated at €0.01 per share using the Black-Scholes option pricing model. The following key input assumptions were applied:

Volatility	61%
Time period	3 years
Dividend yield	0%
Risk free interest rate	(0.53%)
Exercise price	€0.45

Details of the movements of these share options outstanding during the year are as follows:

	2016 scheme		2009 scheme	
	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €
At 1 January 2017	22,200	0.45	2,490	0.84
Granted during year	—	—	3,750	0.17
Expired during year	—	—	(185)	(2.95)
<b>At 31 December 2017</b>	<b>22,200</b>	<b>0.45</b>	<b>6,055</b>	<b>0.36</b>
Of which exercisable at year end	—	—	—	—

The total number of options outstanding at 31 December 2017 was 28,255,000 at exercise prices ranging from €0.142 to €6.13.

	2016 scheme		2009 scheme	
	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €
At 1 January 2016	—	—	1,198	4.49
Granted during year	22,600	0.45	2,100	0.14
Expired during year	(400)	0.45	(288)	(3.80)
Cancelled during year	—	—	(520)	(4.85)
<b>At 31 December 2016</b>	<b>22,200</b>	<b>0.45</b>	<b>2,490</b>	<b>0.84</b>
Of which exercisable at year end	—	—	—	—

The total number of options outstanding at 31 December 2016 were 24,690,000. These had exercise prices ranging from €0.142 to €6.13.

The fair value charge recorded in the income statement in respect of the Group's 2009 and 2016 share based schemes was €431,000 (2016: €142,000).

The share based payment reserve comprises the fair value of all share options which have been charged over the vesting period, net of amounts relating to share options which have been forfeited lapsed or exercised during the year, which are reclassified to retained earnings.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23 Financial instruments

Financial risk management objectives, policies and processes

The Group has exposure to the following risks from its use of financial instruments:

- (a) Interest rate risk
- (b) Foreign currency risk
- (c) Liquidity risk
- (d) Credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and framework in relation to the risks faced.

### (a) Interest rate risk

The Group currently finances its operations through a mixture of shareholders' funds and bank deposits. Short term cash funds are generally invested in short term interest bearing bank deposits. The Group did not enter into any hedging transactions with respect to interest rate risk; however, the requirement for such instruments is kept under ongoing review.

The interest rate profile of these interest bearing financial instruments was as follows:

	2017 €'000	2016 €'000
<b>Variable rate instruments</b>		
Financial assets – cash and cash equivalents	19,603	31,403
<b>Fixed rate instruments</b>		
Financial liabilities – loans and borrowings	—	—

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ('bps') in interest rates at 31 December 2017 and 31 December 2016 would have increased/(decreased) the reported loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit		OCI	
	100 bps increase €'000	100 bps decrease €'000	100 bps increase €'000	100 bps decrease €'000
<b>31 December 2017</b>				
Variable rate instruments	134	(89)	—	—
<b>31 December 2016</b>				
Variable rate instruments	233	(109)	—	—

## 23 Financial instruments (continued)

### (b) Foreign currency risk

The Group is exposed to currency risk on purchases, loans and bank deposits that are denominated in a currency other than the functional currency of the entities of the Group.

It is Group policy to ensure that foreign currency risk is managed wherever possible by matching foreign currency income and expenditure. During the years ended 31 December 2017 and 2016 the Group did not utilise either foreign currency forward contracts or derivatives to manage foreign currency risk on future net cash flows.

The Group's foreign currency risk exposure in respect of the principal foreign currencies in which the Group operates was as follows:

	31 December 2017					31 December 2016				
	Euro €'000	GBP €'000	USD €'000	Not at risk EUR €'000	Total €'000	Euro €'000	GBP €'000	USD €'000	Not at risk EUR €'000	Total €'000
VAT recoverable	—	—	—	59	59	—	—	—	38	38
Other debtors	—	560	6,860	181	7,601	—	64	9	144	217
Cash and cash equivalents	46	6,109	8,440	5,008	19,603	53	16,754	12,652	1,944	31,403
Trade and other payables	—	(565)	(3,698)	(7,321)	(11,584)	—	(230)	(45)	(1,852)	(2,127)
<b>Total exposure</b>	<b>46</b>	<b>6,104</b>	<b>11,602</b>	<b>(2,073)</b>	<b>15,679</b>	<b>53</b>	<b>16,588</b>	<b>12,616</b>	<b>274</b>	<b>29,531</b>

The following are the significant exchange rates that applied against 1 euro during the year:

	Average rate		Spot rate	
	2017	2016	2017	2016
<b>1 GBP</b>	<b>0.7764</b>	0.8226	<b>0.8872</b>	0.8562
<b>1 USD</b>	<b>1.1368</b>	1.1030	<b>1.1993</b>	1.0541

### Sensitivity analysis

A 10% strengthening and weakening of the euro against the following currencies, based on outstanding financial assets and liabilities at 31 December 2017 and 31 December 2016 would have increased/(decreased) the reported loss and equity by the amounts below as a consequence of the retranslation of foreign currency denominated financial assets and liabilities at those dates. It is assumed that all other variables, especially interest rates, remain constant in the analysis.

	Profit/(loss)		Equity	
	10% increase €'000	10% decrease €'000	10% increase €'000	10% decrease €'000
<b>31 December 2017</b>				
GBP	(610)	610	474	(580)
USD	(808)	808	(129)	157
<b>31 December 2016</b>				
GBP	(1,652)	1,652	721	(881)
USD	(1,261)	1,261	(137)	168

### (c) Liquidity risk

Liquidity is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and adverse conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by regularly monitoring cash flow projections and rolling forecasts of expected cash flows against actual cash flows. The nature of the Group's exploration and appraisal activities can result in significant differences between expected and actual cash flows. Consequently a conservative approach to cash forecasting is taken and appropriate contingency planning is put in place to ensure that the Group can discharge its financial obligations as they fall due.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23 Financial instruments (continued)

Contractual maturities of financial liabilities as at 31 December 2017 were as follows:

Item	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Trade and other payables	11,584	11,584	11,584	—	—	—
<b>Total</b>	<b>11,584</b>	<b>11,584</b>	<b>11,584</b>	<b>—</b>	<b>—</b>	<b>—</b>

Contractual maturities of financial liabilities as at 31 December 2016 were as follows:

Item	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Trade and other payables	2,127	2,127	2,127	—	—	—
<b>Total</b>	<b>2,127</b>	<b>2,127</b>	<b>2,127</b>	<b>—</b>	<b>—</b>	<b>—</b>

### (d) Credit risk

Credit risk is the risk of financial loss to the Group if a cash deposit is not recovered. Group deposits are placed only with banks with appropriate credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

	2017 €'000	2016 €'000
Cash and cash equivalents	19,603	31,403
VAT recoverable	59	38
Other receivables	7,601	217
<b>Maximum exposure to credit risk</b>	<b>27,263</b>	<b>31,658</b>

### (e) Fair values versus carrying amounts

Due to the short term nature of all of the Group's financial assets and liabilities at 31 December 2017, the fair value equals the carrying amount in each case.

### (f) Capital management

The Group has historically funded its activities through a combination of share rights issues and placing and bank borrowings. The Group's capital structure is kept under review by the Board and it is committed to capital discipline and continues to maintain flexibility for future growth, both organic and through acquisitions. The Board considers capital to comprise shareholders' equity and long term borrowings and endeavours to ensure an appropriate mix of equity and debt is maintained.

## 24 Commitments and contingencies

### (a) Exploration and evaluation activities

The Group has capital commitments of approximately €6.8 million to contribute to its share of costs of exploration and evaluation activities during 2018.

### (b) Operating leases

Total commitments under non-cancellable operating lease rentals, all of which relate to property, are as follows:

	2017 €'000	2016 €'000
Payable:		
Within one year	227	330
Between two and five years	146	362
After five years	—	—
<b>Total operating lease commitments</b>	<b>373</b>	<b>592</b>



## 24 Commitments and contingencies (continued)

### (c) Contingencies

From time to time the Group is involved in other claims and legal actions which arise in the normal course of business. There are currently no claims or legal actions taking place at this point in time by the Group.

Under the terms of the CEPIL acquisition agreement the Group is required to make a payment of US\$5 million to the former shareholders of CEPIL if a final investment decision is made to develop the Spanish Point asset. No provision has been recognised in the financial statements at this stage as the asset is still at an exploration and evaluation stage and the final investment decision has not yet been taken.

## 25 Related party transactions

- (a) Mr Tony O'Reilly has, through Kildare Consulting Limited, a company beneficially owned by him, a contract for the provision of service to the Company outside the Republic of Ireland effective April 2017. The amount paid under the contract in the year ended 31 December 2017 was €606,930 (2016: €366,390). The contract is of two years duration and is subject to one year's notice period.

## 26 Group transparency

Licence	Licence number	Licence fees €'000	PIP fees €'000	CRU fees €'000	Total €'000
<b>2017</b>					
Spanish Point	FEL 2/04	—	101	—	101
Spanish Point North	FEL 4/08	—	101	—	101
Corporate**		296	143	—	439
<b>Total Ireland</b>		<b>296</b>	<b>345</b>	<b>—</b>	<b>641</b>

Licence	Licence number	Licence fees €'000	PIP fees €'000	CRU fees €'000	Total €'000
<b>2016</b>					
Druid/Drombeg	FEL 2/14	19	49	33	101
Kish Bank	SEL 2/11	140	—	—	140
Corporate**		242	98	—	340
<b>Total Ireland</b>		<b>401</b>	<b>147</b>	<b>33</b>	<b>581</b>

\*\* Corporate is the consolidated total of all our Irish licences where the total of each licence payment in the year is less than €100,000.

The Irish Transparency Act came into force on the 1 January 2017. This required companies operating in the extractive sector to publicly disclose payments made to National Governments. The regulation implements Chapter 10 of EU Accounting Directive (2013/34/EU).

The payments disclosed are based on where the obligation arose which in our case is Ireland. Payments are disclosed by licence where the aggregate of the payment in the year exceeds €100,000 otherwise they are combined into a corporate level payment which consolidated all the smaller payments.

All of the payments disclosed in accordance with the Directive have been made to National Governments, covering both direct and indirect payments.

The payments type covered by this disclosure are

- Licence fees
- PIP fees
- CER/CRU fees

### Licence fees

Licence fees cover the costs associated with holding each of our licences. These cover rental fees, assignment fees, Expand Offshore Group Fees, Prospective Licence and any application fees.

# NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 26 Group transparency (continued)

### PIP (Petroleum Infrastructure Programme) fees

The PIP (Petroleum Infrastructure Programme) was set up by the Petroleum Affairs Division in 1997.

PIP fees have to be paid as part of the granting of a Frontier Exploration Licence. The company is a private company that undertakes research programmes around the Ireland.

The overall aim of PIP is to promote hydrocarbon exploration and development in Ireland.

The research under the programme goes beyond normal licence specific work and is designed not to duplicate work carried out by other groups or commercial entities.

John O'Sullivan is a Director of PIPCO RSG CLG.

### CRU (Commission for Regulation of utilities)/CER (Commission of Energy Regulation)

CRU is the renamed CER. It is Ireland's independent energy and water regulator with responsibilities for economic, customer protection and safety.

The CRU reviews all exploration, appraisal and production activities in Ireland to ensure that they meet the highest international safety standards.

## 27 Post balance sheet events

On 28 March 2018, the Group through its subsidiary Exola DAC signed a Farm-out Agreement on SEL 1/11 with APEC Energy Enterprise Limited (APEC). Under the terms of the Farm-out, APEC will take a 50% interest in the licence and pay 50% of the costs associated with the drilling programme.

APEC will fund Exola's and Lansdowne's 50% interest by means of a non-recourse loan facility to cover their costs in the Barryroe drilling programme.

The Loan, drawable against the budget for the Drilling Programme, will incur an annual interest rate of LIBOR +5% and will be repayable from production cashflow from SEL 1/11 with APEC being entitled to 80% of production cashflow from SEL 1/11 until the Loan is repaid in full

Following repayment of the Loan, APEC will be entitled to 50% of production cashflow from SEL 1/11 with Exola and Lansdowne being entitled to 40% and 10% of production cashflow, respectively.

Exola will act as operator for the Drilling Programme with technical assistance being provided by the APEC Consortium. After the completion of the Drilling Programme, APEC will have the right to become operator for the development/production phase.

The Farm-out Agreement is conditional on completion of all ancillary legal documentation required to implement the terms of the Farm-out Agreement, and is subject to the approval of the Minister of Communications, Climate Action and Environment and the approval of the Chinese government. In addition, the details of and schedule for the Drilling Programme are subject to further ongoing technical discussions between the Consortium, Exola and Lansdowne. Subject to closing, the revised equity in SEL 1/11 will be Exola (operator, 40%), APEC (50%) & Lansdowne (10%).

## 28 Approval of financial statements

The financial statements were approved by the Board of Directors on May 9, 2018.

# COMPANY BALANCE SHEET

## AS AT 31 DECEMBER 2017

	Note	2017 €'000	2016 €'000
<b>Fixed assets</b>			
Oil and gas interests	2	17,619	24,758
Tangible assets	3	62	102
Financial assets	4	2	2
Intangible assets	5	88	192
<b>Total non-current assets</b>		<b>17,771</b>	25,054
<b>Current assets</b>			
Debtors	6	66,737	66,212
Cash at bank and in hand		19,542	31,273
<b>Total current assets</b>		<b>86,279</b>	97,485
<b>Creditors: amounts falling due within one year</b>	7	<b>(15,666)</b>	(2,415)
<b>Net current assets</b>		<b>70,613</b>	95,070
<b>Total assets less current liabilities</b>		<b>88,384</b>	120,124
<b>Provision for liabilities</b>	8	<b>(5,241)</b>	(6,265)
<b>Net assets</b>		<b>83,143</b>	113,859
<b>Capital and reserves</b>			
Called up share capital	9	71,452	71,452
Share premium	9	247,918	247,918
Capital conversion reserve		623	623
Share based payment reserve		1,502	1,398
Profit and loss account		(238,352)	(207,532)
<b>Shareholders' funds – equity</b>		<b>83,143</b>	113,859

There are no recognised gains or losses other than those included in the profit and loss account.

On behalf of the Board

**Pat Plunkett**  
Chairman

**Tony O'Reilly**  
Chief Executive

9 May 2018

# STATEMENT OF CHANGES IN COMPANY EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
<b>At 1 January 2017</b>	<b>71,452</b>	<b>623</b>	<b>247,918</b>	<b>1,398</b>	<b>(207,532)</b>	<b>113,859</b>
<i>Total comprehensive income</i>						
Loss for financial year	—	—	—	—	(31,147)	(31,147)
<i>Total comprehensive income</i>	—	—	—	—	(31,147)	(31,147)
Transactions with owners, recorded directly in equity						
Share based payments	—	—	—	431	—	431
Share options lapsed in year	—	—	—	(327)	327	—
<b>At 31 December 2017</b>	<b>71,452</b>	<b>623</b>	<b>247,918</b>	<b>1,502</b>	<b>(238,352)</b>	<b>83,143</b>
	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
At 1 January 2016	25,694	623	226,998	3,586	(188,041)	68,860
<i>Total comprehensive income</i>						
Loss for financial year	—	—	—	—	(15,929)	(15,929)
<i>Total comprehensive income</i>	—	—	—	—	(15,929)	(15,929)
Transactions with owners, recorded directly in equity						
Share based payments	—	—	—	142	—	142
Share option cancelled	—	—	—	(1,493)	1,493	—
Share options lapsed in year	—	—	—	(837)	837	—
Shares issued in year (note 9)	45,758	—	20,920	—	(5,892)	60,786
At 31 December 2016	71,452	623	247,918	1,398	(207,532)	113,859

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1 Accounting policies

### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“EU IFRS”), but makes amendments where necessary in order to comply with the Companies Act 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has adopted certain disclosure exemptions available under FRS 101. These include:

- a cash flow statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information;
- the effects of new but not yet effective IFRSs; and
- an additional balance sheet for the beginning of the earliest comparative period following transition.

As the consolidated financial statements of Providence Resources P.I.c. include the equivalent disclosures, the Company has also taken the exemption under FRS 101 available in respect of the following:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- Certain disclosures required by IAS 36 *Impairment of Assets*.

These financial statements are presented in Euro, being the functional currency of the Company. All financial information presented in Euro has been rounded to the nearest thousand, except where otherwise stated.

The accounting policies applied in the Company only financial statements are consistent with the Group accounting policies as set out on pages 29 to 33.

### Going concern

Refer to basis of preparation of consolidated financial statements information on the going concern on the Group and Company on page 29.

### Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The details and critical judgments are disclosed in the Group accounting policies.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## (CONTINUED)

### 2 Oil and gas interests – exploration expenditure

The movement on expenditures, pending further evaluation are analysed as follows:

	Ireland 2017
<b>Cost</b>	
At 1 January 2017	24,758
Exploration and appraisal expenditure	55,684
Cash call received in year	(49,780)
Impairment charge	(14,670)
Administration expenses	1,627
<b>At 31 December 2017</b>	<b>17,619</b>

The exploration and evaluation asset balance at 31 December 2017 primarily relates to Dunquin (€15.6 million) and Newgrange (€1.8 million) license areas. The remaining €0.2 million relates to other license areas held by the Company in the Republic of Ireland.

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that an impairment charge of €14.7 million is required at 31 December 2017.

The results of the 2017 drilling campaign on Druid/Drombeg resulted in the impairment of the licence as only trace hydrocarbons were found and the well was not commercially viable. The Kish Bank licence was impaired, as it is unlikely that further exploration and evaluation work will be undertaken.

Net spend, including internal capitalised costs, on exploration and evaluation assets during the year amounted to €7.5 million, with the majority of spend relating to the Druid/Drombeg (€5.5 million), Dunquin €1.7 million and Newgrange €0.1 million. €0.2 million related to costs for Dalkey, Spanish Point and Centic Sea licence fees.

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that no additional impairment charge is required at 31 December 2017. The Directors recognise that the future realisation of these exploration and evaluation assets is dependent on future successful exploration and appraisal activities and the subsequent economic production of hydrocarbon reserves. They have reviewed current and prospective plans for each of the licence areas and are satisfied that future exploration and evaluation activities are appropriate in light of the carrying value of these assets.

### 3 Tangible fixed assets

	Furniture and equipment €'000
<b>Cost</b>	
At 1 January 2017	619
Additions in year	27
<b>At 31 December 2017</b>	<b>646</b>
<b>Depreciation</b>	
At 1 January 2017	517
Charge for year	67
<b>At 31 December 2017</b>	<b>584</b>
<b>Net book value</b>	
<b>At 31 December 2017</b>	<b>62</b>
At 31 December 2016	102

#### 4 Financial fixed assets

	2017 €'000
Investments in subsidiaries at start and end of year	2

At 31 December 2017, the Company had the following principal subsidiaries, all of which are wholly owned:

Name	Registered Office/Country of Incorporation	Activity	Interest in Ordinary Share Capital
Providence Resources UK Limited	5th Floor, 6 St. Andrews Street, London, EC4A 3AE, UK	Oil and gas exploration and production	100%
Providence Resources (NI) Limited	C/O Geo.I.Maclain Solicitors, Imperial Buildings, 72 High Street, Belfast, BT1 2BE	Oil and gas exploration and production	100%
Providence Resources (International) Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
P.R. UK Holdings Limited	5 Jubilee Place, London SW3 3TD, UK	Holding company	100%
Providence Resources (GOM No. 2) LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Oil and gas exploration and production	100%
Providence Resources (Holdings USA) LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Holding company	100%
Providence Resources (Gulf) DAC	Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland	Holding company	100%
Exola DAC	Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland	Oil and Gas exploration	100%
Chrysaor E&P Ireland DAC	Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland	Oil and Gas exploration	100%

#### 5 Intangible assets

	Software
<b>Cost</b>	
At 31 December 2016	313
Additions in year	—
<b>At 31 December 2017</b>	<b>313</b>
<b>Amortisation</b>	
At 31 December 2016	121
Charge for year	104
<b>At 31 December 2017</b>	<b>225</b>
<b>Carrying value</b>	
<b>At 31 December 2017</b>	<b>88</b>
At 31 December 2016	192

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## (CONTINUED)

### 6 Debtors

	2017 €'000	2016 €'000
VAT	56	37
Prepayments	122	134
Other receivables	560	–
Amounts due from subsidiaries	59,101	65,954
Amounts due from joint operation partners	6,898	87
	<b>66,737</b>	<b>66,212</b>

All of the above amounts fall due within one year.

The recoverability of amounts due from subsidiaries is largely dependent on the future cash flows generated from the exploration and evaluation assets owned by those entities. The Directors are satisfied that the subsidiaries will generate sufficient cashflows from these assets to repay the amounts due, net of the impairment provision, to the parent company.

### 7 Creditors: amounts falling due within one year

	2017 €'000	2016 €'000
Relevant contracts tax	4,372	–
Trade creditors	1,788	422
Accruals	1,987	1,473
Amounts due to joint operating partners	3,335	–
Amounts owed to subsidiaries (a)	4,184	520
	<b>15,666</b>	<b>2,415</b>

(a) Amounts owed to subsidiaries are interest free and fall due on demand.

### 8 Provision for liabilities – Decommissioning

	2017 €'000	2016 €'000
At 1 January	6,265	6,084
Unwind of discount	–	–
Decrease in decommissioning provision	(251)	–
Foreign exchange differences	(773)	181
<b>Balance at 31 December</b>	<b>5,241</b>	<b>6,265</b>

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2018 and 2022. The provision for decommissioning is reviewed annually. The provision has been calculated assuming industry established oilfield decommissioning techniques and technology at current prices and is discounted at 10% per annum, reflecting the associated risk profile.

### 9 Share capital and share premium

See note 16 to the Group financial statements.



## 10 Commitments and contingencies

Exploration and evaluation activities

The Company has capital commitments of approximately €5.7 million to contribute to its share of costs of exploration and evaluation activities during 2018.

Operating leases annual commitments exist under non-cancellable property leases expiring as follows:

	2017 €'000	2016 €'000
Within one year	191	193
Between two and five years	55	235
<b>Total</b>	<b>246</b>	<b>428</b>

## Contingencies

From time to time the Company is involved in other claims and legal actions which arise in the normal course of business. There are currently no claims or legal actions against the company at this point in time.

Under the terms of the CEPIL acquisition agreement the Company is required to make a payment of US\$5 million to former shareholders of CEPIL if a final investment decision is made to develop the Spanish Point asset. No provision has been recognised in the financial statements at this stage as the asset is still at exploration and evaluation stage and the final investment decision has not yet been taken.

## 11 Statutory information

Under the provisions of Section 304 of the Companies Act 2014, the parent company is not presenting a separate profit and loss account. A loss of €31,147,000 (2016: €15,929,000) for the financial year ended 31 December 2017 has been dealt with in the separate profit and loss account of the Company.

	2017 €'000	2016 €'000
Auditor's remuneration	42	42

During the year the Company employed 14 people (2016: 13 people) and incurred payroll costs of €2.4 million (2016: €1.6 million).

The Group contributes to an externally administered defined contribution pension scheme to satisfy the pension arrangements in respect of certain management personnel. The pension cost charged for the year was €177,000 (2016: €171,000).

## 12 Related party transactions

Mr Tony O'Reilly has, through Kildare Consulting Limited, a company beneficially owned by him, a contract for the provision of service to the Company outside the Republic of Ireland effective 1 April 2017. The amount paid under the contract in the year ended 31 December 2017 was €606,930. It is of two years duration and is subject to one year's notice period.

## 13 Company transparency

Licence	Licence number	Licence fees €'000	PIP fees €'000	CRU fees €'000	Total €'000
<b>2017</b>					
Corporate**		189	254	—	443
<b>Total Ireland</b>		<b>189</b>	<b>254</b>	<b>—</b>	<b>443</b>

Licence	Licence number	Licence fees €'000	PIP fees €'000	CRU fees €'000	Total €'000
<b>2016</b>					
Druid/Drombeg	FEL 2/14	19	49	34	102
Kish Bank	SEL 2/11	140	—	—	140
Corporate**		135	98	—	233
<b>Total Ireland</b>		<b>294</b>	<b>147</b>	<b>34</b>	<b>475</b>

\*\* Corporate is the consolidated total of all our Irish licences where the total of each licence payment in the year is less than €100,000.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## (CONTINUED)

### 13 Company transparency (continued)

The Irish Transparency Act came into force on the 1 January 2017. This required companies operating in the extractive sector to publicly disclose payments made to National Governments. The regulation implements Chapter 10 of EU Accounting Directive (2013/34/EU).

The payments disclosed are based on where the obligation arose which in our case is Ireland. Payments are disclosed by license where the aggregate of the payment in the year exceeds €100,000 otherwise they are combined into a corporate level payment which consolidated all the smaller payments.

All of the payments disclosed in accordance with the Directive have been made to National Governments, covering both direct and indirect payments.

The payments type covered by this disclosure are

- a) Licence fees
- b) PIP fees
- c) CER/CRU fees

#### Licence fees

Licence fees cover the costs associated with holding each of our licences. These cover rental fees, assignment fees, Expand Offshore Group Fees, Prospective Licence and any application fees.

#### PIP (Petroleum Infrastructure Programme) fees

The PIP (Petroleum Infrastructure Programme) was set up by the Petroleum Affairs Division in 1997.

PIP fees have to be paid as part of the granting of a Frontier Exploration Licence. The company is a private company that undertakes research programmes around Ireland

The overall aim of PIP is to promote hydrocarbon exploration and development in Ireland.

The research under the programme goes beyond normal licence specific work and is designed not to duplicate work carried out by other groups or commercial entities.

John O'Sullivan is a Director of PIPCO RSG CLG.

#### CRU (Commission for Regulation of utilities)/CER (Commission of Energy Regulation)

CRU is the renamed CER. It is Ireland's independent energy and water regulator with responsibilities for economic, customer protection and safety.

The CRU reviews all exploration, appraisal and production activities in Ireland to ensure that they meet the highest international safety standards.

### 14 Post balance sheet events

Refer to Note 27 of the consolidated financial statements for information on post balance sheet events.

### 15 Approval of financial statements

The financial statements were approved by the Board of Directors on May 9, 2018.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Providence Resources P.l.c. will be held at the Clayton Hotel, Burlington Road, Leeson Street Upper, Dublin 4, D04 A318, Ireland, on Thursday, 14 June 2018 at 11.00am for the purpose of considering, and if thought fit, passing the following Resolutions of which Resolutions numbered (1) to (3) will be proposed as Ordinary Resolutions and Resolution numbered (4), will be proposed as a Special Resolution.

### Ordinary Resolutions

- (1) To receive and consider the Directors' Report and Financial Statements for the year ended 31 December 2017.
- (2) (a) To elect Dr. Angus McCoss as a Director.  
 (b) To re-elect Mr. Lex Gamble as a Director.  
 (c) To re-elect Philip O'Quigley as a Director.
- (3) To authorise the Directors to fix the remuneration of the Auditors.

### Special Resolution

- (4) That the Directors be and they are hereby empowered pursuant to Section 1022 and Section 1023(3) of the Companies Act 2014 to allot equity securities (within the meaning of Section 1023 of the Companies Act 2014) for cash as if the said Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power being limited to:
  - a. the allotment of equity securities in connection with or pursuant to any offer of equity securities open for a period fixed by the Directors, by way of rights issue, open offer or otherwise (an "Offering") to the holders of ordinary shares and/or any other persons entitled to participate therein (including without limitation any holders of options under the Company's share option scheme(s) for the time being) in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the number of ordinary shares which such other persons are for the purposes of such Offering deemed to hold) on a record date fixed by the Directors (whether before or after the date of this meeting) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements or otherwise howsoever;
  - b. pursuant to the terms of any scheme for Directors and/or employees etc. of the Company and/or its subsidiaries; and
  - c. otherwise than pursuant to sub-paragraphs (a) and (b) above, having in the case of the relevant shares (as defined by the said Section 1023 the allotment of equity securities up to a nominal aggregate amount equal to €5,976,589 (representing approximately 10% of the issued share capital of the Company as at the close of business on 8 May 2018),

provided in each case the power shall, unless revoked or renewed by special resolution or the articles of association of the Company, expire on the earlier of fifteen months from the date of passing this Resolution and the conclusion of the next annual general meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or issued after such expiry and the Directors may allot equity securities (as defined by the said Section 1023) in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Dated 9 May 2018 By order of the Board

C. Ryan, Secretary, Airfield House, Airfield Park, Dublin D04 CP49, Republic of Ireland.

# NOTICE OF ANNUAL GENERAL MEETING

## (CONTINUED)

Notes:

### Entitlement to attend and vote

1. Pursuant to Section 1105 of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996, entitlement to attend and vote at the AGM and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6.00 p.m. on the day which is two days before the date of the AGM (or in the case of an adjournment as at 6.00 p.m. on the day which is two days before the date of the adjourned meeting). Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

### Appointment of proxies

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy as an alternate to attend, speak, ask questions and vote instead of him/her/it and may appoint more than one proxy to attend on the same occasion in respect of shares held in different securities accounts. A member acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees and such intermediary may cast votes attaching to some of the shares differently from other shares held by it. The appointment of a proxy will not preclude a member from attending, speaking, asking questions and voting at the meeting or at any adjournment thereof should the member subsequently wish to do so. A proxy need not be a member of the Company. If you wish to appoint more than one proxy, please contact the Registrars of the Company, Computershare, by sending an email to [clientservices@computershare.ie](mailto:clientservices@computershare.ie) during normal business hours.
3. A Form of Proxy is enclosed with this Notice of Annual General Meeting. To be effective, the Form of Proxy duly completed and executed, together with any original power of attorney or other authority under which it is executed or a copy of such authority certified notarially or by a practicing solicitor in the Republic of Ireland, must be deposited by hand at the offices of the Company's Registrar, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland, or returned by post to Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland, in any case so as to be received no later than 48 hours before the time appointed for the Annual General Meeting or any adjournment thereof or (in the case of a poll taken otherwise than at or on the same day as the Annual General Meeting or adjourned Annual General Meeting) at least 48 hours before the taking of the poll at which it is to be used. Any alteration to the Form of Proxy must be initialled by the person who signs it.
4. In addition to Note 2 above, and subject to the Constitution of the Company, and provided it is received at least 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof or (in the case of a poll taken otherwise than at or on the same day as the Annual General Meeting or adjourned Annual General Meeting) at least 48 hours before the taking of the poll at which it is to be used, the appointment of a proxy may:
  - 4.1. be submitted by fax to +353 (0)1 447 5572, provided it is received in legible form; or
  - 4.2. be submitted electronically, via the internet by accessing the Company's Registrar's proxy voting website [www.eproxyappointment.com](http://www.eproxyappointment.com), entering the Control Number, SRN and PIN all located on the Proxy Form. Shareholders will be required to have their Shareholder Reference Number ("SRN") as printed on the face of the accompanying Form of Proxy. Full details of the procedures, including voting instructions are given on the website; or
  - 4.3. be submitted through CREST in the case of CREST members, CREST sponsored members or CREST members who have appointed voting service providers. Submissions through CREST must be completed in accordance with the procedures specified in the CREST Manual and received by the Registrar (under CREST agent ID 3RA50). The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.
5. In the case of a corporation, the Form of Proxy must be either executed under its common seal, signed on its behalf by a duly authorised officer or attorney, or submitted in accordance with Note 3 above.

### Voting rights and total number of issued shares in the Company

6. As a member, you have several ways of exercising your vote: (a) by attending the Annual General Meeting in person; (b) by appointing a proxy to vote on your behalf; or (c) by appointing a proxy via the CREST system if you hold your shares in CREST. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The total number of issued ordinary shares on the date of this Notice of Annual General Meeting is 597,658,958 ordinary shares. On a vote on a show of hands, every member present in person and every proxy has one vote (but no individual shall have more than one vote). On a poll every member shall have one vote for every share carrying rights of which he is the holder.
8. Where a poll is taken at an Annual General Meeting any member, present in person or by proxy, holding more than one share is not obliged to cast all his/her votes in the same way.
9. Ordinary resolutions are required to be passed by a simple majority of members voting in person or by proxy. Special resolutions are required to be passed by a majority of not less than 75% of votes cast by those who vote either in person or in proxy.
10. On any other business which may properly come before the Annual General Meeting, or any adjournment thereof, and whether procedural or substantive in nature (including without limitation any motion to amend a resolution or adjourn the meeting) not specified in this Notice of Annual General Meeting, the proxy will act at his/her discretion.

### Other resolutions

11. The Annual General Meeting is being convened to consider the specific resolutions as incorporated in this Notice of Annual General Meeting. As a result it is not proposed that any other resolution would be considered at the meeting.

## GLOSSARY OF TERMS

“\$” or “US\$” or “U.S. Dollar” United States Dollars, the lawful currency of the United States of America

“£” or “Pounds Sterling” Pounds Sterling, the lawful currency of the United Kingdom

“€” or “Euro” Euro, the lawful currency of Ireland

“1C” Low estimate scenario of contingent resource

“2C” Best estimate scenario of contingent resource

“3C” High estimate scenario of contingent resource

“AAPG” American Association of Petroleum Geologists

“AGM” the Annual General Meeting of the Company to be held at Clayton Hotel, Burlington Road, Leeson Street Upper, Dublin 4, D04 A318, Ireland, on Thursday, 14 June 2018 at 11.00am, including any adjournment thereof, and notice of which is set out herein

“AIM Rules” the AIM rules for Companies published by the London Stock Exchange in May 2014 (as amended) governing the admission to and the operation of AIM

“AIM” Alternative Investment Market, a market operated by the London Stock Exchange

“AMLR” Atlantic Ireland Licencing Round

“APEC” APEC Energy Enterprise Limited

“Atlantic” Atlantic Petroleum (Ireland) Limited

“AVO” Amplitude versus Offset

“BBO” Billion barrels of oil

“BBOE” Billions of barrels of oil equivalent

“BCF” Billion cubic feet of gas

“BML” Below mud line

“Board” The Board of Directors of Providence Resources P.I.c.

“BOE” Barrels of Oil Equivalent (6,000 cubic feet of gas equals 1 barrel of oil equivalent)

“BOEPD” Barrels of oil equivalent per day

“BOPD” Barrels of oil per day

“BP” BP PLC, formerly British Petroleum

“Cairn” Capricorn Ireland Limited which is a wholly owned subsidiary of Cairn Energy PLC

“CAPEX” Capital expenditure

“CEPIL” Chrysaor Exploration and Production Ireland Limited

“CER/CRU” The Commission for Regulation of Utilities, formerly the Commission for Energy Regulation

“CODM” Chief operating decision maker

“Company” Providence Resources P.I.c.

“Contingent Resources” Resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles

“COSL” China Oilfield Services Limited

“CPR” Competent Person’s Report

“Cretaceous” Period in Mesozoic era, 154 – 66 million years ago

# GLOSSARY OF TERMS

## (CONTINUED)

“**DAC**” Designated Activity Company

“**DCCAE**” Department of Communications, Climate Action and Environment

“**E&E**” Exploration and Evaluation

“**E&P**” Exploration and Production

“**EIA**” Environmental Impact Assessment

“**Eni**” Eni Ireland B.V.

“**EPS**” Earnings per share

“**ESM**” Enterprise Securities Market, a market operated by the Irish Stock Exchange

“**EU IFRS**” International Financial Reporting Standards as adopted by the EU

“**Exola DAC**” or “**Exola**” A wholly owned subsidiary of the Company

“**ExxonMobil**” ExxonMobil Exploration and Production Ireland (Offshore South) Limited

“**Facility**” Shall have the meaning ascribed thereto in the Chairman and Chief Executive’s Statement in this document

“**FCTR**” Foreign currency translation reserve

“**FEL**” A petroleum exploration licence vests in the holder the exclusive right of carrying out exploration for petroleum in a specific licensed offshore area. A Frontier Exploration Licence is issued in respect of an area with special difficulties related to physical environment, geology or technology – where such an area is specified and announced by the Minister for DCCAE as a ‘Frontier Area’. This licence type is valid for a period of not less than 12 years and comprises a maximum of 4 phases

“**FID**” Final Investment Decision

“**FOA**” Farm-out Agreement

“**Foreshore**” The land and seabed between the high water of ordinary or medium tides (shown HWM on Ordnance Survey maps) and the twelve-mile limit (12 nautical miles, 22.24 km)

“**Gardline**” A wholly owned subsidiary of Royal Boskalis Westminster N.V.

“**GIIP**” gas initially in place

“**Group**” The Company and its subsidiaries

“**HIIP**” hydrocarbons initially in place

“**IAS**” International Accounting Standards

“**JIC**” JIC Capital Management Limited

“**Jurassic**” Period in Mesozoic era, 201 – 145 million years ago

“**JV**” Joint Venture

“**KEL**” PSE Kinsale Energy Limited

“**Lansdowne**” Lansdowne Celtic Sea Limited

“**Lease Undertaking**” A Lease Undertaking gives the Holder the right to a Petroleum Lease over that part of the area covered by the Undertaking

“**LIBOR**” The London Inter-bank Offered Rate – The rate at which an individual Contributor Panel bank could borrow funds, were it to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time

“**Licensing Option**” or “**LO**” A Licensing Option gives the Holder the first right to an Exploration Licence over all or part of the area covered by the Option

“**London Stock Exchange**” or “**LSE**” London Stock Exchange PLC

- “**LTIP**” Long-term incentive plan
- “**LU**” A Lease Undertaking gives the Holder the right to a Petroleum Lease over that part of the area covered by the Undertaking
- “**M&A**” Merger and Acquisition
- “**MDBRT**” Measure depth below rotary table
- “**Melody**” Melody Business Finance LLP
- “**Mesozoic**” Era in Phanerozoic eon, 252 – 66 million years ago
- “**MFDevCo**” Marginal Field Development Company (MFDEVCO) Limited
- “**MMBC**” Million barrels of condensate
- “**MMBO**” Million barrels of oil
- “**MMBOE**” Million barrels of oil equivalent
- “**Nexen-CNOOC**” Nexen Petroleum UK Limited
- “**OPEX**” Operating expenditure
- “**Order**” Shall have the meaning ascribed thereto in the Chairman and Chief Executive’s Statement in this document
- “**P<sub>10</sub>**” 10% probability that the quantities actually recovered will equal or exceed the high estimate
- “**P<sub>50</sub>**” 50% probability that the quantities actually recovered will equal or exceed the best estimate
- “**P<sub>90</sub>**” 90% probability that the quantities actually recovered will equal or exceed the low estimate
- “**PAD**” Petroleum Affairs Division
- “**Paleocene**” Epoch in Paleogene period, 66 – 56 million years ago
- “**PEES**” Petroleum Exploration and Extraction Safety Act 2015
- “**PESGB**” Petroleum Exploration Society of Great Britain
- “**Petronas**” Petroliam Nasional Berhad, owner of PSE Seven Heads Limited and PSE Kinsale Energy Limited
- “**PIPCO RSG CLG**” Petroleum Infrastructure Program, Rockall Study Group, Company Limited by Guarantee
- “**P<sub>mean</sub>**” The  $P_{mean}$  value is the average of the numbers
- “**Polarcus**” Polarcus MC Limited
- “**Prospective Resources**” Quantities of petroleum which are estimated to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled
- “**PSDM**” Pre-Stack Depth Migration
- “**Purbeck**” The Purbeck Group is a Late Upper Jurassic to Early Lower Cretaceous lithostratigraphic group (a sequence of rock strata)
- “**Q3**” Third quarter of a year
- “**Repsol**” Repsol Exploracion Irlanda, S.A.
- “**Schlumberger**” Schlumberger Limited
- “**SEL**” A petroleum exploration licence vests in the holder the exclusive right of carrying out exploration for petroleum in a specific licensed offshore area. A Standard Exploration Licence is issued for a period of 6 years in respect of an area with water depths of up to 200 metres
- “**Sosina**” Sosina Exploration Limited
- “**SPE**” Society of Petroleum Engineers

## **GLOSSARY OF TERMS**

### **(CONTINUED)**

**“Statoil”** Statoil Exploration (Ireland) Limited

**“STOIIP”** Stock tank oil initially in place

**“Total”** Total E&P Ireland B.V.

**“Triassic”** Period in Mesozoic era, 252 – 201 million years ago

**“Wealden”** The Wealden Group is a Lower Cretaceous lithostratigraphic group (a sequence of rock strata)

**“Woodside”** Woodside Energy (Ireland) Pty Limited



# CORPORATE INFORMATION

## Board of Directors

Pat Plunkett  
(Non-Executive Chairman), appointed 2016<sup>1,2,3,4</sup>

Tony O'Reilly  
(Chief Executive), appointed 2005  
(Non-Executive Director), appointed 1997

Dr John O'Sullivan  
(Technical Director), appointed 2010

James S.D. McCarthy  
(Non-Executive Director), appointed 2005<sup>1,2,3,4</sup>

Lex Gamble  
(Non-Executive Director), appointed 2005<sup>1,2,3,4</sup>

Philip O'Quigley  
(Non-Executive Director), appointed 2012<sup>1,3,4</sup>  
(Executive Director), appointed 2008

Dr Angus McCoss  
(Non-Executive Director), appointed 2017<sup>1</sup>

<sup>1</sup> Non-Executive

<sup>2</sup> Member Audit Committee

<sup>3</sup> Member Remuneration Committee

<sup>4</sup> Member Nomination Committee

## Secretary and Registered Office

Criona Ryan  
Providence Resources P.L.c.  
Airfield House  
Airfield Park Dublin  
D04 CP49  
Ireland  
www.providenceresources.com  
T: +353 1 219 4074  
F: +353 1 219 4006

## Registrar

Computershare Investor Services (Ireland) Limited  
Heron House  
Corrig Road  
Sandyford Industrial Estate  
Dublin  
D18 Y2X6  
Ireland

## Nominated Adviser

Cenkos Securities PLC  
6-7-8 Tokenhouse Yard  
London  
EC2R 7AS  
United Kingdom

## Irish Stockbrokers

J&E Davy  
Davy House  
48/49 Dawson Street  
Dublin  
D02 PY05  
Ireland

## UK Stockbrokers

Cenkos Securities PLC  
6-7-8 Tokenhouse Yard  
London  
EC2R 7AS  
United Kingdom

Mirabaud Securities Limited  
10 Bressenden Place  
London  
SW1E 5DH  
United Kingdom

## Principal Bankers

Allied Irish Banks PLC

## Auditors

KPMG  
Chartered Accountants and Registered Auditors  
1 Stokes Place  
St. Stephen's Green  
Dublin  
D02 DE03  
Ireland

## Financial PR

Murray Consultants Dublin  
40 Lower Baggot Street  
Dublin  
D02 Y793  
Ireland

Powerscourt Media London  
1 Tudor Street  
London  
EC4Y OAH  
United Kingdom



Providence Resources P.L.C.

Airfield House  
Airfield Park  
Donnybrook  
Dublin  
D04 CP49  
Ireland

T: +353 1 2194074  
F: +353 1 2194006

Floor 3  
5 Jubilee Place  
London  
SW3 3TD  
United Kingdom

[info@providenceresources.com](mailto:info@providenceresources.com)  
[www.providenceresources.com](http://www.providenceresources.com)



## Attendance Card

Please bring this card with you to the meeting and present it at shareholder registration/accreditation.

The Chairman of Providence Resources P.I.c. ('the Company') invites you to attend the Annual General Meeting of the Company to be held at Clayton Hotel Burlington Road, Leeson Street Upper, Dublin 4, D04 A318 which has been convened for 11 a.m. on 14 June 2018.

Shareholder Reference Number

### Form of Proxy – Annual General Meeting ('AGM') of Providence Resources P.I.c. to be held on 14 June 2018 at 11 a.m.



Cast your Proxy online...It's fast, easy and secure!  
[www.eproxyappointment.com](http://www.eproxyappointment.com)

You will be asked to enter the Control Number, Shareholder Reference Number (SRN) and PIN shown opposite and agree to certain terms and conditions.

Control Number: 915070

SRN:

PIN:



To view the Annual Report online visit [www.providenceresources.com](http://www.providenceresources.com)

To be effective, all votes must be lodged at the office of the Company's registrars at: Computershare Investor Services (Ireland) Limited, P. O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 by 12 June 2018 at 11 a.m.

### Explanatory Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak, ask questions and vote on his or her behalf at the Meeting or any adjourned Meeting. A member may appoint more than one proxy to attend, speak, ask questions and vote at the Meeting or any adjourned Meeting in respect of shares held in different securities accounts. A member acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees provided each proxy is appointed to exercise rights attached to different shares held by that member. The appointment of a proxy will entitle the proxy to attend, speak, ask questions and vote on the member's behalf at the relevant meeting or at any adjournment of such meeting. A proxy need not be a member of the Company. If you wish to appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on +353 (1) 447 5590 or you may photocopy **the reverse only** of this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). All forms must be signed and should be returned in the same envelope. Where a poll is taken at the AGM, a shareholder, present in person or proxy, holding more than one share is not required to cast all their votes in the same way.
2. To be effective, the Form of Proxy duly completed and executed, together with any original power of attorney or in the case of a corporate shareholder any authority under which it is executed or a copy of such authority certified notarially or by a solicitor practising in the Republic of Ireland, must be deposited with the Registrars of the Company, by post to Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland or so as to be received no later than 48 hours before the time appointed for the Meeting or any adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or any adjourned Meeting) at least 48 hours before the taking of the poll at which it is to be used. Any alteration to the form must be initialled by the person who signs it.  
Alternatively, you may also appoint a proxy:
  - (a) electronically by accessing the Registrar's website [www.eproxyappointment.com](http://www.eproxyappointment.com). Details of the requirements are set out in the box above; or
  - (b) through CREST, if you are a CREST member, CREST sponsored member or CREST member who has appointed a voting service provider(s). Transmission of CREST proxy instructions must be authenticated in accordance with Euroclear UK & Ireland Limited's specifications as set out in the CREST Manual and received by the Registrar (ID 3RA50);provided that your proxy appointment is received not later than 11 a.m. on 12 June 2018 (or in the case of an adjournment, 48 hours before the time of the adjourned meeting). To appoint more than one proxy please contact the Registrar on +353 1 447 5590. For the purpose of receipt of the appointment of a proxy through CREST, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act, 1990 (Uncertificated Securities) Regulations, 1996.
3. Alternatively, subject to the Articles of Association of the Company and provided it is received not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or any adjourned Meeting) at least 48 hours before the taking of the poll at which it is to be used, the appointment of a proxy may also be submitted by telefax to +353 (1) 447 5572, provided it is received in legible form.
4. This Form of Proxy must (i) in the case of an individual member be signed by the member or his/her attorney; or (ii) in the case of a body corporate be executed either under its common seal or signed on its behalf by a duly authorised officer or attorney in accordance with note 2 above.
5. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. If you desire to appoint a proxy other than the Chairman of the Meeting or any adjourned Meeting, please insert the proxy's name in block capitals in the space provided and delete the words "the Chairman of the Meeting or" (see reverse).
7. A proxy need not be a member of the Company but must attend the relevant meeting in person to represent you.
8. Please indicate how you wish your proxy to vote by marking the appropriate box. You may direct your proxy to vote "For", "Against", to "Withhold" your vote or give him/her "Discretion" to vote as he/she wishes by marking as appropriate. If no such specific instructions are given, the proxy will vote or withhold your vote at his/her discretion. **A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" the resolutions.**
9. On any other business which may properly come before the Meeting or any adjourned Meeting and whether procedural and/or substantive in nature (including any motion to amend a resolution or adjourn the Meeting) not specified in the Notice of the Meeting or this Form of Proxy, the proxy will act at his/her discretion.
10. The completion and return/submission of this Form of Proxy will not preclude a member from attending and voting in person.
11. If you are appointing a proxy other than the Chairman of the Meeting (or any adjourned Meeting) or any other officer of the Company, please provide him/her with the Attendance Card attached hereto to facilitate his/her attendance.
12. Pursuant to Section 1105 of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996, entitlement to attend and vote at the AGM and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6.00 p.m. on the day which is two days before the date of the AGM (or in the case of an adjournment as at 6.00 p.m. on the day which is two days before the date of the adjourned meeting). Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.
13. The address on the Proxy Form is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on +353 (1) 447 5590 to request a change of address form or go to [www.investorcentre.com](http://www.investorcentre.com) to use the online Investor Centre service.

S R N :

**Kindly Note:** This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different (i) account holders; or (ii) uniquely designated accounts. The Company and Computershare Investor Services (Ireland) Limited accept no liability for any instruction that does not comply with these conditions.

# Poll Card

To be completed only at the **AGM** if a Poll is called.

## Ordinary Resolutions

1. To receive and consider the Directors' Report and Statement of Accounts for year ended 31 December 2017.
2. (a) To elect Dr. Angus McCoss as a Director.  
(b) To re-elect Mr. Lex Gamble as a Director.  
(c) To re-elect Mr. Philip O'Quigley as a Director.
3. To authorise the Directors to fix the remuneration of the auditors.

For	Against	Vote Withheld
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Special Resolution

4. To authorise the Directors to allot equity securities for cash.

\_\_\_\_\_  
Signature

## Form of Proxy

Please use a **black** pen. Mark with an **X** inside the box as shown in this example.



I/We hereby appoint the Chairman of the Annual General Meeting OR the following person

--	--

Please leave this box blank if you have selected the Chairman. Do not insert your own name(s).

as my/our proxy to attend, speak and vote in respect of my/our full voting entitlement\* on my/our behalf on any matter at the Annual General Meeting of Providence Resources P.l.c. and any adjournment thereof to be held at Clayton Hotel Burlington Road, Leeson Street Upper, Dublin 4, D04 A318 which has been convened for 11 a.m. on 14 June 2018. I/We direct that my/our vote(s) be cast on the specified resolution as indicated by an X in the appropriate box.

\* For the appointment of more than one proxy, please refer to Explanatory Note 2 (see front).

Please tick here to indicate that this proxy appointment is one of multiple appointments being made.

## Ordinary Resolutions

1. To receive and consider the Directors' Report and Statement of Accounts for year ended 31 December 2017.
2. (a) To elect Dr. Angus McCoss as a Director.  
(b) To re-elect Mr. Lex Gamble as a Director.  
(c) To re-elect Mr. Philip O'Quigley as a Director.
3. To authorise the Directors to fix the remuneration of the auditors.

For	Against	Vote Withheld
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Special Resolutions

4. To authorise the Directors to allot equity securities for cash.

I/we would like my/our proxy to vote on the resolutions proposed at the Meeting as indicated on this form. Unless otherwise instructed the proxy may vote as he or she sees fit or abstain in relation to any business of the meeting or any adjournment thereof. I/we hereby confirm that I/we have read and agree to be bound by the Notes overleaf (which are deemed comprised within the terms of this Form of Proxy).

Signature

Date

--

DD / MM / YY

In the case of a corporation, this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director, secretary).

