Providence Resources P.l.c.

2012 Annual Report

Drilling Ahead...

Who We Are

Providence's oil and gas interests offshore Ireland and the United Kingdom includes a portfolio of appraisal and exploration oil and gas assets

We operate to a number of broad corporate strategic guidelines that have led us to the development of our current portfolio.

These guidelines may be summarised as follows:

- We are a front end E&P company, with a focus on early stage exploration and appraisal opportunities;
- We achieve a controlled and cost-effective expansion of our interests with a specific geographic focus on opportunities arising from our Irish and UK interests;
- We engage in strategic relationships/partnerships with third parties on a project-by-project basis with a view to controlling financial and project risk without compromising standards; and
- We establish ourselves, where appropriate, as operator and project leader, particularly at the early stages, with a view to being in a position to ensure the cost-effectiveness of projects and observance of best practice.

Additional content +

Information on Providence and its oil and gas portfolio is available at
www.providenceresources.com
or
Scan the code below with your smartphone

Operational Highlights

Celtic Sea Basin
Barryroe Oil Discovery

- Drilling and testing of 48/24-10z well with flow rates of 3,514 BOPD and 2.93 MMSCFGD (c. 4,000 BOEPD)
- Competent Person's Report (CPR) on Basal Wealden Sands issued by leading international audit firm Netherland Sewell & Associates Inc (NSAI)
- Total on block audited figures
  - 2C STOIIP of 1.048 billion barrels
  - 2C Recoverable Resources of 311 MMBO
  - Excludes additional recoverable gas in solution of 207 BCF (or 34.5 MMBOE)
- Additional 778 MMBO STOIIP (P50) identified in logged hydrocarbon bearing intervals within stacked Lower Wealden and Purbeckian sandstones
- Phase 2 Development Engineering Study now complete
- Farm out process has now commenced
- Two year Licensing Option granted over adjacent c. 500 sq km area north and west of Barryroe

South Porcupine Basin
Dunquin Oil/Gas Prospect

- Drilling operations underway

Porcupine Basin
Spanish Point Gas Condensate Field

- Farm in by Cairn Energy in to FEL's 2/04 and 4/08, and LO 11/2
- Revised Equity levels – Cairn 38%, Providence 32%, Chrysaor 26% and Sosina 4%
- Farm in calls for up to 2 wells & 3D seismic
- Cairn to become Operator
- Appraisal well to be drilled (Q2 2014); 3D Seismic

Rathlin Basin
Polaris Prospect

- Airborne Full Tensor Gradiometry survey completed
- Exploration well to be drilled

St George's Channel
Dragon Gas Filed

- Awarded UK Licence P1930 over UK seaward block 103/1
- Appraisal well to be drilled

Kish Bank Basin
Kish Bank Prospects

- Exploration well to be drilled

Other Future Drilling Opportunities
South Porcupine Basin - Drombeg Prospect

- Announced significant resource potential (P50 872 MMBO REC), based on an oil-in-place volume of 2,970 BBO (November 2012)

Goban Spur Basin - Newgrange Prospect

- Repsol assumed role of Operator (March 2012)
- Technical evaluation of future hydrocarbon potential currently ongoing

Financial Highlights

Share Placings

- Placing of 13.149 million new ordinary shares at stg £4.80 per share to raise gross proceeds of US$100 million (stg £63 million)

Convertible Bond Repayment

- Repayment of the Convertible Bond

Sale of Onshore UK Assets

- Sale of UK onshore assets to IGas Energy Plc for a consideration of $66 million
- Repayment of all corporate debt (c. $44 million)

Financial Results – Year Ended 2012

- Operating loss of €5.432 million compared to a loss of €4.079 million in 2011
- The loss for the year attributable to equity holders (comprising both "continued operations" and "discontinued operations") amounted to €24.183 million (€13.940 million in 2011)
- The loss per share from "continuing operations" was 13.51 cents (19.45 cents in 2011)
- The total loss per share was 39.68 cents compared to a loss of 29.81 cents in 2011
- At 31 December 2012, cash and cash equivalents were €16.831 million
- Proceeds from the sale of the UK onshore business to IGas of $66 million received in February 2013

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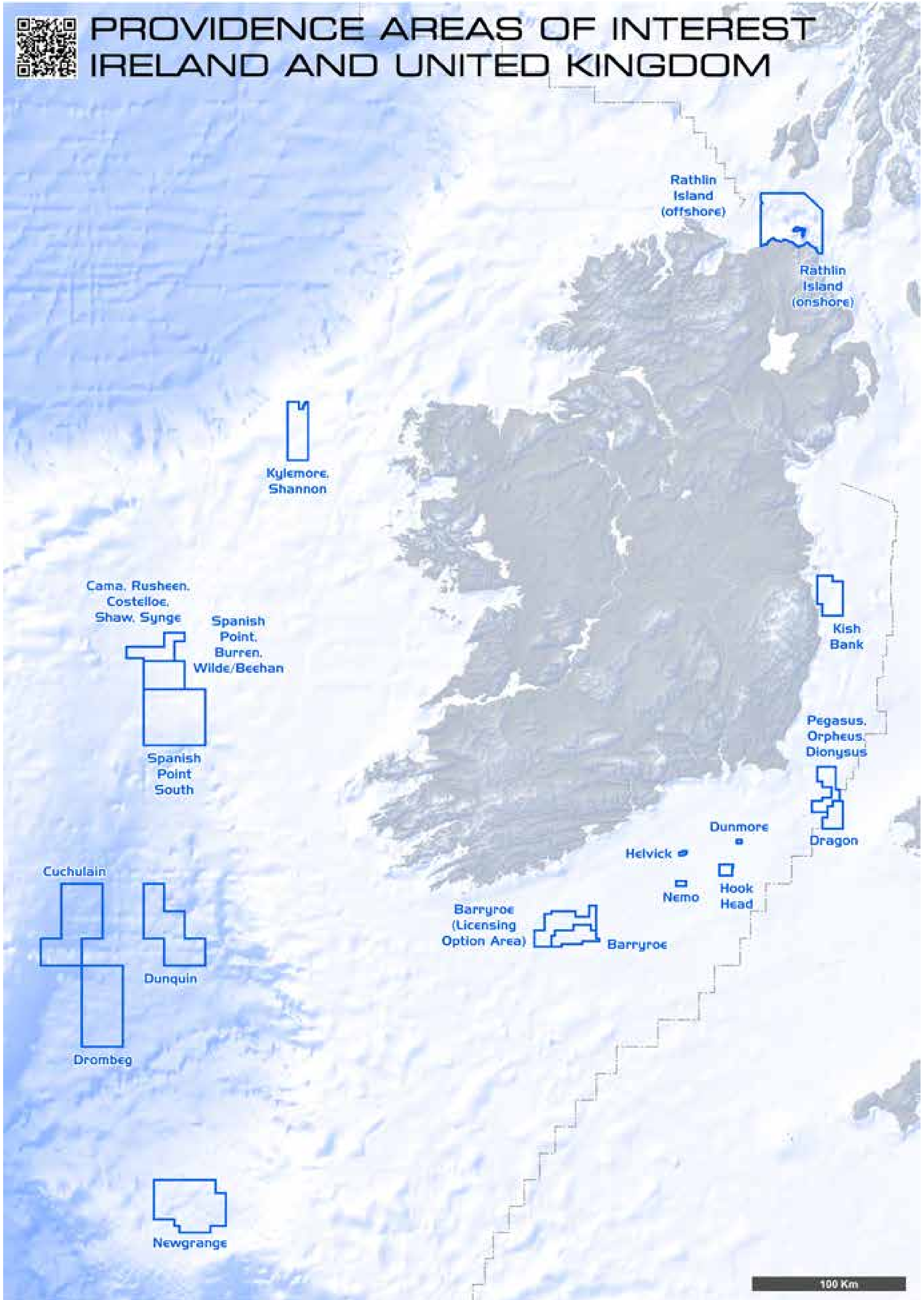
List of Assets

Licence	Asset	Operator	Partners	%	Type
CELTIC SEA BASIN					
SEL 1/11	Barryroe	Providence	Lansdowne	80.00	Oil discovery
SEL 2/07	Hook Head	Providence	Atlantic; Sosina	72.50	Oil and gas discovery
SEL 2/07	Dunmore	Providence	Atlantic; Sosina	72.50	Oil discovery
SEL 2/07	Helvick	Providence	Atlantic; Sosina; Lansdowne	62.50	Oil and gas discovery
SEL 2/07	Nemo	Providence	Atlantic; Sosina; Nautical	54.40	Oil and gas discovery
KISH BANK BASIN					
SEL 2/11	Kish Bank	Providence	Petronas	50.00	Oil and gas exploration
SLYNE BASIN					
LO 11/12	Kylemore	Providence	First Oil Expro	66.66	Gas exploration
LO 11/12	Shannon	Providence	First Oil Expro	66.66	Gas exploration
PORCUPINE BASIN					
FEL 2/04	Spanish Point	Cairn	Chrysaor; Sosina	32.00	Oil and gas discovery
FEL 2/04	Burren	Cairn	Chrysaor; Sosina	32.00	Oil discovery
FEL 2/04	Wilde/Beehan	Cairn	Chrysaor; Sosina	32.00	Oil discovery
FEL 4/08	Cama (North & South)	Cairn	Chrysaor; Sosina	32.00	Oil and gas exploration
FEL 4/08	Rusheen (North & South)	Cairn	Chrysaor; Sosina	32.00	Oil and gas exploration
FEL 4/08	Costelloe (Main, North & South)	Cairn	Chrysaor; Sosina	32.00	Oil and gas exploration
FEL 4/08	Shaw	Cairn	Chrysaor; Sosina	32.00	Oil and gas exploration
FEL 4/08	Synge	Cairn	Chrysaor; Sosina	32.00	Oil and gas exploration
LO 11/2	Spanish Point South	Cairn	Chrysaor; Sosina	32.00	Oil and gas exploration
SOUTH PORCUPINE BASIN					
FEL 3/04	Dunquin	ExxonMobil	Eni; Repsol; Sosina	16.00	Oil and gas exploration
FEL 1/99	Cuchulain	ENI	ExxonMobil; Sosina	3.20	Oil and gas exploration
LO 11/9	Drombeg	Providence	Sosina	80.00	Oil and gas exploration
GOBAN SPUR BASIN					
LO 11/11	Newgrange	Providence	Repsol; Sosina	40.00	Oil and gas exploration
ST. GEORGE'S CHANNEL BASIN					
SEL 1/07	Pegasus	Providence		100.00	Oil and gas exploration
SEL 1/07	Orpheus	Providence		100.00	Oil and gas exploration
SEL 1/07	Dionysus	Providence		100.00	Oil and gas exploration
SEL 1/07	Dragon	Providence		100.00	Gas discovery
P1930	Dragon	Providence		100.00	Gas discovery
RATHLIN BASIN					
PL 5/10	Rathlin Island	Providence		100.00	Oil and gas exploration
P1885	Rathlin	Providence		100.00	Oil and gas exploration


PROVIDENCE AREAS OF INTEREST
IRELAND AND UNITED KINGDOM
Rathlin Island (offshore)
Rathlin Island (onshore)
Kylemore, Shannon
Cama, Rusheen, Costelloe, Shaw, Synge
Spanish Point, Burren, Wilde/Beehan
Spanish Point South
Kish Bank
Pegasus, Orpheus, Dionysus
Dragon
Dunmore
Helvick
Nemo
Hook Head
Barryroe (Licensing Option Area)
Barryroe
Cuchulain
Dunquin
Drombeg
Newgrange
100 Km

Chairman's and Chief Executive's Statement

Turning the Drill Bit Opening Basins

Dear Shareholder,

We are pleased to present the 2012 Annual Report, which gives an update on another very eventful year for your Company.

The year 2012 was a truly transformational year for Providence, with the most notable event being the successful drilling and successful testing of the Barryroe oil field in the North Celtic Sea Basin, the first well in our multi-basin drilling campaign offshore Ireland. The Barryroe testing results (issued in March 2012) came in far above all pre-drill expectations and the subsequent post-well analysis. The independent Netherland Sewell & Associates Inc. (NSAI) resource audit, published in April 2013, has helped to confirm Barryroe as a world class resource and this has enabled the Company to take a big step forward in advancing its plans to commercialise Ireland's first oil field. Barryroe has not only opened up other opportunities in the Celtic Sea, but it has helped to redefine the industry view on the Irish offshore and its potential and as such, has had an extremely positive impact on both the asset portfolio and the financial well-being of the Company.

The change in the financial area of the Company is best confirmed by the complete restructuring of the balance sheet over the past year. With the divestment of the UK onshore operations for $66 million (which closed in February 2013), the financial results now classify Singleton and the UK onshore activities as "discontinued operations" and accordingly, the comparator 2011 results are shown as re-presented. Financially, the 2012 financial results on core activities (or "continuing activities") were an improvement on those recorded in 2011.

For the year, the Company recorded an operating loss of €5.432 million versus €4.079 million in 2011 with the higher administration expenses related to a higher level of activity revolving around the multi-basin drilling campaign. The loss for the year from "continuing operations" was lower at €8.233 million compared to a loss of €9.096 million in 2011. The loss from "discontinued operations" amounted to €15.950 million compared to a loss of €4.844 million in 2011. The loss for the year attributable to equity holders (comprising both "continued operations" and "discontinued operations") amounted to €24.183 million (€13.940 million in 2011). The loss per share from "continuing operations" was 13.51 cent (19.45 cent in 2011). When combined with the loss per share from "discontinued operations" of 26.17 cent (10.36 cent in 2011), a total loss per share was 39.68 cent compared to a loss of 29.81 cent in 2011. At 31 December 2012, cash and cash equivalents were €16.831 million, with this figure excluding the receipt of the proceeds from the sale of the UK onshore business to IGas Energy of $66 million, of which approximately $44 million was used to repay back the Deutsche Bank debt facility and the balance made available for general working capital purposes.

In April 2012, the Company raised $100.0 million before expenses through a share placement to institutional shareholders of 13.1 million shares at a price of stg£4.80 per share. This placement to institutional shareholders, the majority of whom are UK based, was significantly oversubscribed and the shares were placed at a 5% premium to the then existing share price. The proceeds of this Placing were used to repay the outstanding principal of the convertible bond, to pay the increased costs of the Barryroe drilling programme (arising largely from the increase in equity from 50% to 80%) and to provide additional working capital for ongoing drilling activities across the Company's portfolio.

However, the restructuring of the balance sheet went beyond raising equity capital through a share placement. In May 2012, 1.4 million warrants (issued to Macquarie in 2006) were exercised, resulting in a net inflow of €6.9 million. In April, the final proceeds (€4.610 million) from the sale of AJE in Nigeria were received and this was applied to reduce a portion of the €42 million convertible bond. In July, following the share placement, as mentioned above, the repayment of the outstanding balance of the €42 million Convertible Bond was made. Finally, as first announced in September 2012, we sold our UK onshore business for $66 million thereby allowing us to repay all outstanding sums payable to Deutsche Bank. This transaction closed in February 2013. Taken all together, over the past 18 months, net debt levels were reduced by approximately €75 million and the Company is now debt free.

Operationally, the main focus remained the multi-well drilling programme, covering both appraisal and exploration projects in six geological

basins offshore Ireland. This is the largest, multi-basin, offshore drilling programme in the history of Ireland, representing an investment of up to $500 million by Providence and its partners. The first drilling result was announced in March 2012 with the successful flow testing of the Barryroe oil discovery. This flow testing, which delivered a commercial flow rate of 3,514 BOPD + 2.93 MMSCFGD (4,000 BOEPD) from the main Basal Wealden sandstone package, substantially exceeded the pre-drill expectations. A subsequent flow test of an upper gas interval was also above expectations. Since the announcement of these very positive results, and incorporating the newly acquired and processed 3D carried out over the field, extensive post-drilling evaluations have been carried out leading to new geological and recovery resources estimates, concept development studies and other pre-development planning and operational studies.

In April 2013, the conclusion of these studies led to the publication of a new third party audit by NSAI on the Basal Wealden oil sands. Taken in conjunction with a previous audit carried out by RPS Energy on the Middle Wealden sands in 2011, the on block 2C audited resource figure for Barryroe now amounts to 1.048 billion barrels of oil in place, with estimated recoverable resources of 311 million barrels. In addition, the resource audit ascribed a further 207 BCF (or 34.5 MMBOE) of solution in gas from the Basal Wealden sands. Further incremental resource potential was also identified in logged hydrocarbon bearing intervals within stacked Lower Wealden and Purbeckian sandstones which we estimate contains P50 in place oil resources of 778 MMBO.

Having established a major world class resource at Barryroe, and having defined the forward development path, we are now proceeding with a farm out campaign to attract a suitably qualified partner with both the technical and financial resources to allow us to take Barryroe to first oil, thereby delivering Ireland's first commercial oil field development. This process, utilising the services of industry specialist advisors, is expected to take several months to complete.

Separately, we and our partners continue with all the necessary preparatory works (equipment procurement, planning etc.) on the balance of our multi-basin drilling programme where a further five wells are planned. In April 2013, we announced the commencement of drilling operations at the ExxonMobil operated Dunquin prospect in the southern Porcupine Basin. This exploration well, which is one of the deepest wells ever drilled offshore Ireland, is testing a new play concept in the southern Porcupine Basin and will be keenly watched by the industry. Based on the forward plans, results from this well are expected later this summer.

Looking further ahead, there are two other appraisal projects (Spanish Point and Dragon) to be drilled, one in the northern Porcupine Basin (the Spanish Point gas condensate discovery) and one in the St George's Channel Basin (the Dragon gas discovery). These appraisal projects are similar to Barryroe in that they have previously flowed hydrocarbons and they are now being re-examined availing of today's new technology. Importantly, both fields have had extensive 3D seismic acquired over them and this will be very important for their upcoming appraisal.

We also have a further two exploration prospects to be drilled in the Rathlin Basin (Polaris) and offshore Dublin in the Kish Bank Basin. Earlier this year, due to a technical licensing matter, we voluntarily surrendered our foreshore licence over the Kish Bank Basin to allow for new legislation to be put in place. As soon as the new legislation is put in place, we will move forward with re-applying for a foreshore licence, which in conjunction with our Standard Exploration Licence, (which has been retained), will be required to allow us to carry out future exploration activities. We also continue to work up new exploration and appraisal opportunities for future drilling in other basins, such as Drombeg (in the southern Porcupine Basin), which has already generated significant industry interest, and Newgrange (in the Goban Spur Basin). Importantly, all of the planned wells in our drilling programme are what we term "pathfinder wells": in other words, by testing any one target, we have the potential to prove up many adjacent prospects in each of the respective basins.

To Providence, partnership has always been key, so importantly we carry out our drilling programmes with an array of notable co-venture companies, who not only bring financial assistance, but also technical capabilities to assist with this extensive programme of exploration and drilling activities offshore Ireland. These partners include ExxonMobil, ENI, PETRONAS, Repsol, Chrysaor, First Oil Expro, Sosina, Lansdowne and Atlantic Petroleum and we were pleased to recently welcome Cairn Energy Plc into our Spanish Point consortium, where they agreed to take a 38% equity stake and become Operator.

Providence has always believed in the the material hydrocarbon prospectivity of offshore Ireland. Barryroe validates this with results that have exceeded all expectations, and we now look forward to advancing this large oil project towards development with our partner, Lansdowne, together with potential future farminee(s). However, as described above, Providence is much more than just Barryroe and accordingly, our focus in 2013 and beyond is to continue to drill ahead on our extensive portfolio of appraisal and exploration assets in Ireland and the United Kingdom. The aim is to advance proven discoveries to project sanction whilst proving up new exploration opportunities – both in terms of individual assets and entire new basins. As our recent drilling success has shown, advances in technology, infrastructure and commodity pricing have combined to present a truly unique opportunity to test the commercial potential of a number of these Irish assets. This is a view shared by others and it is very encouraging to see increased levels of activity offshore Ireland, with notable events in 2013 being the current drilling of Dunquin and the arrival of new entrants into the Irish offshore including Kosmos, PGS and Cairn.

On behalf of our colleagues on the board, we wish to express our thanks to the management, staff and consultants who have worked so diligently over the past year. We look forward to updating shareholders further on our progress at our Annual General Meeting in June. The year under review was a very exciting year for Providence shareholders, and we firmly believe that 2013 promises to deliver even more.

Dr. Brian Hillery
Chairman

Tony O'Reilly
Chief Executive

Providence in the media

WELL OILED IN CORK
WEEKEND REVIEW

BLACK GOLD
IS IT BOOM TIME FOR IRELAND'S OIL INDUSTRY?
MONEY & MARKETS 3

Providence raises Irish oil hopes with viable well find

Oil find could fill State coffers and secure future key energy supply

Oil's well but no sign of Dallas fever in Cork

Oil could make us rich in just two years

Crude and unusual:

Providence bullish on gas potential of Barryroe well

Providence's massive oil find off the coast of Cork is good for investors, but will also have wider implications for the industry in Ireland

This is a barrel load of good news for us all

Providence says Barryroe gas exceed targets

HUGE FIND OFF COAST COULD MAKE US...

Roll out the barrel

New oil find
Impressive discovery

Oil fever returns to our shores

Providence surges on major oil find off coast of Cork

PROVIDENCE Shares rise after big oil discovery

Oil right boy!

Oil find worth 'hundreds of millions' to our economy

Wow, we've struck oil

Oil strike could be tonic to lift nation's spirits

Oil-drilling success sends Providence shares up 11%

20,000 BARRELS A DAY

ROLL OUT THE BARREL

Oil strike a 'wow day' for economy

OIL'S WELL...BONANZA COULD NET US BILLIONS

Oil bosses plot end to recession

Energy exploration group hits headlines for all the right reasons

Oil find off Cork coast

Barryroe oil output could hit as much as 20,000 barrels a day

Crude and unusual: Black gold off Ireland

Hopes soar as oil find exceeds targets

Appraisal – Celtic Sea Basin

SEL 1/11 – Barryroe

The Barryroe oil field, which is located in SEL 1/11 (Providence 80.0%, Operator), was the subject of successful appraisal drilling in 2012. The field is situated in c.100 metres of water c.50 km off the south coast of Ireland. Previous operators had drilled 5 wells on the field, all of which logged hydrocarbon bearing intervals, with three being successfully flow tested. In 2011, having acquired a new 3D seismic survey over the field, Providence and 20% partner, Lansdowne, commenced the drilling of a sixth well on this areally extensive field. In March 2012, the partners announced the testing results from this well which far exceeded the pre-drill expectations with oil rates in excess of 3,500 BOPD.

A post-well third party resource study (CPR) carried out recently by Netherland Sewell and Associates Inc., utilising the new 3D seismic data, has led to a substantial upgrade in the audited field size to over 1 billion barrels of oil in place, with in excess of 300 million barrels recoverable (2C).

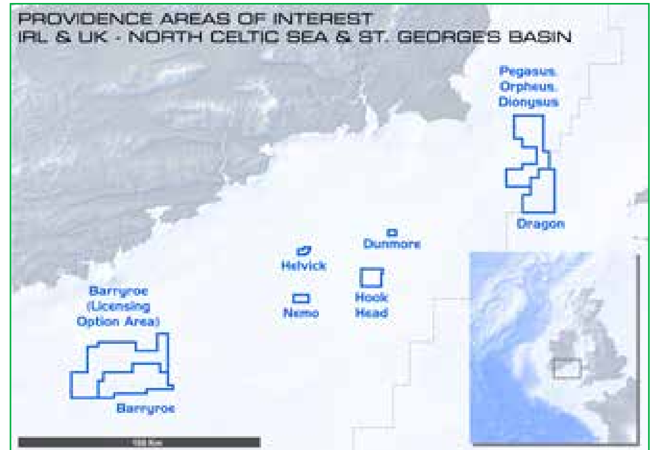
Table

Total gross audited on-block Barryroe oil resources:

	1C (MMBO)	2C (MMBO)	3C (MMBO)
Basal Wealden STOIIP (NSAI)	338	761	1,135
Basal Wealden Recoverable (NSAI)	85	266	511
Middle Wealden STOIIP (RPS)	31	287	706
Middle Wealden Recoverable (RPS)	4	45	113
TOTAL STOIIP	**369**	**1,048**	**1,841**
TOTAL RECOVERABLE OIL RESOURCES	**89**	**311**	**624**

Note: The table above excludes recoverable solution gas (i.e. 207 BCF or 34.5 MMBOE in the 2C case)

Picture: Barryroe testing, March 2012.



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

With the Phase 2 Development Engineering Study now complete, the majority of post-well studies complete, Providence is now in a position to advance its farm-in discussions with potential co-venturers (farminees). Already, the Company has received significant amount of international industry interest in Barryroe with the farm in process expected to take several months.

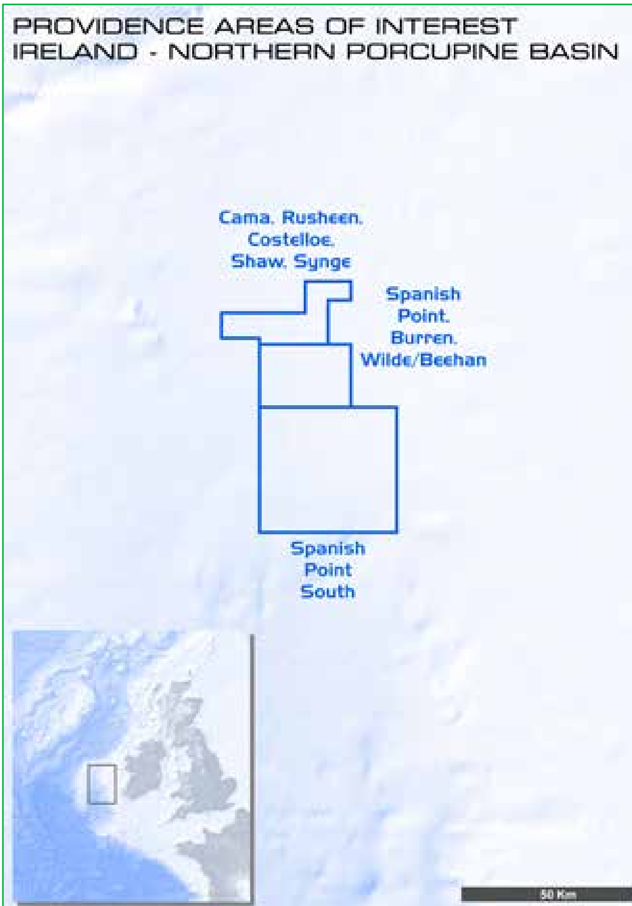
Other licences in the basin include SEL 2/07 which contain Hook Head, Dunmore, Helvick and Nemo oil discoveries.

SEL 1/07 – Dragon

SEL 1/07 was licensed by Providence in 2007 (100.0%), having been previously held as a Licensing Option. The Licence is situated on the Irish/UK median line in the St George's Channel Basin. A gas discovery well, Dragon, was drilled by Marathon in 1994 on the UK side and it was estimated that approximately 25% of the field lay in SEL 1/07. In January 2012, following an out of round application, the UK portion of Dragon was awarded to a consortium comprising Providence (50%) and Star Energy (50%). Subsequent to the IGas Energy takeover of Star Energy, Providence assumed a 100% equity position over the UK portion of Dragon.

The estimated recoverable resources of 200 BCF are based on new mapping following 3D seismic inversion by Ikon Science. As part of its multi-well programme, an appraisal well at Dragon is being planned.

Appraisal – Porcupine Basin



Courtesy: RVL-Group.

FEL 2/04 – Spanish Point

FEL 2/04 was originally licensed by Providence in 2004. In 2008, Providence entered into a staged farm-in arrangement with Chrysaor taking an initial 30% equity stake in return for funding a 3D seismic programme, which was subsequently carried out in 2009. The resultant equity split was Providence (56.0%), Chrysaor (30.0%) and Sosina (14.0%). In 2011, the partnership moved to the next stage of the licence with a commitment to drill a well. Chrysaor subsequently moved to the next stage of the farm-in arrangement where they agreed to fund this well and in doing so, Providence's cost exposure was capped at $20 million for up to two wells (well & contingent sidetrack). As a result, the equity stakes moved to Chrysaor 60.0%, Providence 32.0% and Sosina 8.0% with Chrysaor taking over as Operator.

The estimated recoverable contingent resources at Spanish Point are 100 MMBOE (2C). Estimated recoverable resources from the nearby Burren oil discovery are up to 66 MMBOE (3C).

FEL 4/08 – Galleon

FEL 4/08 was originally licensed by Providence in 2008. In August 2008, Providence entered into a staged farm-in arrangement with Chrysaor (as per FEL 2/04) with the same terms of that farm out also applying to FEL 4/08. In July 2011, a 3D seismic survey was acquired over FEL 4/08. As a result, the equity levels in FEL 4/08 were Chrysaor 60.0%, Providence 32.0% and Sosina 8.0% with Chrysaor acting as Operator.

Estimated recoverable prospective resources of up to 550 MMBOE are identified within FEL 4/08, as independently audited by Senergy. Seismic processing has now been completed and work is progressing on identifying suitable drilling targets for 2014 and beyond.

LO 11/2 – Spanish Point South

LO 11/2 was licenced to Chrysaor (60%), Providence (32%) and Sosina (8%) as part of the 2011 Irish Atlantic Margin Licensing Round.

Farm-in by Cairn to FEL 2/04, FEL 4/08 and LO 11/2

In May 2013, it was announced that Chrysaor and Sosina had signed a farm-out agreement with a wholly owned subsidiary of Cairn Energy PLC. Under the terms of the farm in agreement, which is subject to approval by the Irish government and by Providence, Cairn will acquire the rights to obtain a 38.0% interest in FEL 2/04, FEL 4/08 and LO 11/2 from Chrysaor and Sosina and will assume the role of Operator in return for paying 63.33% of future exploration and appraisal costs of up to 2 wells, up to a specified well cap. Providence is not availing of this farm-out as it already has a promoted farm-in deal ($20million well cap) through its original farm in deal with Chrysaor in 2008. As a result of the Cairn farm in transaction, and subject to the necessary approvals, the revised equity interests in FEL 2/04, FEL 4/08 and LO 11/2 will be Cairn (38%), Providence (32%), Chrysaor (26%) and Sosina (4%). The targeted timing for the first appraisal well on Spanish Point is Q2 2014. The partners also currently expect to process a 3D seismic work programme on LO 11/2. A further well will be considered following the Spanish Point appraisal well.

Exploration – Southern Porcupine Basins

Picture: Eirik Raude.

FEL 3/04 – Dunquin

FEL 3/04 was originally licensed by Providence in 2004 with an 80.0% equity stake and partner Sosina with 20.0%. In 2006, Providence agreed a farm-in with ExxonMobil who took a 80.0% stake in return for a pre-agreed investment programme. This reduced Providence's stake to 16.0% and Sosina to 4.0%. In 2006, the partnership acquired 1,500 km of 2D seismic over Dunquin which Providence operated. In 2009, ENI farmed in for a 40.0% stake, resulting in a revised equity participation of Providence (16.0%), ExxonMobil (40.0%), ENI (40.0%) and Sosina (4.0%). Separately, ExxonMobil took over the Operatorship and moved the partnership to the next stage of the license, formally making a well commitment. In 2011, Repsol farmed in for a 25.0% stake, thereby re-aligning equity participation of ExxonMobil (27.5%), ENI (27.5%), Repsol (25.0%), Providence (16.0%) and Sosina (4.0%). Recoverable prospective resources are estimated at 1,716 MMBOE (P50).

In April 2013, drilling operations commenced at Dunquin, operated by ExxonMobil, using the Eirik Raude deepwater drilling rig.

FEL 1/99 – Cuchulain

FEL 1/99 was licensed by ENI in 1999 at 100% equity stake. In 2009, as part of the ENI's deal to farm in to Dunquin, the original Dunquin partnership took a combined 40% equity stake in FEL1/99 resulting in equity of ENI (60.0%), ExxonMobil (36.0%), Providence (3.2%) and Sosina (0.8%).

It is planned to incorporate the results of the adjacent Dunquin well into the forward plan for this licence area.

LO 11/9 – Drombeg

LO 11/9 was awarded to Providence (80.0%) and its partner Sosina (20.0%) in October 2011 as part of the 2011 Irish Atlantic Margin Licensing Round. In 2012, Providence completed a major seismic inversion programme over the Lower Cretaceous Drombeg prospect, together with an assessment of its associated prospective resource potential. The analysis of the primary Drombeg seismic anomaly has indicated a recoverable P50 prospective resource potential of 872 MMBO, based on an oil in place volume of 2.970 BBO using analogue data from fields in the North Sea. Further similar Lower Cretaceous seismic anomalies have been identified both laterally offset to, as well as vertically stacked with, the Drombeg prospect providing further resource growth potential. Providence is currently engaged in farm in discussions and there has been significant international interest in the project.

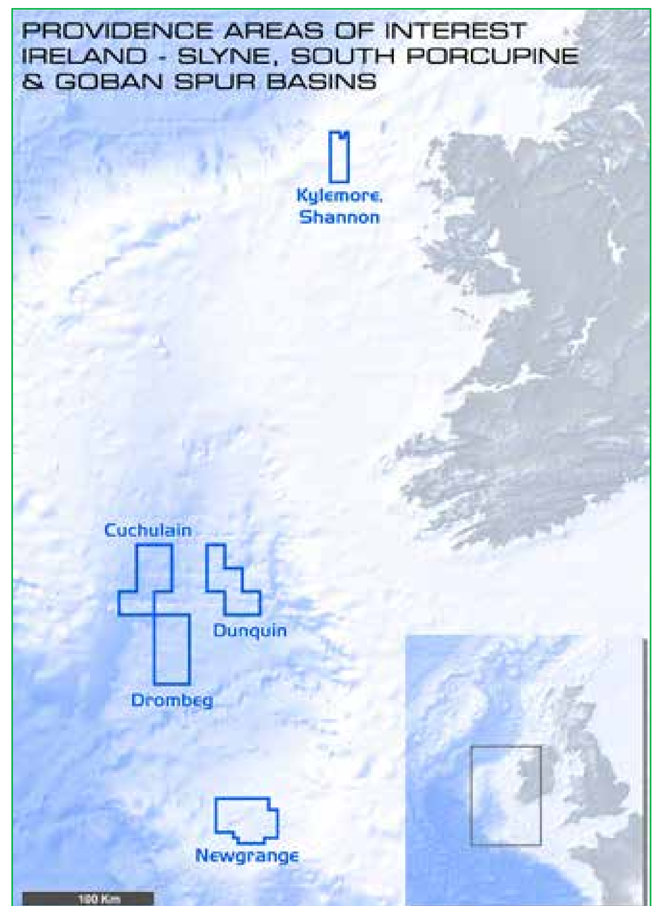
Goban Spur Basin
LO 11/11 – Newgrange

LO 11/11, located in the Goban Spur Basin, was awarded to a consortium comprising Providence (40.0%), Repsol (40.0%) and Sosina (20.0%) in October 2011 as part of the 2011 Irish Atlantic Margin Licensing Round. In March 2012, Repsol took over operatorship from Providence. Extensive 2D seismic had previously been acquired over this licence area which contains a similar geological play type to Dunquin, with estimated Pmean recoverable resources of 10 TCF.

Seismic and well data evaluation are ongoing.

Slyne Basin
LO 11/12 – Kylemore & Shannon

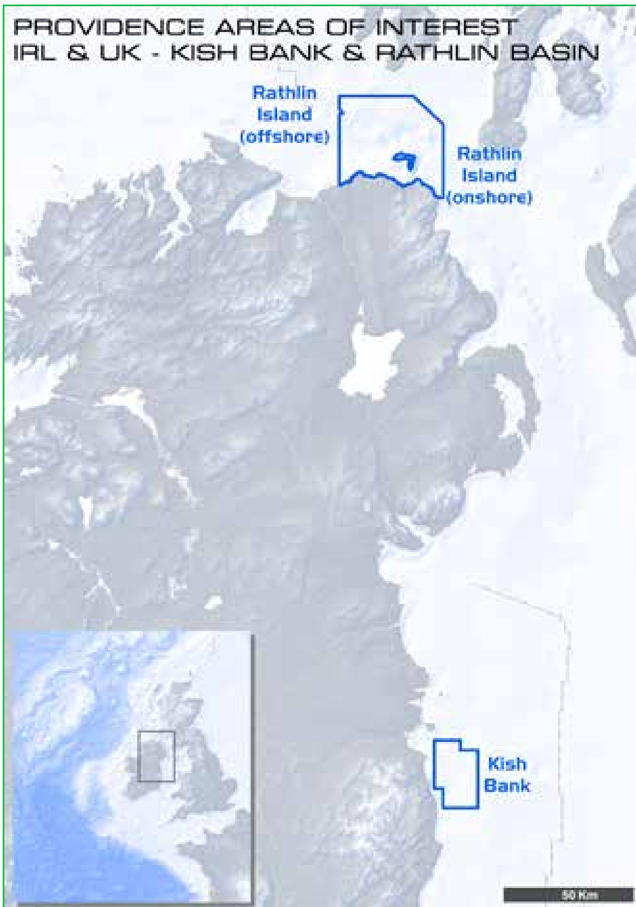
LO 11/12 in the Slyne Basin was awarded to Providence (66.6%) and First Oil Expro (33.3%) in October 2011 as part of the 2011 Irish Atlantic Margin Licensing Round. Previous operators have acquired 2D seismic over the area, which is adjacent to the Corrib field/infrastructure. The estimated recoverable prospective resources for Kylemore are 228 BSCF.



Our Business

Exploration – Kish Bank and Rathlin Basins

Picture: Kish Lighthouse.



LO 08/2 – Kish Bank

LO 08/2 in the Kish Bank Basin was originally licenced by Providence (50.0%) and Star Energy (PETRONAS, 50.0%) in 2008 with Providence assuming the operatorship. In August 2011, LO 08/2 was converted into an Standard Exploration Licence 2/11. A foreshore Licence application was subsequently made to carry out temporary seismic and exploration drilling works on the Kish Bank exploration prospect, located approximately 8 kilometres offshore. This licence was granted in October 2011. Unfortunately, due to the incorrect transposition of certain EU EIA directives into Irish law in 1999 by the Irish government, this licence was subsequently declared invalid. Providence elected to surrender the Foreshore Licence to allow the government time to rectify the appropriate legislations. The Company retains its exploration authorisation. Estimated recoverable prospective resources at the Kish Bank prospect are 250 MMBO and the prospect forms part of the Company's multi-well programme.

Due to the requirement to obtain a new Foreshore Licence, and noting the amendments being made to the legislation, it is proposed to re-apply for a Foreshore Licence to allow for future exploration drilling.

PL 5/10 and P1885 – Polaris

This onshore licence over Rathlin Island, which is located in the middle of the Rathlin Basin, was awarded in early 2011 with Providence taking a 100.0% equity interest. Providence also made application for the 6 surrounding offshore blocks under the UK 26th Licensing Round and these blocks were awarded in January 2012 to Providence (100.0%). In 2012, a Full Tensor Gradiometry Survey (FTG) was carried out which resulted in a number of anomalies being identified. Most notable was the Polaris prospect, with estimated 530 MMBO of recoverable prospective resources.

This prospect is now being worked up for exploration drilling, subject to the receipt of the necessary permits and approvals.

Picture: Raithlin Island, courtesy Bell Geospace.

Providence in the community

Photos by Brian Carlin, Finbarr O'Rourke and Jakub Czarcinski.

Board of Directors

Dr. Brian Hillery *B. Comm., MBA, Ph.D* Chairman

Brian Hillery has served as Chairman of Providence since the incorporation of the Company. He is currently a member of the National Pensions Reserve Fund Commission. A former Professor at the Graduate School of Business, University College Dublin, he has also served as a member of the Irish Parliament as a TD and Senator (1977–1994). He was an Executive Director of the European Bank for Reconstruction and Development (EBRD) London (1994–1997) and was Non-Executive Chairman of both UniCredit Bank Ireland PLC (1999–2008) and Independent News and Media plc (2004–2011).

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.

John O'Sullivan *M.Sc., MTM, FGS* Technical Director

John O'Sullivan 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 is currently completing a dissertation leading to a Ph.D in Geology at Trinity College, Dublin. He is a Fellow of the Geological Society and a member of the Petroleum exploration Society of Great Britain. John is also a Director of PIPCO RSG Limited.

Lex Gamble *B.A., MBA* 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 Masters Degree from Harvard Business School. He is a Director of Cardiac Insights Inc. and a former Director of Harris Private Bank NA, Northwestern 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.

James S.D. McCarthy *MBA* Non-Executive Director

James McCarthy was appointed as a Non-Executive Director of the Company in May 2005. 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 Ltd and a Director of Corporate Finance Ireland Limited, Windsor Motors Limited and Rockall Technologies Limited and a number of other companies. Mr McCarthy is a former Director of Arcon International Resources P.l.c.

Dr. Philip Nolan *B.Sc., Ph.D* Non-Executive Director

Philip Nolan became a Non-Executive Director of the Company in May 2004. Dr. Nolan was CEO of eircom Plc from 2002 to 2006. He is currently Chairman of J Laing PLC. He is also a Non-Executive Director of the Ulster Bank Group, EnQuest PLC, Chairman of Affinity Water and a former Director of De La Rue PLC. He is Chairman of the Irish Management Institute and is a member of the Board of the Ireland Fund. Dr. Nolan, graduated from Queen's University in Belfast with a BSc and a Ph.D in geology and has an MBA from the London Business School.

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. Philip is a fellow of the Institute of Chartered Accountants in Ireland and qualified as a Chartered Accountant with Ernst & Young.

Drilling Ahead...

Photos by Finbarr O'Rourke, RVL-Group, Marine Institute, Ocean Rig.

Directors' Report

The Directors submit their annual report together with the audited financial statements of Providence Resources P.l.c. ("the Company") and its subsidiaries ("Providence" or the "Group") for the year ended 31 December 2012.

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 the Companies (Amendment) Act, 1986 is contained in the Chairman's and Chief Executive's Statement and Operational Review on pages 4 to 10. During the period under review, the principal focus of management has been on the Group's hydrocarbon interests offshore Ireland in the Celtic Sea, Porcupine Basin and Irish Sea. The sale of the Group's producing interest in the onshore UK Singleton oil field was completed in February 2013.

Results for the Year and State of Affairs at 31 December 2012

The consolidated Income Statement for the year ended 31 December 2012 and the consolidated Statement of Financial Position at that date are set out on pages 21 and 23. The loss for the year amounted to €24.183 million and net assets at 31 December 2012 were €68.098 million.

No dividends or transfers to reserves are recommended by the Directors.

Important Events since the Year End

The Company completed the sale of its interest in the Singleton Oil Field, West Sussex to IGas Energy plc in February 2013.

Directors

Dr Philip Nolan and Mr James McCarthy both retire from the board by rotation and, being eligible, offer themselves for re-election.

Tony O'Reilly, Chief Executive, has a service contract, effective from September 2011, with the Company in respect of services outside of the Republic of Ireland through a company beneficially owned by him, Kildare Consulting Limited.

The above mentioned contract is of two years duration and is subject to one year's notice period. The emoluments and fees payable under the above mentioned contracts amounted to €650,250 for 2012 (see Note 9 and Note 26 (Related Party Transactions)).

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' and Secretary's Shareholdings and Other Interests

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

	Number of Ordinary Shares		
	31 Dec 2011	31 Dec 2012	**7 May 2013**
Directors			
Dr. Brian Hillery	14,060	14,060	14,060
Philip O'Quigley	5,000	5,000	5,000
Tony O'Reilly	112,470	112,470	112,470
Dr. Philip Nolan	30,000	30,000	30,000
James S.D. McCarthy	10,000	10,000	10,000
Lex Gamble	100,000	100,000	100,000
John O'Sullivan	10,110	10,110	10,110
Secretary			
Michael Graham	5,250	5,250	5,250

Details of the movement on outstanding options are as follows:

	At 31 December 2011	**At 31 December 2012**	Price (Euro)	Expiry Date
Directors				
Dr. Brian Hillery	102,694	**102,694**	1.46	August 2013
	51,347	**51,347**	2.73	November 2013
	25,000	**–**	–	Lapsed July 2012
	10,000	**10,000**	6.75	May 2014
	–	**25,000**	6.13	July 2019
Philip O'Quigley	50,000	**50,000**	9.79	June 2015
	150,000	**150,000**	3.80	June 2016
	70,000	**70,000**	2.95	December 2017
	–	**25,000**	6.13	July 2019
Tony O'Reilly	50,000	**50,000**	5.00	June 2014
	100,000	**–**	–	Lapsed July 2012
	100,000	**100,000**	6.93	May 2013
	100,000	**100,000**	6.75	May 2014
	70,000	**70,000**	2.95	December 2017
	–	**100,000**	6.13	July 2019
Dr. Philip Nolan	25,000	**25,000**	5.00	June 2014
	10,000	**10,000**	6.93	May 2013
	10,000	**10,000**	6.75	May 2014
	–	**25,000**	6.13	July 2019
James S.D. McCarthy	50,000	**–**	–	Lapsed July 2012
	10,000	**10,000**	6.75	May 2014
	–	**35,000**	6.13	July 2019
Lex Gamble	10,000	**10,000**	6.93	May 2013
	10,000	**10,000**	6.75	May 2014
	–	**25,000**	6.13	July 2019
John O'Sullivan	20,538	**20,538**	1.27	August 2013
	80,000	**–**	–	Lapsed May 2012
	10,000	**10,000**	5.00	June 2014
	75,000	**75,000**	6.93	May 2013
	60,000	**60,000**	6.75	May 2014
	70,000	**70,000**	2.95	December 2017
	–	**100,000**	6.13	July 2019
Secretary				
Michael Graham	10,269	**10,269**	1.46	August 2013
	5,000	**5,000**	5.00	June 2014
	15,000	**–**	–	Lapsed July 2012
	20,000	**20,000**	6.93	May 2013
	20,000	**20,000**	6.75	May 2014
	25,000	**25,000**	3.80	June 2016
	40,000	**40,000**	2.95	December 2017
	–	**25,000**	6.13	July 2019

Based on the closing share price on 31 December 2012, options over 698,848 of the above shares were capable of being exercised. Options over 360,000 shares included in the above options were granted during the year. The market price of the ordinary shares at 31 December 2012 was €7.90 and the range during the financial year was €2.40 to €8.85.

Directors' Report

Subsidiary Companies

The information required by Section 158(4) of the Companies Act 1963 on subsidiary companies is contained in the information provided in respect of these companies as set out in Note 4 to the Company financial statements.

Special Business

1) Shareholders are being asked to grant authority to the Directors, to allot new ordinary shares having in aggregate a nominal value equal to the amount of the authorised but as yet unissued ordinary share capital of the Company. This authority will be for a period of five years from the date of the passing of the resolution (Resolution No. 5) and is a continuation of the previous authority given in 2008. The Directors have no present intention of exercising the authority granted pursuant to Resolution No. 5.
2) Shareholders are also being asked to grant authority to the Directors until the earlier of the next Annual General Meeting or 6 September 2014 to disapply statutory pre-emption rights in relation to the issue of securities (as defined by the Companies (Amendment) Act 1983) by way of rights issue, open offer or otherwise to shareholders and subject to such exclusions and other arrangements deemed necessary to deal with any legal or practical problems; pursuant to the Company's Share option Schemes, and or for any other issue of equity securities for cash up to a maximum aggregate nominal value of €644,982 corresponding to 10% of the nominal value of the Company's issued ordinary share capital at the date of passing of Resolution number 6.

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 the resolutions, as they intend to do in respect of their own beneficial holdings.

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the consolidated and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and parent Company financial statements for each financial year. Under that law and in accordance with ESM rules the Directors are required to prepare the consolidated financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with generally accepted accounting practice in Ireland, comprising applicable law and the financial reporting standards issued by the Financing Reporting Council in the UK and promulgated by the Institute of Chartered Accountants in Ireland.

The consolidated financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Acts 1963 to 2012 provide, in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the consolidated 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

Under applicable law, the Directors are also responsible for preparing a Directors' Report.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2012. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare, voluntarily, a Corporate Governance Statement as if the Company were required to prepare such a statement in accordance with the Listing Rules of the Irish Stock Exchange.

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 reviewed cash flow forecasts for the period to 31 December 2014. The group's cash on hand at 31 December 2012 of €16.8m was increased in February 2013 on the completion of the sale of PR Singleton to IGas Energy plc for $66m. The group then discharged its outstanding bank debt of $44m and is now debt free. The directors are satisfied that the group will have sufficient cash resources to enable it to discharge all its commitments as they fall due, funded in the short term from existing cash resources.

As set out in more detail in the Chairman's and Chief Executive's review, the group looks forward to incurring significant capital expenditure in 2013 and 2014 on Dunquin and Spanish Point and, depending on the state of permitting, on three other planned wells (Dragon, Polaris and Kish) in 2014. The directors are satisfied that, while no arrangements have yet been entered into, the group will be in a position to fund this capital expenditure programme through planned farm out programmes.

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 Revised Combined Code ("The Code") on Corporate Governance, 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 2012.

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 12.

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. The Board met formally on 17 occasions during 2012. 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. 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 (Dr. Brian Hillery) is Non-Executive. The Non-Executive Directors are independent of management and other than share options held, have no material interest or other relationship with the Group. The Board has not deemed it necessary to appoint a senior Non-Executive Director. However, this is subject to ongoing review.

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 and Remuneration 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. Mr. James McCarthy is Chairman of the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises five Non-Executive Directors chaired by Dr. Brian Hillery.

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.

Share option schemes were introduced in August 1997 (expired August 2007), May 2005 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 Scheme has now expired and no new options may be granted from that scheme.

Directors' Report

The Remuneration Committee reviews and assesses proposals to grant share options to participants under the share option scheme. Participation is at the discretion of Directors for eligible participants.

Details of Directors' remuneration for the current period are set out in Note 9 to the financial statements.

Nomination Committee

At present the Board does not have a Nomination Committee and the authority to nominate new Directors for appointment therefore vests in the Board of Directors. Consideration to setting up a specific Nomination Committee is under continuous review.

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 has a website which is 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 Chairman 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 Articles of Association of the Company and details of the proxy votes for and against each resolution are announced after the result of the hand votes.

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.
- Cashflow 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 was carried out during the year 2009. The Directors considered that the procedures necessary to implement the Turnbull guidelines on the Combined Code have been properly established.

The Board 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 forecast Euro requirements.

Commodity Risk Management

In line with most oil and gas exploration companies the Group would hedge a certain proportion of any production at rates in excess of the current commodity market price. Consideration of further hedging instruments, when applicable, is kept under review.

General Industry Risk

Providence'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 listed below, held 3% or more of the Ordinary share capital of the Company at 7 May 2013.

Shareholder	Number of Shares	%
Sir Anthony O'Reilly	9,961,720	15.45
BlackRock Investment Management (UK) Limited	5,804,427	8.99
JP Morgan Asset Management UK Limited	5,532,134	8.58
HSBC plc and subsidiary companies	4,291,864	6.65
Henderson Global Investors Limited	2,500,000	3.88
F & C Asset Management plc	2,496,186	3.87
American Funds Insurance Global Small Capitalization Fund	1,956,250	3.03

Political Donations

There were no political donations during the year (2011: €Nil).

Books and Accounting Records

The Directors are responsible for ensuring proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. The Directors through the use of appropriate procedures and systems and the employment of competent persons have ensured that measures are in place to secure compliance with these requirements. These books and accounting records are maintained at the Company's business address, Airfield House, Airfield Park, Donnybrook, Dublin 4.

Auditors

KPMG have indicated their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963. Shareholders will be asked to authorise the Directors to fix their remuneration.

On behalf of the Directors

Dr. Brian Hillery
Chairman

Tony O'Reilly
Chief Executive

7 May 2013

Independent Auditor's Report

to the members of Providence Resources P.l.c.

We have audited the Group and Company financial statements ("financial statements") of Providence Resources P.l.c. for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the Company financial statements, is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2012 and of its loss for the year then ended;
- the Company balance sheet gives a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs as at 31 December 2012; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2012.

Matters on which we are required to report by the Companies Acts 1963 to 2012

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

The Company's balance sheet is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

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

The net assets of the Company, as stated in the balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion the disclosures of Directors' remuneration and transactions specified by law are not made.

David Meagher

for and on behalf of

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
7 May 2013

Consolidated Income Statement

for the year ended 31 December 2012

	Note	**2012 €'000**	2011 €'000 (re-presented*)
Revenue – continuing operations	2	**–**	–
Administration expenses	4	**(3,937)**	(1,850)
Pre-licence expenditure		**–**	(117)
Impairment of exploration and evaluation assets	12	**(1,495)**	(1,731)
Loss on disposal of asset		**–**	(381)
Operating loss	10	**(5,432)**	(4,079)
Finance income	5	**494**	134
Finance expenses	6	**(3,295)**	(5,151)
Loss before income tax		**(8,233)**	(9,096)
Income tax expense	7	**–**	–
Loss for year from continuing operations		**(8,233)**	(9,096)
Discontinued operations			
Loss from discontinued operations (net of income tax)	3	**(15,950)**	(4,844)
Loss for the financial year attributable to equity holders of the Company		**(24,183)**	(13,940)
Loss per share (cent) – continuing operations			
Basic loss per share	11	**(13.51)**	(19.45)
Diluted loss per share	11	**(13.51)**	(19.45)
Loss per share (cent) – discontinued operations			
Basic loss per share	3	**(26.17)**	(10.36)
Diluted loss per share	3	**(26.17)**	(10.36)
Loss per share (cent) – total			
Basic loss per share		**(39.68)**	(29.81)
Diluted loss per share		**(39.68)**	(29.81)

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

* The comparative income statement has been re-presented as if the operations discontinued during the current year had been discontinued from the start of the comparative year.

On behalf of the Board

Dr. Brian Hillery
Chairman

Tony O'Reilly
Chief Executive

Our Financials

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	**2012 €'000**	2011 €'000
Loss for the financial year		**(24,183)**	(13,940)
Continuing operations			
Foreign exchange translation differences	6	**(97)**	(1,533)
Net change in fair value of cashflow hedges transferred to income statement	6	**2,305**	1,342
Cashflow hedges – net fair value loss	6	**–**	(2,449)
– related deferred tax	21	**3,407**	2,057
Total income and expense recognised in other comprehensive income from continuing operations		**5,615**	(583)
Total comprehensive expense for the year		**(18,568)**	(14,523)

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

On behalf of the board

Dr. Brian Hillery
Chairman

Tony O'Reilly
Chief Executive

Consolidated Statement of Financial Position

as at 31 December 2012

	Note	2012 €'000	2011 €'000
Assets			
Exploration and evaluation assets	12	**67,076**	36,214
Development and production assets	13	**–**	46,159
Property, plant and equipment	14	**42**	32
Derivative instruments		**–**	5,111
Deferred tax	21	**–**	5,887
Total non-current assets		**67,118**	93,403
Trade and other receivables	15	**4,005**	6,626
Derivative instruments		**–**	513
Restricted cash	16	**–**	17,491
Cash and cash equivalents	16	**16,831**	18,563
Assets classified as held for sale	3	**43,852**	–
Total current assets		**64,688**	43,193
Total assets		**131,806**	136,596
Equity			
Share capital	17	**18,136**	16,668
Capital conversion reserve fund		**623**	623
Share premium	17	**209,975**	130,548
Singleton revaluation reserve		**2,471**	2,650
Convertible bond – equity portion		**–**	2,333
Foreign currency translation reserve		**(3,752)**	(3,655)
Share based payment reserve		**4,942**	4,368
Loan warrant reserve		**–**	5,641
Cashflow hedge reserve		**–**	(2,305)
Retained deficit		**(164,297)**	(148,994)
Total equity attributable to equity holders of the Company		**68,098**	7,877
Liabilities			
Loans and borrowings	19	**–**	30,033
Decommissioning provision	20	**4,738**	5,165
Deferred tax	21	**–**	24,091
Total non-current liabilities		**4,738**	59,289
Loans and borrowings	19	**–**	41,779
Trade and other payables	22	**23,445**	27,651
Liabilities classified as held for sale	3	**35,525**	–
Total current liabilities		**58,970**	69,430
Total liabilities		**63,708**	128,719
Total equity and liabilities		**131,806**	136,596

On behalf of the Board

Dr. Brian Hillery
Chairman

Tony O'Reilly
Chief Executive

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Singleton revaluation reserve (Note18(a)) €'000	Foreign currency translation reserve (Note 18(b)) €'000	Share based payment reserve (Note 18(c)) €'000	Warrants (Note 18(d)) €'000	Convertible bond – equity portion (Note 18(e)) €'000	Cashflow hedge reserve (Note 18(f)) €'000	Retained deficit €'000	Total €'000
At 1 January 2011	15,058	623	86,918	2,919	(2,122)	3,537	5,641	2,944	(3,255)	(136,001)	(23,738)
Loss for financial year	–	–	–	–	–	–	–	–	–	(13,940)	(13,940)
Currency translation	–	–	–	–	(1,533)	–	–	–	–	–	(1,533)
Cashflow hedge	–	–	–	–	–	–	–	–	950	–	950
Total comprehensive income	15,058	623	86,918	2,919	(3,655)	3,537	5,641	2,944	(2,305)	(149,941)	(38,261)
Transactions with owners, recorded directly in equity											
Shares issued in year	1,610	–	43,630	–	–	–	–	–	–	–	45,240
Share based payments	–	–	–	–	–	898	–	–	–	–	898
Share options forfeited in year	–	–	–	–	–	(67)	–	–	–	67	–
Transfer from Singleton revaluation reserve	–	–	–	(269)	–	–	–	–	–	269	–
Bond redemption	–	–	–	–	–	–	–	(611)	–	611	–
At 31 December 2011	16,668	623	130,548	2,650	(3,655)	4,368	5,641	2,333	(2,305)	(148,994)	7,877

	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Singleton revaluation reserve (Note18(a)) €'000	Foreign currency translation reserve (Note 18(b)) €'000	Share based payment reserve (Note 18 (c)) €'000	Warrants (Note 18(d)) €'000	Convertible bond – equity portion (Note 18(e)) €'000	Cashflow hedge reserve (Note 18(f)) €'000	Retained deficit €'000	Total €'000
At 1 January 2012	**16,668**	**623**	**130,548**	**2,650**	**(3,655)**	**4,368**	**5,641**	**2,333**	**(2,305)**	**(148,994)**	**7,877**
Loss for financial year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(24,183)**	**(24,183)**
Currency translation	**–**	**–**	**–**	**–**	**(97)**	**–**	**–**	**–**	**–**	**–**	**(97)**
Cashflow hedge	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,305**	**–**	**2,305**
Total comprehensive income	**16,668**	**623**	**130,548**	**2,650**	**(3,752)**	**4,368**	**5,641**	**2,333**	**–**	**(173,177)**	**(14,098)**
Transactions with owners, recorded directly in equity											
Shares issued in year	**1,314**	**–**	**72,415**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**73,729**
Share based payments	**–**	**–**	**–**	**–**	**–**	**1,301**	**–**	**–**	**–**	**–**	**1,301**
Share options exercised in year	**14**	**–**	**252**	**–**	**–**	**(238)**	**–**	**–**	**–**	**238**	**266**
Share options forfeited in year	**–**	**–**	**–**	**–**	**–**	**(489)**	**–**	**–**	**–**	**489**	**–**
Transfer from Singleton revaluation reserve	**–**	**–**	**–**	**(179)**	**–**	**–**	**–**	**–**	**–**	**179**	**–**
Exercise of warrants (Note 23)	**140**	**–**	**6,760**	**–**	**–**	**–**	**(5,641)**	**–**	**–**	**5,641**	**6,900**
Bond redemption (Note 19)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,333)**	**–**	**2,333**	**–**
At 31 December 2012	**18,136**	**623**	**209,975**	**2,471**	**(3,752)**	**4,942**	**–**	**–**	**–**	**(164,297)**	**68,098**

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	2012 €'000	2011 €'000
Cash flows from operating activities		
Loss before income tax for the year – continuing operations	**(8,233)**	(9,096)
Loss before income tax for the year – discontinued operations	**(36,524)**	(341)
	(44,757)	(9,437)
Adjustments for:		
Depletion and depreciation	**2,755**	2,634
Loss on disposal	**–**	381
Abandonment provision	**34**	–
Impairment of exploration and evaluation assets	**1,495**	1,731
Impairment of development and production assets	**32,357**	4,904
Finance income	**(494)**	(134)
Finance expense	**16,369**	5,378
Equity-settled share based payment charge	**1,247**	898
Foreign exchange	**(507)**	2,307
Change in trade and other receivables	**(3,782)**	1,579
Change in restricted cash	**16,581**	(14,971)
Change in trade and other payables	**(2,696)**	18,811
Interest paid	**(6,712)**	(6,798)
Hedge repayments	**(297)**	(7,714)
Net cash inflow/(outflow) from operating activities	**11,593**	(431)
Cash flows from investing activities:		
Interest received	**494**	134
Acquisition of exploration and evaluation assets	**(31,755)**	(27,576)
Acquisition of development and production assets	**(27,202)**	(8,889)
Acquisition of property, plant and equipment	**(38)**	(38)
Disposal of development and production assets – AJE	**4,610**	7,759
Disposal of development and production assets – Triangle	**–**	10,475
Net cash used in investing activities	**(53,891)**	(18,135)
Cash flows from financing activities:		
Proceeds from issue of share capital	**84,797**	47,662
Share capital issue costs	**(3,902)**	(2,422)
Repayment of loans and borrowings	**(44,273)**	(56,540)
Proceeds from drawdown of loans and borrowings	**4,077**	39,033
Net cash from financing activities	**40,699**	27,733
Net (decrease)/increase in cash and cash equivalents	**(1,599)**	9,167
Cash and cash equivalents at 1 January	**18,563**	9,171
Effect of exchange rate fluctuations on cash and cash equivalents	**(133)**	225
Cash and cash equivalents at 31 December	**16,831**	18,563

Notes to the Consolidated Financial Statements

for the year ended 31 December 2012

1 Statement of accounting policies

Reporting entity

Providence Resources P.l.c. (the "Company") is a company domiciled in Ireland. The consolidated financial statements of the Company for the year ended 31 December 2012 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 and warrants, both of which are measured at grant date fair value, and derivative financial instruments and available for sale assets, 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 note 27 to the financial statements.

New accounting standards applied during 2012

A number of new accounting standards and amendments to accounting standards became applicable to the group during the year. None had a material impact on the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 May 2013.

Going concern

The Directors have considered carefully the financial position of the Group and, in that context, have reviewed cash flow forecasts for the period to 31 December 2014. The group's cash on hand at 31 December 2012 of €16.8m was increased in February 2013 on the completion of the sale of PR Singleton to IGas Energy plc for $66m. The group then discharged its outstanding bank debt of $44m and is now debt free. The directors are satisfied that the group will have sufficient cash resources to enable it to discharge all its commitments as they fall due, funded in the short term from existing cash resources.

As set out in more detail in the Chairman's and Chief Executive's review, the group looks forward to incurring significant capital expenditure in 2013 and 2014 on Dunquin and Spanish Point and, depending on the state of permitting, on three other planned wells (Dragon, Polaris and Kish) in 2014. The directors are satisfied that, while no arrangements have yet been entered into, the group will be in a position to fund this capital expenditure programme through planned farm out programmes.

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) including interpretations adopted by the International Accounting Standards Board (IASB), that are effective for accounting periods ending on or before the reporting date, 31 December 2012.

Standards and interpretations in issue but not effective and not applied

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for IFRS 11 *Joint Arrangements* which becomes mandatory for the Group's 2014 consolidated financial statements and IFRS 9 *Financial Instruments* which becomes mandatory for the Group's 2015 consolidated financial statements. The Group does not intend to adopt these standards early and is currently considering the extent of the impact on its financial statements.

1 Statement of 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 has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

Business combinations

The fair value of the consideration of a business combination is measured as the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control. Deferred expenditure arising on business combinations is determined through discounting the amounts payable to their present value at the date of exchange. The discount element is reflected as an interest charge in the income statement over the life of the deferred payment. In the case of a business combination the assets and liabilities are measured at their provisional fair values at the date of acquisition. Adjustments to the provisional fair values of assets and liabilities are made within twelve months of the acquisition date and reflected as a restatement of the acquisition balance sheet.

Goodwill

Goodwill written off to reserves under Irish GAAP prior to 1998 was not reinstated on transition to IFRS and will not be included in determining any subsequent profit or loss on disposal. Goodwill on acquisitions is initially measured as the fair value of consideration transferred; plus the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the proportion of the cash-generating unit retained.

Revenue recognition

Revenue comprises the fair value of oil and gas supplied by the Group and excludes inter-company sales, trade discounts and value added tax. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, that it can be reliably measured, that the risk and rewards of product passes out of the ownership of the Group to external customers pursuant to enforceable sales contracts and that the significant risks and rewards of ownership of goods have passed to the buyer.

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 contribution 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" and "2009 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.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

1 Statement of accounting policies (continued)

Finance income and expenses

Finance income comprises interest income on funds invested and gains on the disposal of available-for-sale financial assets. 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, foreign currency losses and impairment losses recognised on financial assets. Borrowing costs are recognised in profit or loss using the effective interest method.

Warrants granted under a former loan facility were fair valued using an appropriate option pricing model, taking into account the terms and conditions upon which the warrants have been granted. These costs form part of the effective interest rate charged on the facility and were recognised over the life of the facility.

The liability component of convertible bonds issued during a prior year were measured at fair value. The difference between the fair value of the debt element at issue and the face value is amortised over the life of the bond as a notional interest charge through the income statement and forms part of finance expenses.

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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period and such gains or losses are reported in the income statement.

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 directly in other comprehensive income. Since 1 January 2006, the Group's date of transition to IFRS, such differences have been recognised 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.

1 Statement of accounting policies (continued)

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, which comprise convertible debt, share warrants and share options granted to employees.

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.

(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.

Exploration and evaluation assets are initially held at cost and are not revalued.

(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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

1 Statement of accounting policies (continued)

(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, 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

Impairment reviews on development and production assets are carried out on each cash-generating unit identified in accordance with IAS 36 "*Impairment of Assets*". The Group's cash-generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas or fields.

Where there has been a charge for impairment in an earlier period, that charge may be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

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. This amount is included within development and production assets by licence area and the liability is included in provisions. Such cost is depleted over the life of the licence area on a unit of production basis and charged to the income statement. The unwinding of the discount is reflected as a finance cost in the income statement over the expected remaining life of the well.

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

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. 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.

1 Statement of accounting policies (continued)

Restricted cash

Restricted cash comprises all cash balances that the Group does not have access to. These are classified as restricted cash balances within current assets.

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 investments in equity and securities, 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.

(ii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

(iii) Derivative financial instruments

The Group held derivative financial instruments to hedge its oil and gas price risk exposures. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

1 Statement of accounting policies (continued)

Embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

Cash flow hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income in a cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss deferred in the cash flow hedge reserve remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount deferred in the cash flow hedge reserve is transferred to profit or loss in the same period that the hedged item affects profit or loss.

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 equity, net of any tax effects.

Non-current assets and liabilities held for sale

Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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. 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, 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.

The Group disposed of its UK onshore oil and gas portfolio of assets in February 2013 (see Note 3).

Segment revenue

All revenue is generated from assets in the UK, and is included in discontinued operations.

	2012 €'000	2011 €'000
Segment net loss for the year		
Republic of Ireland – exploration assets	**(1,495)**	(1,848)
Africa – development and production assets	**–**	(422)
Corporate expenses	**(3,937)**	(1,809)
Operating loss	**(5,432)**	(4,079)

2 Operating segments (continued)

	2012 €'000	2011 €'000
Segment assets		
UK – producing assets – classified as held for sale	**43,852**	61,943
UK – exploration assets	**933**	–
Republic of Ireland – exploration assets	**69,129**	67,306
Africa – development and production assets	**–**	4,637
US assets	**155**	91
Group assets	**17,737**	2,619
Total assets	**131,806**	136,596

		2012 €'000	2011 €'000
Segment liabilities			
UK – producing assets – classified as held for sale		**(35,525)**	(67,201)
Republic of Ireland – exploration assets		**(27,183)**	(23,747)
US – liabilities		**(252)**	(1,343)
Group liabilities		**(748)**	(36,428)
Total liabilities		**(63,708)**	(128,719)
Capital expenditure			
UK – producing assets	– classified as held for sale	**27,202**	7,927
	– exploration assets	**774**	–
		27,976	7,927
Republic of Ireland	– exploration assets, net of cash calls	**30,981**	27,539
	– property, plant and equipment	**38**	38
Africa – development and production assets		**–**	245
Total capital expenditure, net of cash calls		**58,995**	35,749
Depletion and decommissioning charge			
UK – producing assets (discontinued operations)		**2,727**	2,505
Republic of Ireland – exploration assets		**34**	–
		2,761	2,505
Impairment charge			
UK – development assets (discontinued operations)		**32,357**	4,904
Republic of Ireland – exploration assets		**1,495**	1,731
		33,852	6,635

The Group sells its entire oil production to one customer, and therefore significant credit concentration risk existed during the year.

Notes to the Consolidated Financial Statements continued

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3 Discontinued operations

On 28 September 2012, the Group announced the disposal of its UK producing operations to IGas Energy Plc for gross consideration of $66 million before the repayment of loans and borrowings held in the company being disposed of. The disposal has been treated as a discontinued operation and the assets and liabilities being disposed of have been shown as assets and liabilities held for sale in the consolidated statement of financial position.

Held for sale assets and liabilities

The assets and liabilities that will be disposed of are as follows:

	€'000
Assets	
Development and production assets	38,986
Derivative instruments	2,163
Trade and other receivables	1,793
Cash and cash equivalents	910
	43,852
Liabilities	
Loans and borrowings	31,725
Decommissioning provision	869
Deferred tax	1,421
Trade and other payables	1,510
	35,525

Results from discontinued operations – UK disposal

	2012 €'000	2011 €'000
Revenue	**15,642**	13,752
Cost of sales	**(5,454)**	(4,055)
Gross profit	**10,188**	9,697
Administration expenses	**(1,281)**	(683)
Impairment of assets	**(32,357)**	(4,904)
Results from operating activities	**(23,450)**	4,110
Finance expense	**(13,074)**	(227)
Result from operating activities before tax	**(36,524)**	3,883
Income tax credit/(charge)	**20,574**	(4,503)
Results from operating activities after tax – UK disposal	**(15,950)**	(620)
US disposal (see below)	**–**	(4,224)
Total	**(15,950)**	(4,844)

The total loss from discontinued operations is attributable entirely to the owners of the Company.

Cashflows from discontinued operations

	2012 €'000	2011 €'000
Net cash from operating activities	**9,726**	794
Net cash from investing activities	**(27,202)**	(8,889)
Net cash from financing activities	**(5,931)**	35,113
Net cash flows for the year	**(23,407)**	27,018

3 Discontinued operations (continued)

Discontinued operation in 2011 – disposal of US operations

In the year ended 31 December 2011, a loss from discontinued activities, all of which was attributable to the holders of the Company arose in respect of the disposal of the Group's US producing assets, as follows:

	2011 €'000
Expenses, being loss from operating activities	(2,421)
Loss on sale	(1,803)
	(4,224)

Related cashflows were:

	2011 €'000
Net cash from operating activities	279
Net cash from investing activities	16
	295

Earnings per share from discontinued operations

	2012 € cent	2011 € cent
Basic loss per share	**(26.17)**	(10.36)
Diluted loss per share	**(26.17)**	(10.36)

4 Administration expenses

	2012 €'000	2011 €'000
Corporate, exploration and development expenses	**7,822**	5,522
Foreign exchange differences	**(1,179)**	(1,608)
Total administration expenses for the year	**6,643**	3,914
Capitalised in Exploration and Evaluation assets (Note 12)	**(1,367)**	(1,044)
Capitalised in Development and Production assets (Note 13)	**(58)**	(337)
	(1,425)	(1,381)
Total charged to the income statement	**5,218**	2,533
Analysed as:		
Continuing operations	**3,937**	1,850
Discontinued operations (Note 3)	**1,281**	683
	5,218	2,533

5 Finance income

	2012 €'000	2011 €'000
Bank deposit interest income	**494**	134

6 Finance expenses

	2012 €'000	2011 €'000
Recognised in income statement:		
Interest expense on financial liabilities – measured at amortised cost	**3,021**	4,781
Unwind of discount on decommissioning provision (Note 20)	**274**	370
Total	**3,295**	5,151

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

6 Finance expenses (continued)

	2012 €'000	2011 €'000
Recognised directly in other comprehensive income:		
Foreign currency differences on foreign operations	**(97)**	(1,533)
Effective portion of change in fair value of cash flow hedge	**–**	(2,449)
Net change in fair value of cash flow hedge transferred to income statement	**2,305**	1,342
Total finance expenses	**2,208**	(2,640)

7 Income tax (credit)/expense

	2012 €'000	2011 €'000
Current tax expense		
Current year	**–**	–
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(16,528)**	2,054
Effect of change in tax rates	**135**	2,449
Adjustment in respect of prior year	**(4,181)**	–
Total income tax (credit)/expense for year	**(20,574)**	4,503
Analysed as:		
Continuing operations	**–**	–
Discontinued operations (Note 3)	**(20,574)**	4,503

A reconciliation of the expected tax benefit computed by applying the standard Irish tax rate to the loss before tax to the actual tax (credit)/expense is as follows:

	2012 €'000	2011 €'000
Loss before tax	**(44,757)**	(9,437)
Irish standard tax rate	**12.5%**	12.5%
Tax credit at the Irish standard rate	**(5,595)**	(1,180)
Expenses not deductible for tax purposes	**917**	144
Losses unutilised/(utilised)	**1,959**	(1,623)
Other timing differences	**(940)**	3,667
Effect of different tax rates in foreign jurisdictions	**(16,915)**	3,495
Tax (credit)/expense for the year	**(20,574)**	4,503

8 Employee expenses and numbers

	2012 €'000	2011 €'000
Wages and salaries	**2,314**	1,896
Social welfare costs	**249**	194
Defined contribution pension costs	**175**	163
Share-based payment expense (Note 23)	**1,301**	898
	4,039	3,151

In addition, the Group incurred technical and managerial consultancy costs during the year totalling €nil (2011: €351,000).

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

	2012 €'000	2011 €'000
Wages and salaries	**1,425**	1,381
Share-based payment expense	**54**	303

8 Employee expenses and numbers (continued)

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

	2012 Number	2011 Number
Exploration, evaluation, production and development	11	9
Corporate management and administration	11	9
	22	18

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 €175,000 (2011: €163,000).

9 Directors' remuneration and transactions with key management personnel

Directors' emoluments are analysed as follows:

	Salaries & other emoluments	Bonus	Salaries & other emoluments	Bonus	Fees		Share based payments		Total	
	2012 €'000	2012 €'000	2011 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Executive										
Tony O'Reilly	494	247	498	–	–	–	153	102	894	600
John O'Sullivan	271	108	271	25	–	–	172	100	551	396
Non-Executive										
Brian Hillery	–	–	–	–	80	65	38	–	118	65
Lex Gamble	–	–	–	–	45	20	38	–	83	20
James McCarthy	–	–	–	–	45	20	54	–	99	20
Philip Nolan	–	–	–	–	45	20	38	–	83	20
Philip O'Quigley	106	–	337	–	30	–	57	105	193	442
Total	871	355	1,106	25	245	125	550	307	2,021	1,563

(a) Directors' remuneration is fixed by the Remuneration Committee of the Board which is comprised solely of Non-Executive Directors of the Company.
(b) The share based payments cost represent the non-cash expense attributable to the relevant options held by each Director.
(c) The emoluments of Mr. Tony O'Reilly include payments made to Kildare Consulting Limited under the terms of his employment contract (Note 26).
(d) Included in salaries and other emoluments are pension contributions made to a pension scheme for Mr. Philip O'Quigley amounting to €14,417 (2011: €63,250). Mr. O'Quigley became a Non-Executive Director on 1 May 2012.
(e) Directors' remuneration includes bonus payments made to executive directors as part of the LTIP (Long Term Incentive Plan) which is agreed by the remuneration committee of the Board of Directors. The payment of bonuses is at the discretion of the directors and is based on a number of factors including the activities of the Group and its share price performance. In July 2012, payments totalling €354,750 were made to the executive directors covering the period 2008 through 2011. The last bonus (LTIP) payment made was in July 2008, covering the period 2005 through 2008.

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 page 14 and 15.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

9 Directors' remuneration and transactions with key management personnel (continued)

Transactions with key management personnel comprising Directors and other senior management

Key management personnel compensation was as follows:

	2012 €'000	2011 €'000
Wages, salaries and fees:		
Executive Directors	**1,241**	1,068
Non-Executive Directors	**245**	125
Other key management salaries	**458**	288
	1,944	1,481
Social welfare costs	**109**	91
Defined contribution pension costs	**96**	94
Share-based payment expense	**729**	521
	2,878	2,187

10 Statutory and other information

	2012 €'000	2011 €'000
Auditor's remuneration		
– Audit of Company and Group accounts	**42**	42
– Other assurance services, being audit of subsidiary entities	**48**	48
– Taxation services	**10**	10
Operating lease rentals on property	**229**	262
Depreciation on development and production assets	**2,727**	2,505
Depreciation on property, plant and equipment	**28**	129
Impairment of evaluation and exploration assets	**1,495**	1,731
Impairment of development and production assets	**32,357**	4,904
Pre-licence exploration expenditure	**–**	117
Loss on sale of AJE development asset	**–**	381
Loss on sale of Triangle asset	**–**	1,803
Directors' emoluments		
– Fees	**245**	125
– Salaries and other emoluments	**871**	1,106
– Bonuses	**355**	25
– Share-based payments	**550**	307

11 Earnings per share

Earnings per share is 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 as follows:

	2012	2011
Loss attributable to equity holders of the Company from continuing operations	**(8,233)**	(9,096)

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

	2012	2011
In issue at beginning of year ('000s)	**49,808**	33,712
Adjustments for shares issued in year ('000s)	**11,145**	13,054
Weighted average number of ordinary shares ('000s)	**60,953**	46,766
Basic loss per share (cent) – continuing operations	**(13.51)**	(19.45)
Diluted loss per share (cent) – continuing operations	**(13.51)**	(19.45)

There is no difference between the 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. There were 2,666 (2011: 1,978) anti-dilutive share options, no (2011: 4.2 million) anti-dilutive convertible bonds and no (2011: 1,400) anti-dilutive share warrants in issue at 31 December 2012.

12 Exploration and evaluation assets

	Republic of Ireland €'000	UK €'000	Africa €'000	Total €'000
Cost and net book value				
At 1 January 2011	10,140	–	–	10,140
Additions	32,972	–	–	32,972
Administration expenses	1,007	–	37	1,044
Cash calls received in year	(6,440)	–	–	(6,440)
Impairment charge	(1,731)	–	–	(1,731)
Increase in abandonment costs	266	–	–	266
Transfer to development and production assets (Note 13)	–	–	(37)	(37)
At 31 December 2011	**36,214**	**–**	**–**	**36,214**
Additions	35,344	551	–	35,895
Cash calls received in year	(5,507)	–	–	(5,507)
Administration expenses	1,144	223	–	1,367
Impairment charge	(1,495)	–	–	(1,495)
Increase in abandonment costs	602	–	–	602
At 31 December 2012	**66,302**	**774**	**–**	**67,076**

Full details of the Group's interests in exploration and evaluation assets, together with key developments in 2012, are contained in the Review of Operations on pages 7 to 10.

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that no impairment charge is required at 31 December 2012. 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

13 Development and production assets

	UK €'000	US €'000	Africa €'000	Total €'000
Cost				
At 1 January 2011	52,995	26,806	12,436	92,237
Additions in year	7,590	–	208	7,798
Transfer from exploration and evaluation assets (Note 12)	–	–	37	37
Administration expenses	337	–	–	337
Disposal	–	(26,806)	(12,681)	(39,487)
Exchange rate adjustment	911	–	–	911
At 31 December 2011	61,833	–	–	61,833
Additions in year	27,144	–	–	27,144
Administration expenses	58	–	–	58
Transfer to held for sale assets (Note 3)	(90,282)	–	–	(90,282)
Exchange rate adjustment	1,247	–	–	1,247
At 31 December 2012	**–**	**–**	**–**	**–**
Depletion				
At 1 January 2011	8,024	26,806	–	34,830
Charge for the year	2,505	–	–	2,505
Impairment charge	4,904	–	–	4,904
Eliminated on disposal	–	(26,806)	–	(26,806)
Exchange rate adjustment	241	–	–	241
At 31 December 2011	15,674	–	–	15,674
Charge for the year	2,727	–	–	2,727
Impairment of assets	32,357	–	–	32,357
Transfer to held for sale assets (Note 3)	(51,296)	–	–	(51,296)
Exchange rate adjustment	538	–	–	538
At 31 December 2012	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2012	**–**	**–**	**–**	**–**
At 31 December 2011	46,159	–	–	46,159

14 Property, plant and equipment

	Furniture & equipment €'000
Cost	
At 1 January 2011	640
Additions in year	38
At 31 December 2011	678
Additions in year	38
Transfer to assets held for sale	(251)
At 31 December 2012	**465**
Depreciation	
At 1 January 2011	517
Charge for year	129
At 31 December 2011	646
Charge for year	28
Transfer to assets held for sale	(251)
At 31 December 2012	**423**
Net book value	
At 31 December 2012	**42**
At 31 December 2011	32

15 Trade and other receivables

	2012 €'000	2011 €'000
Trade receivables	**–**	1,303
VAT recoverable	**–**	358
Prepayments and accrued income	**66**	240
Other receivables	**38**	88
Amounts due from joint venture partners	**3,901**	–
Due from purchaser of AJE asset	**–**	4,637
	4,005	6,626

16 Cash and cash equivalents

	2012 €'000	2011 €'000
Cash held in bank accounts	**17,741**	36,054
Less: Restricted bank balances (a)	**(910)**	(17,491)
Cash and cash equivalents	**16,831**	18,563

(a) At year end, the restricted cash balance at year end relates to cash deposits required to comply with the terms of the Deutsche Bank prepaid swap agreement. The restricted cash balance of €0.91 million is classified in assets held for sale at 31 December 2012 (note 3).

At 31 December 2011, the restricted cash balance on hand at year end relates to cash deposits required to comply with the conditions of the convertible bonds issued in 2008 (€2.5 million), to comply with the terms of letters of credit issued by the Group to certain of its suppliers (€14.1 million) and to comply with the terms of the Deutsche Bank prepaid swap agreement (€0.9 million).

17 Share capital and share premium

	Number '000	€'000
Authorised		
Deferred shares of €0.011 each (a)	**1,062,442**	11,687
Ordinary shares of €0.10 each	**123,131**	12,313

(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.

Issued

	Total number '000s	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	33,712	3,371	81,227
At 1 January 2011	33,712	15,058	86,918
Ordinary shares issued in year	16,097	1,610	46,052
Share issue costs	–	–	(2,422)
At 31 December 2011	49,809	16,668	130,548
Ordinary shares issued in year (a)	13,149	1,314	76,317
Share issue costs	–	–	(3,902)
Share options exercised in year (Note 23)	140	14	252
Warrants exercised in year (Note 23)	1,400	140	6,760
At 31 December 2012	**64,498**	**18,136**	**209,975**

(a) In April 2012, 13.149 million new ordinary shares were placed at stg£4.80 (€5.90) per share resulting in gross proceeds of £63.1 million (€77.6 million) before expenses. The purpose of the share placing was to fund the Group's drilling programme in Ireland. In addition, 0.14 million ordinary shares were issued during the year to employees on the exercise of share options.

Notes to the Consolidated Financial Statements continued

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18 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:

(a) The Singleton revaluation reserve arises as a result of the step-up revaluation of the Group's original 20% holding of the Singleton asset recognised in 2007 on the acquisition of a further 79.125% of the asset. In the current year, the transfer to retained earnings represents a transfer of an amount equal to the depletion charge on the stepped up portion of the revaluation recognised in the income statement in 2012, net of deferred tax.
(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 during the year, which are reclassified to retained earnings.
(d) The loan warrant reserve comprises the fair value of all share warrants granted to the Group's former bankers (Note 23). All of the warrants issued in prior years were exercised in 2012, resulting in the entire reserve being reclassified to retained earnings.
(e) The equity portion of the convertible bond represents proceeds received from the issue of the convertible bonds less the fair value of the debt component of the instrument, which was classified within loans and borrowings (Note 19). During 2011, part repayment of the bond occurred and consequently an amount representing the conversion rights given up as part of this transaction was reclassified to retained earnings. In 2012, the bonds were fully repaid and the remaining balance in this reserve was reclassified to retained earnings.
(f) The hedging reserve comprised the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that had not yet occurred. Cash flow hedge accounting ceased during the prior year upon the termination of the Group's derivative instruments. The cash flow hedge reserve remaining at 31 December 2011 was being amortised to profit or loss in line with the occurrence of the oil sales that the derivatives were originally put in place to hedge. As a result of the sale of the Singleton assets in February 2013, these hedged oil sales are no longer highly probable at 31 December 2012, and the remaining balance on this reserve has been reclassified to the income statement.

19 Loans and borrowings

	Deutsche Bank loan facility (a) €'000	Deutsche Bank loan fees €'000	Convertible bond (b) €'000	BNP revolving credit facility €'000	BNP loan fees €'000	Total €'000
At 1 January 2011	–	–	39,802	47,582	(1,597)	85,787
Drawn down in year	39,033	(808)	–	–	–	38,225
Repaid during year	(3,112)	–	(7,735)	(44,866)	–	(55,713)
Written off to income statement	–	54	1,380	–	1,597	3,031
Foreign exchange differences	3,230	(32)	–	(2,716)	–	482
At 31 December 2011	39,151	(786)	33,447	–	–	71,812
Written off to income statement	–	135	818	–	–	953
Foreign exchange differences	(825)	(19)	–	–	–	(844)
Drawn down in year	4,077	–	–	–	–	4,077
Repaid during year	(10,008)	–	(34,265)	–	–	(44,273)
Transferred to held for sale liabilities (Note 3)	(32,395)	670	–	–	–	(31,725)
At 31 December 2012	**–**	**–**	**–**	**–**	**–**	**–**

(a) In 2011, the Group entered into a pre-paid swap transaction with Deutsche Bank which was structured to enable repayment of the loan drawn down from future sales of oil. Under the facility, the Group sold forward specified quantities of oil.

The swap embedded in the transaction was separated from the host contract and was accounted for at fair value in the statement of financial position with any movements accounted for through profit or loss.

Loans and borrowings will be sold as part of the disposal of the UK producing assets, and will subsequently be repaid by the acquirers. Accordingly these have been transferred to liabilities held for sale at 31 December 2012 (Note 3).

(b) In July 2008, the Group placed convertible bonds with institutional investors to raise €42 million. The bonds were secured on the Group's exploration asset located in Africa. In December 2011, the Group disposed of this asset and repaid €7.7 million to bond holders. The remaining balance was repaid during the year.

During 2011 and 2012, as part repayments of the bond occurred, and amounts representing the conversion rights were given up, the equity portion of the debt was reclassified to retained deficit.

20 Decommissioning provisions

	2012 €'000	2011 €'000
At beginning of year	**5,165**	3,551
Charge for year	**34**	266
Unwinding of discount – continuing operations (Note 6)	**274**	370
Unwinding of discount – discontinued operations (Note 3)	**61**	–
Utilised in year	**(541)**	(323)
Created in year	**602**	–
Liability assumed from partner	**–**	1,241
Foreign exchange differences	**12**	60
Transferred to held for sale liabilities (Note 3)	**(869)**	–
At end of year	**4,738**	5,165

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2013 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.

An additional provision was created in the year as a result of drilling activities undertaken at Barryroe.

21 Deferred taxation

Movements on recognised deferred tax assets and liabilities during the year were as follows:

	At 1 January 2012 €'000	Recognised in income statement €'000	Recognised in OCI €'000	Translation adjustment €'000	Held for sale Assets and liabilities €'000	At 31 December 2012 €'000
Development & production assets	**(24,091)**	**4,404**	**–**	**(441)**	**20,128**	**–**
Decommissioning provision	**642**	**(95)**	**–**	**14**	**(561)**	**–**
Derivative financial instruments	**3,407**	**–**	**(3,407)**	**–**	**–**	**–**
Tax value of loss carry forwards	**1,838**	**16,265**	**–**	**43**	**(18,146)**	**–**
	(18,204)	**20,574**	**(3,407)**	**(384)**	**1,421**	**–**

	At 1 January 2011 €'000	Recognised in income statement €'000	Recognised in OCI €'000	Translation adjustment €'000	At 31 December 2011 €'000
Development & production assets	(18,912)	(4,765)	–	(414)	(24,091)
Decommissioning provision	571	54	–	17	642
Derivative financial instruments	1,252	–	2,057	98	3,407
Tax value of loss carry forwards	1,585	208	–	45	1,838
	(15,504)	(4,503)	2,057	(254)	(18,204)

The Group is not recognising a deferred tax asset of approximately €24.4 million (2011: €35.2 million) which mainly relates to unutilised tax losses available for 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 to the Consolidated Financial Statements continued

for the year ended 31 December 2012

21 Deferred taxation (continued)

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

	2012 €'000	2011 €'000
One year	**231**	2,668
Two years	**988**	231
Three years	**505**	988
Four years	**1,977**	505
Five years	**376**	1,977
More than five years	**157,778**	127,985
Total	**161,855**	134,354

Unutilised losses may be carried forward for 25 years from the date of the origination of the losses, but may only be offset against taxable profits earned from the same trade.

22 Trade and other payables

	2012 €'000	2011 €'000
Capital expenditure payable	**22,145**	18,925
Accruals	**1,099**	7,381
Other payables	**201**	99
Cash calls received in advance	**–**	1,246
	23,445	27,651

23 Share schemes and warrants

The Group has the following employee share schemes:

1997 Scheme

Under the 1997 Scheme, which is now closed, the Directors, at their discretion, may grant options over ordinary shares to employees, consultants and Directors at the higher of par and market value on the date the option is granted. Options are normally exercisable 18 months after the date of grant but no later than 10 years from the date of grand. These options were granted prior to 7 November 2002 and, accordingly, do not fall within scope of IFRS 2 "*Share-based payment*" but are disclosed in the table below as required by the standard. At 31 December 2012 options over 317,484 shares remain outstanding at subscription prices ranging from €1.27 to €5. These options expire at varying dates up to June 2014.

2005 Scheme

In May 2005, the Directors adopted a share option scheme which contains similar provisions to the 1997 Scheme except that under the 2005 Scheme there are share growth performance criteria to the exercise of the options and the option price is 90% of the market price immediately preceding the date of grant.

The scheme operates as an equity-settled share option scheme. The options granted are 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 50% 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 100% from date of grant and has maintained such increase over a period of three months prior to the exercise of any option.

No options were granted during 2012 under this scheme (2011: nil). At 31 December 2012, options over 0.8 million (2011: 1.2 million) shares remained outstanding at subscription prices ranging from €4.05 to €9.79. These options expire at varying dates up to October 2015.

23 Share schemes and warrants (continued)

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.

755,000 options were granted during 2012 under this scheme (2011: Nil). At 31 December 2012, options over 1.55 million (2011: 0.91 million) shares remained outstanding at subscription prices ranging from €2.95 to €6.13. These options expire at varying dates up to July 2019.

Warrants

In 2006 and 2008, the Directors agreed a revolving credit facility and a bridging loan facility respectively with its former bankers. In accordance with these facilities, 1.0 million warrants to purchase new ordinary shares at a subscription price of €4.50 per share and 0.40 million warrants to purchase new ordinary shares at a subscription price of €6.00 were granted. All of the warrants were exercised in 2012, resulting in increases in share capital and share premium of €140,000 and €6,760,000 respectively and the transfer of the warrants reserve of €5.6 million to retained deficit.

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

For the year ended 31 December 2012

	1997 scheme		2005 scheme		2009 scheme		Warrants	
	No of share options '000s	Weighted average exercise price €	No of share options '000s	Weighted average exercise price €	No of share options '000s	Weighted average exercise price €	No of warrants '000s	Weighted average exercise €
At 1 January	354	2.93	1,177	5.74	910	3.33	1,400	6.64
Granted during year	–	–	–	–	755	6.13	–	–
Forfeited during year	–	–	(375)	4.27	(15)	6.13	–	–
Exercised during year *	(36)	1.46	–	–	(104)	3.35	(1,400)	6.64
At 31 December	318	2.93	802	6.91	1,546	4.68	–	–
Of which exercisable at year end	318	2.93	15	4.05	791	3.39	–	–

* The average share price when these options and warrants were exercised was €7.32.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

23 Share schemes and warrants (continued)

For the year ended 31 December 2011

	1997 scheme		2005 scheme		2009 scheme		Warrants	
	No of share options '000s	Weighted average exercise price €	No of share options '000s	Weighted average exercise price €	No of share options '000s	Weighted average exercise price €	No of warrants '000s	Weighted average exercise €
At 1 January	354	2.93	1,177	5.74	970	3.35	1,400	6.64
Forfeited during year	–	–	–	–	(60)	3.70	–	–
At 31 December	354	2.93	1,177	5.74	910	3.33	1,400	6.64
Of which exercisable at year end	354	2.93	–	–	–	–	1,400	6.64

The total number of options outstanding at 31 December 2012 was 2,666,234 (2011: 3,841,886). These had exercise prices ranging from €1.27 to €9.79.

The fair values of these options and warrants were calculated using a Monte Carlo option pricing model.

755,000 options were granted in 2012 (2011: Nil). The assumptions used to arrive at the fair value of share options granted in 2012 at the grant date were as follows:

	2009 scheme Weighted average 2012
Share price (cent)	6.13
Exercise price (cent)	6.13
Expected volatility (%)	74%
Expected life (years)	5
Risk free rate (%)	0.57
Expected dividend yield (%)	–
Maximum option life (years)	7
The resulting fair values were:	
Fair value (cent)	3.75

An exponentially weighted moving average model was used to calculate expected volatility based on an appropriate period's prices.

The charge in respect to the Group's 2005 and 2009 share based schemes is recorded as follows:

	2012 €'000	2011 €'000
Administration expenses	**1,247**	595
Capitalised within exploration and evaluation assets	**54**	303

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.

24 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

In addition, up to the date of agreement to dispose of its UK producing assets (Note 3), it had exposure to commodity price 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. Up to the repayment of its Deutsche Bank facility in February 2013, it also used bank debt to fund its operations. 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:

	2012 €'000	2011 €'000
Variable rate instruments		
Financial assets – cash and cash equivalents	**16,831**	18,563
Financial assets – restricted cash	**910**	17,491
Fixed rate instruments		
Financial liabilities – loans and borrowings	**(31,725)**	(71,812)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ('bps') in interest rates at 31 December 2012 and 31 December 2011 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
31 December 2012				
Variable rate instruments	**448**	**(448)**	**–**	**–**
31 December 2011				
Variable rate instruments	507	(507)	–	–

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

24 Financial instruments (continued)

(b) Foreign currency risk

The Group is exposed to currency risk on purchases 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 2012 and 2011 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 2012					31 December 2011				
	Euro €'000	**GBP €'000**	**USD €'000**	**Not at risk €'000**	**Total €'000**	Euro €'000	GBP €'000	USD €'000	Not at risk €'000	Total €'000
Trade receivables	**–**	**–**	**1,444**	**–**	**1,444**	–	–	1,303	–	1,303
VAT recoverable	**–**	**–**	**21**	**–**	**21**	–	–	–	358	358
Other debtors	**–**	**–**	**–**	**4,333**	**4,333**	–	–	4,637	328	4,965
Derivative asset/ (liability) (net)	**–**	**–**	**2,163**	**–**	**2,163**	–	–	5,624	–	5,624
Cash and cash equivalents	**11**	**9,880**	**6,139**	**801**	**16,831**	24	2,611	10,133	5,795	18,563
Restricted cash	**–**	**–**	**–**	**910**	**910**	–	4,190	10,781	2,520	17,491
Loans & borrowings	**–**	**–**	**(31,725)**	**–**	**(31,725)**	–	–	(38,365)	(33,447)	(71,812)
Trade and other payables	**(154)**	**(12,744)**	**(9,156)**	**(2,901)**	**(24,955)**	(7)	(9,728)	(5,126)	(12,790)	(27,651)
Total exposure	**(143)**	**(2,864)**	**(31,114)**	**3,143**	**(30,978)**	17	(2,927)	(11,013)	(37,236)	(51,159)

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

	Average rate		Spot rate	
	2012	2011	**2012**	2011
1 GBP	**0.8119**	0.8718	**0.8161**	0.8353
1 USD	**1.2932**	1.4013	**1.3194**	1.2939

Sensitivity analysis

A 10% strengthening and weakening of the euro against the following currencies, based on outstanding financial assets and liabilities at 31 December 2012 and 31 December 2011 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**
31 December 2012				
GBP	286	(286)	–	–
USD	3,131	(3,131)	–	–
31 December 2011				
GBP	293	(293)	–	–
USD	2,267	(2,267)	–	–

24 Financial instruments (continued)

(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.

Contractual maturities of financial liabilities as at 31 December 2012 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
Bank loans	**31,725**	**32,692**	**4,950**	**4,950**	**7,180**	**15,612**
Trade and other payables	**24,955**	**24,955**	**24,955**	**–**	**–**	**–**
Total	**56,680**	**57,647**	**29,905**	**4,950**	**7,180**	**15,612**

Contractual maturities of financial liabilities as at 31 December 2011 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
Bank loans	38,365	45,220	6,119	5,602	10,144	23,355
Convertible bond	33,447	35,967	–	35,967	–	–
Trade and other payables	27,651	27,651	27,651	–	–	–
Total	99,463	108,838	33,770	41,569	10,144	23,355

(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:

	2012 €'000	2011 €'000
Cash and cash equivalents	**16,831**	18,563
Restricted cash	**910**	17,491
Trade receivables	**1,444**	1,303
VAT recoverable	**21**	358
Other receivables	**4,333**	4,745
Derivative asset	**2,163**	5,624
Maximum exposure to credit risk	**25,702**	48,084

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2012

24 Financial instruments (continued)

(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 2012, the fair value equals the carrying amount in each case.

(f) Capital management

The Group has historically funded its activities through share rights issues and placings. It has also utilised industry specific financing through its bank borrowings and convertible bonds. While the bank borrowings will be disposed of in February 2013 following the disposal of the Group's interest in the Singleton asset, the convertible bond was redeemed in the year ended 31 December 2012. 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.

25 Commitments

(a) Exploration and evaluation activities

The Group has capital commitments of approximately €15.4 million to contribute to its share of costs of exploration and, evaluation activities during 2013.

(b) Operating leases

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

	€'000
Payable:	
Within one year	228
Between two and five years	519
After five years	–
Total operating lease commitments	**747**

26 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 September 2011. The amount paid under the contract in the year ended 31 December 2012 was €650,250. The contract is of two years duration and is subject to one year's notice period.

27 Accounting estimates and judgements

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 €67.1 million at 31 December 2012. 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.

27 Accounting estimates and judgements (continued)

Decommissioning

The decommissioning provision amounts to €4.7 million (2011: €5.2 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.

Share based payment reserve

The share based payment reserve amounts to €4.9 million (2011: €4.4 million) at 31 December 2012. The fair value of share options granted after 7 November 2002 has been determined using appropriate option pricing valuation models. The significant inputs into the model include certain management assumptions with regard to the standard deviation of expected share price returns, expected option life and annual risk free rates. The assumptions for the valuations are set out in Note 23.

Going concern

The Directors have considered carefully the financial position of the Group and, in that context, have reviewed cash flow forecasts for the period to 31 December 2014. The group's cash on hand at 31 December 2012 of €16.8m was increased in February 2013 on the completion of the sale of PR Singleton to IGas Energy plc for $66m. The group then discharged its outstanding bank debt of $44m and is now debt free. The directors are satisfied that the group will have sufficient cash resources to enable it to discharge all its commitments as they fall due, funded in the short term from existing cash resources.

As set out in more detail in the Chairman's and Chief Executive's review, the group looks forward to incurring significant capital expenditure in 2013 and 2014 on Dunquin and Spanish Point and, depending on the state of permitting, on three other planned wells (Dragon, Polaris and Kish) in 2014. The directors are satisfied that, while no arrangements have yet been entered into, the group will be in a position to fund this capital expenditure programme through planned farm out programmes.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

28 Approval of financial statements

The financial statements were approved by the Directors on 7 May 2013.

Our Financials

Company Balance Sheet

as at 31 December 2012

	Note	2012 €'000	2011 €'000
Fixed assets			
Oil and gas interests	2	**66,302**	36,214
Tangible assets	3	**41**	22
Financial assets	4	**2**	2
		66,345	36,238
Current assets			
Debtors	5	**65,826**	71,604
Cash at bank and in hand		**16,207**	34,792
		82,033	106,396
Creditors: amounts falling due within one year	6	**(25,972)**	(96,310)
Net current assets		**56,061**	10,086
Total assets less current liabilities		**122,406**	46,324
Provision for liabilities	7	**(4,391)**	(3,481)
Net assets		**118,015**	42,843
Capital and reserves			
Called up share capital	8	**18,136**	16,668
Share premium	8	**209,975**	130,548
Capital conversion reserve	9	**623**	623
Share based payment reserve	9	**4,942**	4,368
Loan warrant reserve	9	**–**	5,641
Convertible bonds – equity portion	9	**–**	2,333
Profit and loss account	9	**(115,661)**	(117,338)
Shareholders' funds – equity		**118,015**	42,843

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

On behalf of the Board

Dr. Brian Hillery
Chairman

Tony O'Reilly
Chief Executive

Notes to the Company Financial Statements

for the year ended 31 December 2012

1 Statement of accounting policies

Basis of preparation

The financial statements of the Company are prepared in accordance with Generally Accepted Accounting Practice in Ireland under the historical cost convention except for share options and warrants which are measured at grant date fair value, and comply with financial reporting standards of the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in Ireland.

Going concern

The Directors have considered carefully the financial position of the Group and, in that context, have reviewed cash flow forecasts for the period to 31 December 2014. The group's cash on hand at 31 December 2012 of €16.8m was increased in February 2013 on the completion of the sale of PR Singleton to IGas plc for $66m. The group then discharged its outstanding bank debt of $44m and is now debt free. The directors are satisfied that the group will have sufficient cash resources to enable it to discharge all its commitments as they fall due, funded in the short term from existing cash resources.

As set out in more detail in the Chairman's and Chief Executive's review, the group looks forward to incurring significant capital expenditure in 2013 and 2014 on Dunquin and Spanish Point and, depending on the state of permitting, on three other planned wells (Dragon, Polaris and Kish) in 2014. The directors are satisfied that, while no arrangements have yet been entered into, the group will be in a position to fund this capital expenditure programme through planned farm out programmes.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

Under the provisions of FRS 1, "Cash Flow Statements", a cash flow statement has not been prepared as the Company itself publishes consolidated financial statements that include a cash flow statement in the required format.

Pension costs

The Company provides for pensions for certain employees through defined contribution pension schemes. The amount charged to the profit and loss account in respect of the scheme is the contribution payable in that year. Any difference between amounts charged to the profit and loss account and contributions paid to the pension scheme is included in 'Debtors' or 'Creditors' in the balance sheet.

Share based payment

The Company's "2005 Scheme" and "2009 Scheme" falls within the scope of and are accounted for under the provisions of FRS 20. Accordingly the fair value of the options granted under these schemes, after 7 November 2002 and those not yet vested as at 1 January 2007 (the effective date of FRS 20), are recognised as a personnel expense with a corresponding increase in the "Share based payment reserve" within equity. The fair value of these options are measured at grant date and spread over the period during which personnel become unconditionally entitled to the options – the vesting period. The fair value of the options granted is measured using an 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 forteiture is only due to share prices not achieving the threshold for vesting.

Share warrants

Warrants granted to lenders in return for funding facilities have been measured at fair value using an option pricing model, taking into account the terms and conditions upon which the warrants have been granted. These costs form part of the effective interest rate charged on the facility and are recognised over the life of the facility.

Taxation

Current tax is provided on taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the Company Financial Statements continued

for the year ended 31 December 2012

1 Statement of accounting policies (continued)

Oil and gas interests

The Company accounts for oil and gas expenditure under the 'full cost' method of accounting.

(i) Exploration, appraisal and development expenditure

Exploration, appraisal and development expenditure is incurred either through consortium operations or directly on acquiring, exploring or testing exploration prospects. All lease, licence and property acquisition costs, geological and geophysical costs and other direct costs of exploration, appraisal and development are capitalised. The amount capitalised includes operating expenses directly related to these activities, interest expense and foreign exchange differences incurred on loans prior to the commencement of production.

(ii) Cost pools

Costs are capitalised within separate geographic cost pools, which comprise Ireland in one pool and the Rest of the World in the other pool.

Costs relating to the exploration and appraisal of oil and gas interests which the Directors consider to be unevaluated are initially held outside the cost pools. Costs held outside cost pools are reassessed at each year end. When a decision to develop these interests has been taken, or there is evidence of impairment, the related costs are transferred to the relevant cost pools.

(iii) Depreciation

Expenditure within each cost pool is depreciated using the unit of production method based on commercial reserves. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future costs of development of the undeveloped reserves at current year end unescalated prices. Changes in cost and reserve estimates are dealt with prospectively.

(iv) Abandonment

Provision is made for the anticipated costs of future restoration. Management estimate the future costs associated with removal of production facilities discounted to take account of risk and the time value of money. These costs have been determined with reference to current legal requirements and current technology. The present value of those future costs is recorded as a provision in the balance sheet.

A corresponding abandonment asset is recorded in Oil and Gas Interests and is depreciated in accordance with the Company's depreciation policy set out at (iii) above.

Annually, the unwinding of the discount factor is recorded as an expense in the profit and loss account and disclosed under 'Interest payable and similar charges'. Changes in estimates which result in a revision of the net present value of the provision are accounted for by adjusting the provision, with a corresponding entry to Oil and Gas Interests.

(v) Impairment test

An impairment test is carried out at each balance sheet date to assess whether the net book value of capitalised costs in each pool, together with the future costs of development of undeveloped reserves, is covered by the discounted future net revenues from the reserves within that pool, calculated at prices prevailing at the year end. Any deficiency arising is provided for to the extent that, in the opinion of the Directors, it is considered to represent a permanent diminution in the value of the related asset, and, where arising, is dealt with in the profit and loss account as additional depreciation.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provisions for impairment.

Depreciation is provided on all tangible assets on a straight-line basis to write off the cost (net of estimated residual value) over the expected useful economic lives of these assets as follows:

- Furniture and equipment 3–10 years

Financial fixed assets

Financial fixed assets consist of the Company's investments in equity instruments and its subsidiaries and are stated at cost less, where considered necessary in the opinion of the Directors, provisions for impairment.

1 Statement of accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease terms.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Issue expenses and share premium account

Issue expenses arising on the issue of equity securities are written off against the share premium account.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where a financial instrument that contains both equity and financial liability components, exists these components are seperated and accounted for individually under the above policy.

2 Oil and gas interests – exploration expenditure

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

Full details of the Company's interests in exploration and evaluation assets, together with key developments in 2012, are contained in the Review of Operations on pages 7 to 10.

	Ireland €'000
Cost	
At 1 January	36,214
Exploration and appraisal expenditure	35,344
Cash calls received in year	(5,507)
Impairment charge	(1,495)
Administration expenses	1,144
Increase in abandonment costs	602
At 31 December	**66,302**

The Directors have reviewed the carrying value of exploration and expenditure assets and are satisfied that there are no current indications of further impairment. They recognise, however, 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.

Our Financials

Notes to the Company Financial Statements continued

for the year ended 31 December 2012

3 Tangible fixed assets

	Furniture & equipment €'000
Costs	
At 1 January 2012	388
Additions in year	31
At 31 December 2012	**419**
Depreciation	
At 1 January 2012	366
Charge for year	12
At 31 December 2012	**378**
Net book value	
At 31 December 2012	**41**
At 31 December 2011	22

4 Financial fixed assets

	2012 €'000
Investments in subsidiaries at start and end of year	**2**

At 31 December 2012, the Company had the following principal subsidiaries:

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	13 Lombard Street, Belfast, Northern Ireland	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%
Providence Resources (Nigeria Holdings) Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Providence Exploration (GB) Limited	5 Jubilee Place, London SW3 3TD, UK	Oil and gas exploration and production	100%
P.R. Oil & Gas Indonesia Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Providence Resources (US Holdings) Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Providence Resources (GOM) LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Holding company	100%
Providence Resources (Trading) Limited	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Holding company	100%
Island Gas (Singleton) Limited (formerly P.R. Singleton Limited)	7 Down Street, London W1J 7AJ, UK	Oil and gas exploration and production	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) Limited	Airfield House, Airfield Park, Donnybrook, Dublin 4	Holding company	100%
Eirgas Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands Holdings) Limited	Holding company	100%

* Subsequent to the year end the Group disposed of its direct investment in Island Gas (Singleton) Limited (formerly P.R. Singleton Limited) on 28 February 2013.

5 Debtors

	2012 €'000	2011 €'000
Trade debtors	–	78
Other debtors	38	–
VAT	–	7
Prepayments and accrued income	66	91
Amounts due from subsidiaries	61,821	71,428
Amounts due from joint venture partners	3,901	–
	65,826	71,604

All of the above amounts fall due within one year.

6 Creditors: amounts falling due within one year

	2012 €'000	2011 €'000
Trade creditors	21,943	16,284
Accruals	770	4,416
Other creditors	177	2,368
Amounts owed to subsidiaries	3,082	38,549
Cash calls received in advance	–	1,246
Convertible bond	–	33,447
	25,972	96,310

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

7 Provision for liabilities – Decommissioning

	2012 €'000	2011 €'000
At 1 January	3,481	1,657
Unwinding of discount	274	317
Charge in year	34	–
Increase in provision in year	602	266
Liability assumed from partner	–	1,241
Balance 31 at December	4,391	3,481

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2013 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.

An additional provision was created in the year as a result of drilling activities undertaken at Barryroe.

8 Share capital and share premium

See Note 17 to the Group financial statements.

Notes to the Company Financial Statements continued

for the year ended 31 December 2012

9 Movement on reserves

	Capital conversion fund €'000	Share based payment reserve €'000	Warrants €'000	Convertible bond-equity portion €'000	Profit & loss account €'000
At 1 January 2012	623	4,368	5,641	2,333	(117,338)
Loss for financial year	–	–	–	–	(7,024)
Share based payments	–	1,301	–	–	
Share options exercised in year	–	(238)	–	–	238
Exercise of warrants	–	–	(5,641)	–	5,641
Forfeiture of share options	–	(489)	–	–	489
Bond redemption	–	–	–	(2,333)	2,333
At 31 December 2012	**623**	**4,942**	**–**	**–**	**(115,661)**

See note 23 to the Group financial statements for further details of the Company's share option schemes.

10 Commitments and contingencies

(a) Exploration and evaluation activities

The Company has capital commitments of approximately €15.4 million to contribute to its share of costs of exploration and evaluation activities during 2013.

(b) Operating leases

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

	2012 €'000	2011 €'000
Within one year	**1**	163
Between two and five years	**163**	7
Total	**164**	170

11 Statutory information

Under the provisions of Section 148(8) of the Companies Act, 1963, the Company has not presented its own profit and loss account. A loss of €7,024,000 (2011: €12,011,000) for the financial year ended 31 December 2012 has been dealt with in the separate profit and loss account of the Company.

	2012 €'000	2011 €'000
Auditor's remuneration	**42**	42

During the year the Company employed 18 people (2011: 16 people) and incurred payroll costs of €2 million (2011: €1.7 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 €175,000 (2011: €163,000).

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 September 2011. The amount paid under the contract for the year ended 31 December 2012 was €650,250. The contract is of two year's duration and is subject to one year's notice period.

13 Approval of financial statements

The financial statements were approved by the Directors on 7 May 2013.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Providence Resources P.l.c. will be held in The Hilton Hotel, Charlemont Place, Dublin 2 on Thursday 6 June 2012 at 11.00 am for the purpose of transacting the following ordinary business:

(1) To receive and consider the Directors' Report and Financial Statements for the year ended 31 December, 2012.

(2) (a) To re-elect Dr. Philip Nolan as a Director.
(b) To re-elect Mr. James McCarthy as a Director.

(3) To authorise the Directors to fix the remuneration of the Auditors.

(4) To transact any further ordinary business.

As special business to consider and, if thought fit, to pass the following resolutions.

(5) As an Ordinary Resolution
That the Directors be and they are hereby generally and conditionally authorised to exercise all the powers of the Company to allot and issue relevant securities (within the meaning of Section 20 of the Companies (Amendment) Act 1983 (the "1983 Act") and the maximum amount of relevant securities as aforesaid which can be allotted under this authority shall be the authorised but as yet unissued share capital of the Company at the close of business on the date of the passing of this Resolution provided that:

(i) this authority shall, subject to Section 20(3) of the 1983 Act, expire at the close of business on the date five years from the date of the passing of this Resolution unless previously renewed, varied or revoked by the Company in general meeting; and
(ii) the Company may, pursuant to this authority, make an offer or agreement before the expiry of this authority or any renewal or variation thereof which would or might require relevant securities to be allotted or issued after expiry of such authority and the Directors may allot and issue relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

As a Special Resolution:
(6) That, the Directors be and they are hereby empowered pursuant to Section 24 of the Companies (Amendment) Act 1983 (the "1983 Act") to allot equity securities (within the meaning of Section 23 of the said Act) for cash pursuant to the authority conferred on them by resolution of the shareholders passed on 6 June 2013 as if the restrictions in sub-section (1) of Section 23 did not apply to any such allotment, provided however that the power hereby conferred shall be limited to:

(i) 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;
(ii) pursuant to the terms of any scheme for Directors and/or employees etc. of the Company and/or its subsidiaries; and
(iii) otherwise than pursuant to sub-paragraphs (i) and (ii) above, having, in the case of relevant shares (as defined in Section 23 of the 1983 Act), a nominal amount or, in the case of any other equity securities, giving the right to subscribe for or convert into relevant shares, having a nominal amount, not exceeding in aggregate €644,982 (corresponding to 10%) of the issued Ordinary Share Capital of the Company

provided in each case the power shall, unless revoked or renewed in accordance with the provision of Section 24 of the 1983 Act, 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 in pursuance of such offer or agreement as if the power conferred hereby had not.

Dated 7 May 2013
By order of the Board
M. Graham, Secretary, Airfield House, Airfield Park, Dublin 4.

Notice of Annual General Meeting continued

Notes

1. A member entitled to attend and vote at the above General Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. The appointment of a proxy does not preclude a member from attending and voting at the meeting should he/she so wish.
2. In accordance with the requirements of The Stock Exchange, copies of the Directors' service contracts, if any, will be available for inspection by members at the registered office of the Company during normal business hours from the date of this notice and at the place of the Annual General Meeting for a period of fifteen minutes prior to the said meeting until the conclusion of the meeting.
3. A Form of Proxy for use at the AGM is enclosed. To be effective, the Form of Proxy, together with any Power of Attorney or other authority under which it is executed, or a notarially certified copy thereof, must be completed and reach the Company's Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 not less than forty-eight hours before the time for the holding of the meeting.
4. The Form of Proxy must (i) in the case of an individual member be signed by the member or his/her attorney duly authorised in writing; or (ii) in the case of a body corporate be given either under its common seal or signed on its behalf by its duly authorised officer or attorney.
5. 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 joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. Only those shareholders on the register of members of the Company as at 6:00 pm on 4 June 2013, will be entitled to attend and vote at the Annual General Meeting and may also only vote in respect of the number of shares registered in their name at that time.

Corporate Information

Board of Directors

Dr Brian Hillery
(Chairman), appointed 1997 [1,2,3]

Dr Philip Nolan
(Non-executive Director), appointed 2004 [1,2,3]

James S.D. McCarthy
(Non-executive Director), appointed 2005 [1,2,3]

Lex Gamble
(Non-executive Director), appointed 2005 [1,2,3]

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

Philip O'Quigley
(Non-executive Director 2012), appointed 2008 [1,3]

John O'Sullivan
(Technical Director), appointed 2010

[1] Non-executive
[2] Member Audit Committee
[3] Member Remuneration Committee

Secretary and Registered Office

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Registrar

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Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
Ireland

Nominated Adviser

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

Irish Stockbrokers

J&E Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

UK Stockbrokers

Cenkos Securities Limited
6-7-8 Tokenhouse Yard
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United Kingdom

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Level 12
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London
EC2Y 9LY

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DnB NOR
HSBC plc

Auditor

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and Registered Auditors
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Financial PR

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