Diversity.
Experience.
Expertise.
Growth.

Providence Resources Plc
Annual Report for the
year ended 31 December 2013

Stock Code: PVR

Welcome to Providence Plc Annual Report 2013

Oil and gas exploration and development

Who we are

Providence Resources Plc is an Irish based company with a portfolio of appraisal and exploration assets offshore Ireland and the U.K. Operating offshore Ireland for over 30 years, the Company has a well-established background in the oil and gas business, having worked closely with many major international companies who currently include ExxonMobil, Repsol, ENI, Petronas and Cairn Energy. The Company is continuing to carry out a c. $500 million multi-year drilling programme on a number of exploration/development prospects over six (of its eight) basins offshore Ireland, representing the largest concerted drilling campaign ever carried out offshore Ireland.

Business Model

Providence operates to a number of broad corporate strategic guidelines which have led to the development of its current portfolio. These guidelines may be summarised as follows:

- A front end E&P company, with a focus on early stage exploration and appraisal opportunities;
- Controlled and cost-effective expansion of our portfolio with a specific geographic focus on opportunities offshore Ireland and the UK;
- 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
- Where appropriate, act 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. The Company also favours engaging in strategic relationships/partnerships with third parties on a project-by-project basis.

Strategy

With experience of operating offshore Ireland, Providence's extensive geological database has given it a unique basis to establish an unrivalled diversified portfolio offshore Ireland. Operating in 8 distinct geological basins, Providence's portfolio includes seven appraisal and development projects, and 19 exploration prospects.

With a core team of geoscientists, Providence has been able to generate multiple opportunities for both appraisal validation and exploration success. In carrying out its multi-basin programme, Providence aims to take a respective project or prospect forward towards commercialisation. In the case of appraisal, it is to establish the commercial viability whereas with exploration, it is to prove a geological model and therefore open that basin or area for further exploration or appraisal activities.

Partnership is a key part of the Company's strategy, bringing in world class partners who have both the technical and financial capabilities to help progress the portfolio towards commercialisation.

This is normally achieved through farming down a proportion of the equity, though M&A opportunities are also considered. Ultimately, the objective is to retain an appropriate amount of equity in each project/prospect as it moves towards production for the benefit of shareholders.

Information on Providence and its oil and gas portfolio is available at **www.providenceresources.com**

Or scan the code with your smartphone →

Operational Highlights

Appraisal assets

Barryroe Oil Project, North Celtic Sea

- Publication of NSAI Competent Person's Report
- Farm-out process ongoing
- Increase in area of SEL 1/11

Helvick/Dunmore Oil Discoveries, North Celtic Sea Basin

- Application made for Lease Undertakings
- Farm out (on staged basis) to ABT Oil and Gas

Hook Head Oil Discovery, North Celtic Sea Basin

- Application made for a Lease Undertaking

Spanish Point Gas/Oil Project, Northern Porcupine Basin

- Farm in by Cairn Energy Plc, who assumed an operated 38% equity interest
- Planned drilling of Spanish Point appraisal well

Dragon Gas Project, St George's Channel

- Discussions commenced with UK/Irish government regulators on potential phased field development

Exploration assets

Dunquin Oil Prospect, Southern Porcupine Basin

- Completion of drilling of Dunquin North well
- 2nd phase of Frontier Exploration Licence extended by 12 months to November 2014

Drombeg Oil Prospect, Southern Porcupine Basin

- Conversion of Licensing Option 11/9 into FEL 2/14
- 3D Multi-client seismic programme to be carried out

Cuchulain Oil Prospects, Southern Porcupine Basin

- Increase in field equity to 5%

Newgrange Oil Prospect, Goban Spur Basin

- Conversion of Licensing Option 11/11 into FEL 6/14

Spanish Point South, Oil & Gas Prospects, Northern Porcupine Basin

- Conversion of Licensing Option 11/2 into FEL 1/14
- 3D seismic programme to be carried out

Silverback Oil Prospect, South Celtic Sea Basin

- Award of new Licensing Option 13/4

Polaris Oil Prospect, Rathlin Basin

- Full Tensor Gradiometry (FTG) programme acquired
- Electro-magnetic survey acquired on Rathlin Island

Kish Bank Oil Prospect, Kish Bank Basin

- Continual work with regulators on consent process for the drilling of Kish Bank oil prospect

Financial Highlights

- US $24 million Financing Facility put in place
- Loss for year €2.797 million
- Loss per share €0.0433

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See further information online at **www.providenceresources.com**

Read further information within this report

Business Review — Chairman's and Chief Executive's Statement

Portfolio Management in the Irish Offshore Sector

Dear Shareholder,

We are pleased to present the 2013 Annual Report, which gives an update on another very eventful year for your Company.

The year 2013 has been a very active year for the Company. Following the Company's drilling success at Barryroe in 2012, the Company's major focus has been on completing a farm-out, where we are working to affiliate with an appropriate strategic partner to take the field through detailed appraisal and, ultimately, into production.

Overall, the farm out and merger and acquisitions ("M&A") market in the oil and gas sector remains challenging. The majority of world-wide oil and gas investment/M&A deals have been concluded either in the North American shale gas/oil sector or in the East Africa region with very few deals being completed in the North-West European sector over the past year. This regional sectoral decline, combined with the uncertainty surrounding Scotland's upcoming referendum on independence and a substantial increase in capital costs, is having a negative impact on investment decisions in North-West Europe. This will, if not addressed, ultimately lead to a decline in production rates from this region, with the ensuing impact on pricing.

Noting this marked reduction in capital expenditure programmes by major industry players in North-West Europe, the Company, earlier this year, revised its field development plans, with an initial focus on a smaller staged development programme for Barryroe, building up to full field development (with projected ultimate production rates of up to 100,000 BOPD). This phased development programme is targeting an initial peak production rate of 30,000 BOPD, with substantially reduced initial capital expenditure and an accelerated timeline to get to first oil.

This phased approach has been very well received and the Company is in advanced discussions with a select number of international E&P companies on specific terms. The Company is encouraged by these negotiations, but until a deal is concluded, there can be no certainty on timing for a mutually acceptable agreement or that an agreement will be reached.

In addition to work on Barryroe, activity continued on the necessary preparatory work for the remaining four wells in our multi-basin drilling programme. The next drilling activity will be the Spanish Point appraisal well, operated by Cairn, which is targeting up to 200 MMBOE REC. This is to be followed by a gas appraisal/development well at Dragon, and then oil exploration wells at Polaris and Kish Bank.

Whilst the results from the Dunquin North well are still the subject of extensive post well studies, we are very encouraged by the data that we have seen so far. As this was the first well to be drilled in the southern Porcupine Basin, an area the size of the northern North Sea, we believe that the confirmation of a residual oil column in a high porosity massive carbonate reservoir system has acted as both a significant play and basin opener. This has major implications for the other carbonate build up contained within Frontier Exploration Licence 3/04, Dunquin South, and further work is being carried out to better evaluate this very large prospect. Importantly, the confirmation of a working oil-prone petroleum system in the Porcupine Basin has vindicated our licensing strategy, where we were the first mover when we secured acreage back in 2004.

Kosmos Energy, a recent entrant to Ireland, has completed a major 3D survey in the Southern Porcupine Basin and see the potential for large fan play systems, similar to the Drombeg prospect operated by Providence. In addition, the giant Statoil-operated Bay du Nord oil discovery in the Flemish Pass Basin, offshore Canada, which is considered to have been geologically on-trend with the southern Porcupine Basin, adds further impetus for future exploration in the area. As the largest acreage holder in the southern Porcupine Basin, with interests in Dunquin, Cuchulain, Newgrange and Drombeg, we are exceptionally well placed to capitalise on this growing industry interest at one end of what is now being termed the 'North Atlantic Jurassic oil source-rock superhighway'.

Tony O'Reilly
Chief Executive

Dr Brian Hillery
Chairman

As part of its strategy to open up new basins, the Company expanded its acreage portfolio with the award of a Licensing Option in the South Celtic Sea Basin, containing the Silverback oil prospect, a very large mid-basinal Mesozoic anticlinal closure. Standard Exploration Licence 1/11, which contains the Barryroe discovery, was increased in size by an additional c. 160 km^2 to cater for the potential increase in the size of the field. The Company also converted its Spanish Point South, Drombeg and Newgrange Licensing Options into Frontier Exploration Licences and is now planning the acquisition of new seismic data over these areas. Finally, during 2013, the Company concluded a staged farm out covering the Helvick and Dunmore oil discoveries to ABT Oil and Gas, which will see these marginal oil accumulations progressed towards development using newly emerging/innovative low cost production technologies.

The securing of a new interim financing facility of US$24 million was another important development for Providence as it provides the Company with the additional working capital for its operations, without having to access the equity markets. This is important as the current values for oil and gas equities (as listed on London's AIM) are at historically low values based on NAV metrics. Hopefully, this specific market decline, which has seen many oil and gas companies trade at their lowest levels in years, will reverse as investors begin to appreciate that the value in erosion is overdone.

As the most active company offshore Ireland, partnership has always been a key part of our strategy. Today, we partner with an array of world class companies - including ExxonMobil, ENI, PETRONAS, Repsol - and this year, we were pleased to welcome Cairn Energy Plc into our Spanish Point consortium and ABT Oil and Gas into Helvick and Dunmore. These partners bring both technical capabilities and financial support, which allow us to move forward with our extensive programme. We fully expect to add new companies to our family of international partners. More generally in 2013, the emergence of other companies, such as Woodside and Kosmos, offshore Ireland adds further positive developments for the industry, which we hope will lead to more drilling activity.

Ireland's offshore oil and gas sector is growing at the fastest pace in years. Providence's leadership position, combined with the increasing number of new industry players, means that Ireland can now look to develop a meaningful upstream oil and gas sector. It is notable that 2013/14 has seen the highest level of licence activity offshore Ireland and this obviously bodes well for the upcoming Atlantic Margin Licensing Round, which was announced on June 18. Providence plans to be a major player in this upcoming licensing round.

Looking ahead, we are optimistic on the prospects for the Irish oil and gas sector. Providence fully intends to carry on leading the way in identifying and realising the significant potential that exists in the region. Central to all of this is the Barryroe farm out, which remains the highest priority for the Company and the continuation of our multi-basin drilling.

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 also wish to express our thanks to our shareholders, who have continued to support us during what can only be described as a tough year from a share price perspective.

We look forward to updating shareholders further on our progress at our Annual General Meeting in August.

Dr Brian Hillery	Tony O'Reilly
Chairman	**Chief Executive**

See further information online at
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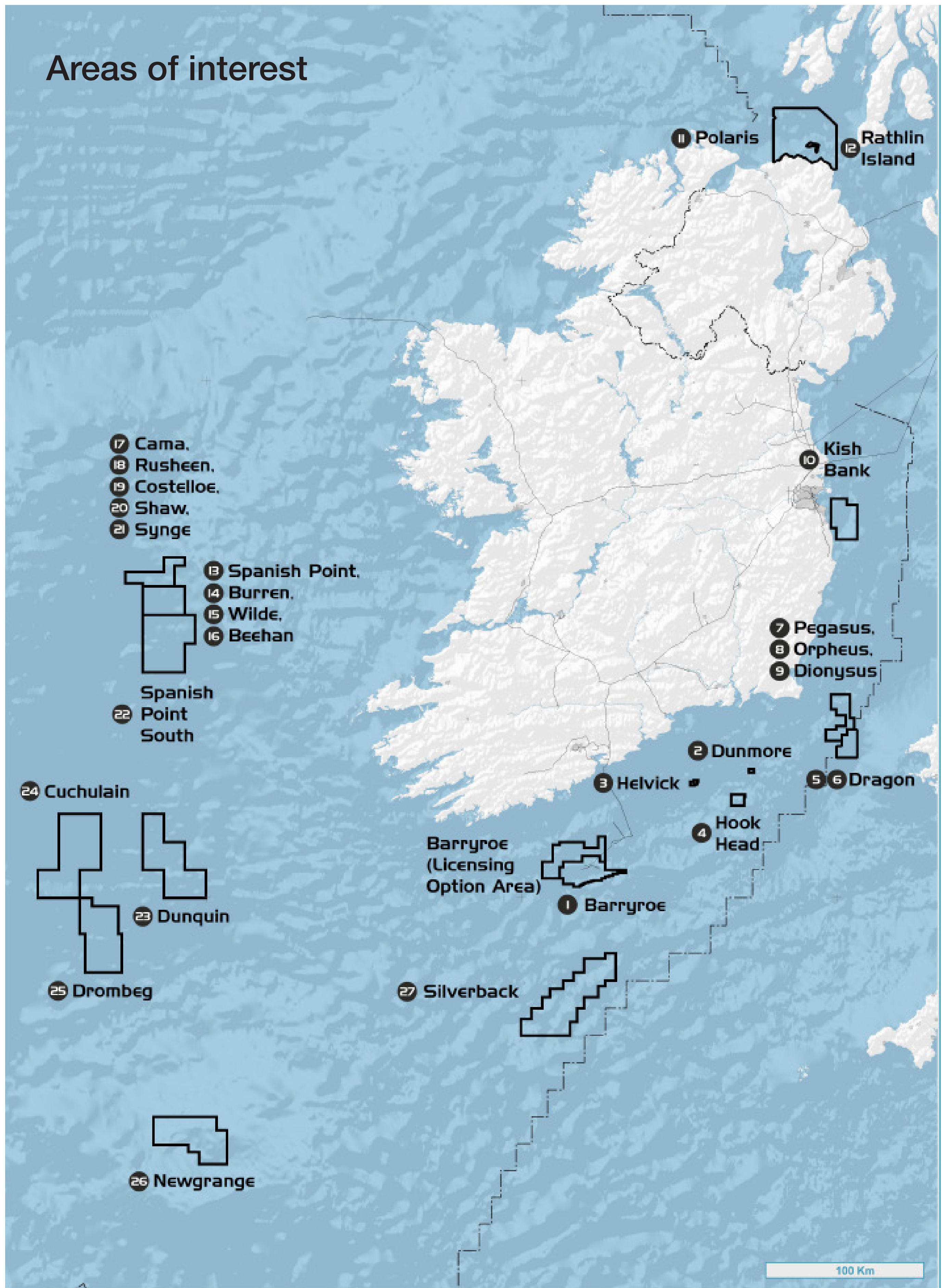
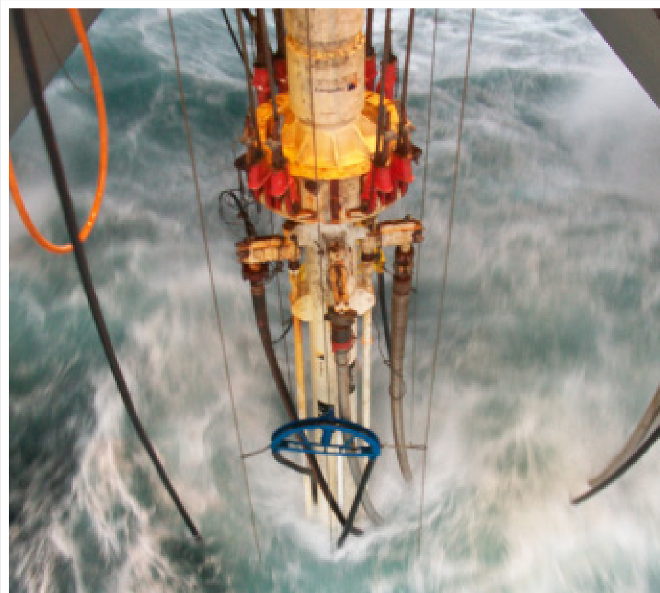
Business Review — List of Providence Assets

Ref	Licence	Issued	Asset	Operator	Partners	%	Type
	CELTIC SEA BASIN						
1	SEL 1/11	2011	Barryroe	Providence	Lansdowne	80.00%	Oil discovery
2	SEL 2/07	2007	Dunmore	Providence	Atlantic; Sosina	72.50%	Oil discovery
3	SEL 2/07	2007	Helvick	Providence	Atlantic; Sosina; Lansdowne	62.50%	Oil and gas discovery
4	SEL 2/07	2007	Hook Head	Providence	Atlantic; Sosina	72.50%	Oil and gas discovery
	ST GEORGE'S CHANNEL BASIN						
5	SEL 1/07	2007	Dragon	Providence		100.00%	Gas discovery
6	PL 1930	2011	Dragon	Providence		100.00%	Gas discovery
7	SEL 1/07	2007	Pegasus	Providence		100.00%	Oil and gas exploration
8	SEL 1/07	2007	Orpheus	Providence		100.00%	Oil and gas exploration
9	SEL 1/07	2007	Dionysus	Providence		100.00%	Oil and gas exploration
	KISH BANK BASIN						
10	SEL 2/11	2011	Kish Bank	Providence	Petronas	50.00%	Oil and gas exploration
	RATHLIN BASIN						
11	P 1885	2012	Polaris	Providence		100.00%	Oil and gas exploration
12	PL 5/10	2011	Rathlin Island	Providence		100.00%	Oil and gas exploration
	PORCUPINE BASIN						
13	FEL 2/04	2004	Spanish Point	Cairn	Chrysaor; Sosina	32.00%	Gas condensate discovery
14	FEL 2/04	2004	Burren	Cairn	Chrysaor; Sosina	32.00%	Oil discovery
15	FEL 2/04	2004	Wilde	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
16	FEL 2/04	2004	Beehan	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
17	FEL 4/08	2008	Cama (North & South)	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
18	FEL 4/08	2008	Rusheen (Nth & Sth)	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
19	FEL 4/08	2008	Costelloe (Main, Nth & Sth)	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
20	FEL 4/08	2008	Shaw	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
21	FEL 4/08	2008	Synge	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
22	FEL 1/14	2013	Spanish Point South	Cairn	Chrysaor; Sosina	32.00%	Oil and gas exploration
	SOUTHERN PORCUPINE BASIN						
23	FEL 3/04	2004	Dunquin	ExxonMobil	Repsol; Eni; Sosina; Atlantic	16.00%	Oil and gas exploration
24	FEL 1/99	1999	Cuchulain	ENI	Sosina	5.00%	Oil and gas exploration
25	FEL 2/14	2014	Drombeg	Providence	Sosina	80.00%	Oil and gas exploration
	GOBAN SPUR BASIN						
26	FEL 6/14	2014	Newgrange	Providence	Sosina	80.00%	Oil and gas exploration
	SOUTH CELTIC SEA BASIN						
27	LO 4/13	2013	Silverback	Providence		100.00%	Oil and gas exploration


Areas of interest
11 Polaris
12 Rathlin Island
10 Kish Bank
17 Cama,
18 Rusheen,
19 Costelloe,
20 Shaw,
21 Synge
13 Spanish Point,
14 Burren,
15 Wilde,
16 Beehan
22 Spanish Point South
7 Pegasus,
8 Orpheus,
9 Dionysus
2 Dunmore
3 Helvick
5 6 Dragon
4 Hook Head
24 Cuchulain
Barryroe (Licensing Option Area)
1 Barryroe
23 Dunquin
25 Drombeg
27 Silverback
26 Newgrange
100 Km

Business Review

Appraisal:
Celtic Sea Basin



SEL 1/11 – Barryroe

Providence holds an 80.0% equity stake in Standard Exploration Licence (SEL) 1/11 which contains the Barryroe oil field. The licence is located in the North Celtic Sea Basin, offshore southern Ireland and is adjacent to the giant PETRONAS operated Kinsale Head gas field. Providence acts as Operator of the licence, with Lansdowne Oil & Gas Plc holding the remaining 20.0%. In the past, under different operators, five oil wells were successfully drilled on Barryroe. All of these wells successfully logged hydrocarbons with three wells having flowed oil to surface. In 2011, having acquired a new 3D seismic survey over the field, Providence and Lansdowne drilled a sixth well on this areally extensive field. In March 2012, the Barryroe partners announced the tested flow rates from this well — results which far exceeded pre-drill expectations with oil rates in excess of 3,500 BOPD from a 7-metre vertical section of reservoir.

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

In April 2013, a Competent Persons Report ("CPR") was issued by Netherland Sewell & Associates Inc (NSAI) confirming the previously published updated figures on the main basal sandstone reservoir. In conjunction with a previous audit carried out by RPS Energy on the overlying secondary Middle Wealden reservoir, these third party studies have led to a substantial upgrade in resources at Barryroe (as shown below).

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)

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

With the Phase 2 Development Engineering Study and all post-well studies completed, together with the new data from the NSAI CPR, Providence commenced a farm out campaign in the summer of 2013 to bring in a potential co-venturer (farminee). Noting general market conditions for capital expenditure, the Company revised its field development plans, with an initial focus on a smaller staged development programme for Barryroe, building up to full field development (with projected ultimate production rates of up to 100,000 BOPD). This phased development programme is targeting an initial peak production rate file of 30,000 BOPD, with substantially reduced initial capital expenditure and an accelerated timeline to get to first oil.

In February 2014, the Company announced that the Irish government had agreed to increase the area of SEL 1/11 to provide c. 160 km^2 for a possible extension of the Barryroe oil field beyond the area previously licensed.

SEL 2/07 – Hook Head, Helvick and Dunmore

SEL 2/07 was awarded to Providence and its partners in 2007. The licence is located in the North Celtic Sea Basin approximately mid-way between the Dragon gas discovery in the St George's Channel Basin and the giant PETRONAS operated Kinsale Head gas field. Over the past 30 years, some thirteen wells (exploration and appraisal) have been drilled on various assets with oil and gas having been successfully discovered. There are currently three named appraisal projects within SEL 2/07 – namely Hook Head,

Helvick and Dunmore. The equity stakes in Hook Head and Dunmore are Providence (72.5%), Atlantic Petroleum (18.3%) and Sosina (9.2%) with Providence acting as the Operator. The current equity stakes in Helvick are Providence (62.5%), Atlantic Petroleum (18.3%), Lansdowne (10.0%) and Sosina (9.2%), with ABT Oil & Gas having the right to earn equity under its phased farm-in (see below).

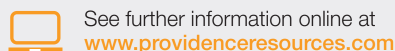
Hook Head has had four wells which have all logged pay and has estimated recoverable resources of c. 35 MMBO in the central panel. The estimated total oil in place for the whole structure is c. 190 MMBO with the basal sand, which flowed successfully at Barryroe, also present here. The recoverable resource estimate for Helvick is c. 3 MMBO based on oil in place of c. 5 MMBO whilst the latest work indicates a STOIIP resource estimate for Dunmore of up to c. 17 MMBO.

In November 2013, the Company announced that it had agreed a phased farm in on Helvick and Dunmore (the 'Discoveries') by ABT Oil and Gas ("ABTOG"), a UK based company who has proprietary technology for the deployment of low cost development solutions for marginal fields. As part of the farm-in, which is subject to the receipt of a Lease Undertaking from the Irish Government, ABTOG will assist the joint venture partners in the carrying out of a phased detailed work programme.

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

Subject to the award of a Petroleum Lease by the Minister, the third phase of the work programme would be carried out. This third phase would entail the preparation and submission of a formal plan of development to the Minister. Subject to Ministerial approval of the plan of development, ABTOG will earn a 50% interest in the Discoveries.

Separately, a Lease Undertaking was also applied for Hook Head and the partners are looking at innovative methods to commercialise this field, including potential farm in discussions.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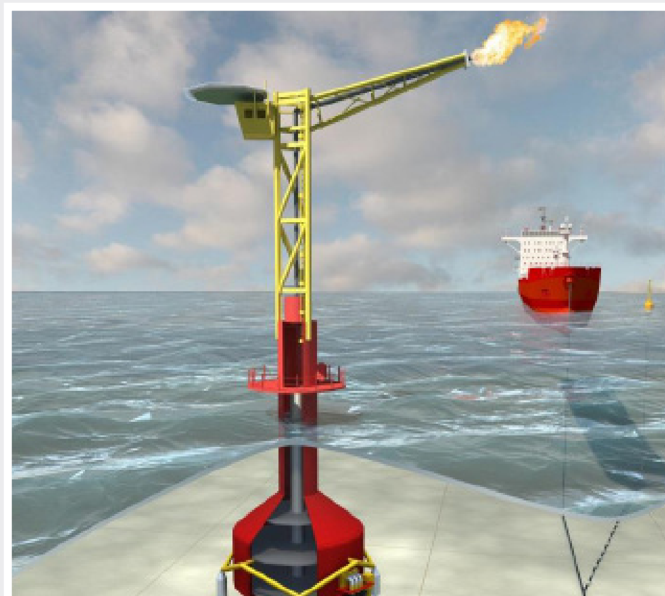
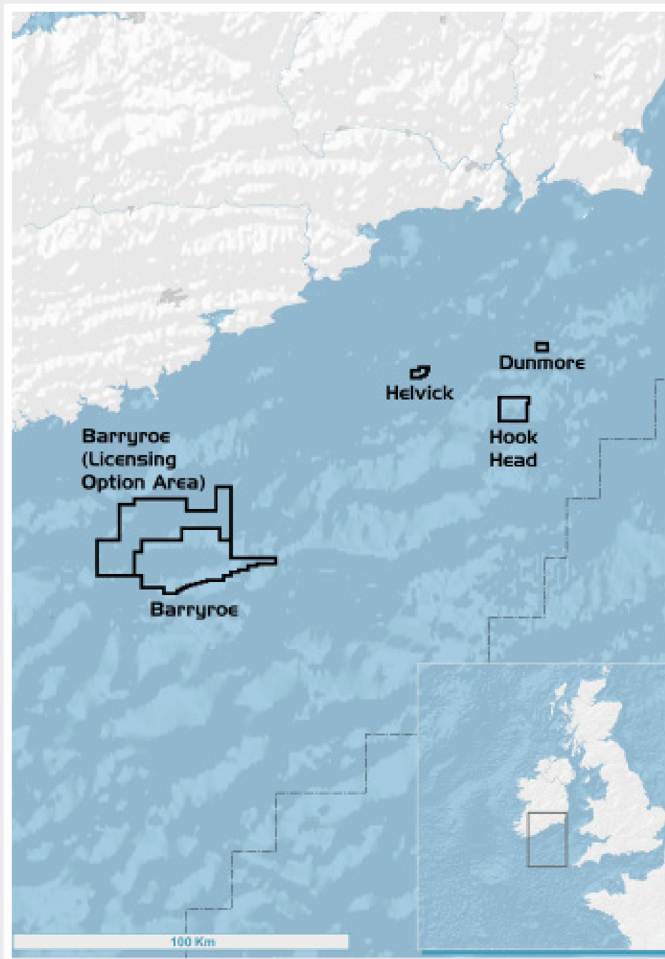
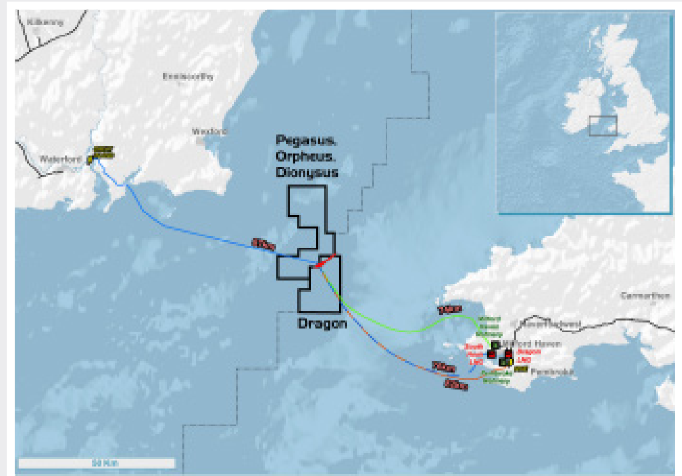




Business Review continued

Appraisal: St George's Channel Basin



SEL 1/07 – Dragon

SEL 1/07 was awarded to Providence in 2007 at 100.0% equity level, having been previously held under a previous Licensing Option authorisation. The licence is situated on the Irish/UK median line in the St George's Channel Basin, offshore SE Ireland. A gas discovery called Dragon was made by Marathon Oil in 1994 in the UK sector, which flowed at a rate of c. 21 MMSCFGD from one of two Jurassic hydrocarbon-bearing sandstone intervals. Subsequent mapping has confirmed that the Dragon accumulation is transnational spanning both sides of the UK/Ireland median line. In January 2012, following an 'Out of Round' licence application, the UK Department of the Energy and Climate Change (DECC) awarded the UK portion of the Dragon field to a consortium comprising Providence (50%) and Star Energy (50%). Following the IGas Energy takeover of Star Energy, Providence assumed 100% equity over the UK portion of Dragon and therefore controls the field in both the UK and Irish jurisdictions.

Estimated recoverable resources of c. 200 BCF are based on updated mapping following a 3D seismic inversion project which was carried out by Ikon Science. An appraisal well at Dragon is planned as part of the Company's multi-well programme.

See further information online at
www.providenceresources.com

Exploration:
Kish Bank Basin and Rathlin Basin

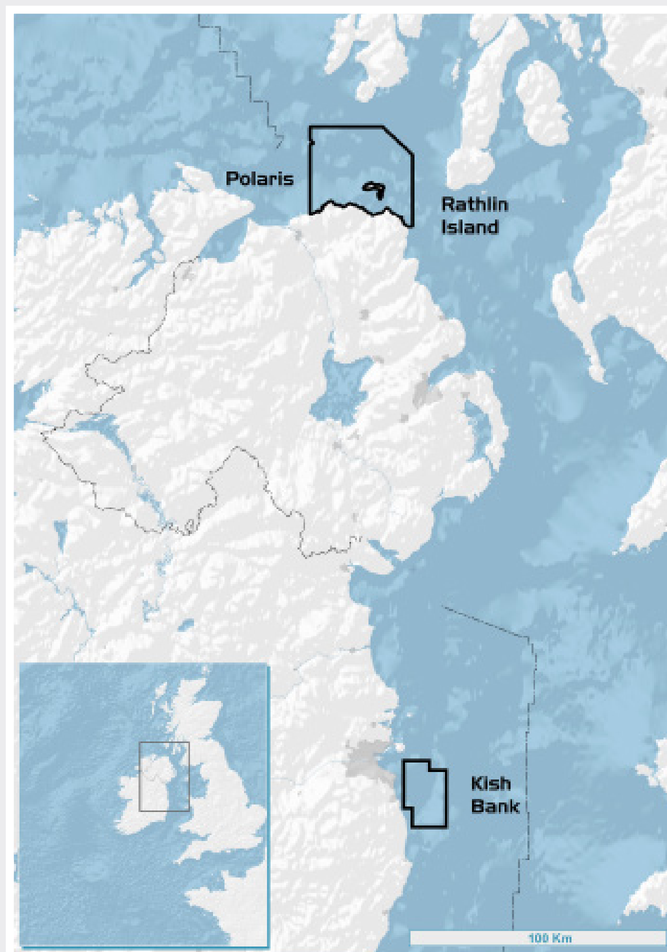
SEL 2/11 – Dalkey Island

Licensing Option (LO) 08/2 was originally awarded to Providence (50.0%) and Star PETRONAS (50.0%) in 2008 with Providence as Operator. The area is located in the Kish Bank Basin, offshore Dublin, which is a Mesozoic basin bearing many geological similarities with the prolific East Irish Sea Basin, offshore UK. In December 2011, LO 08/2 was converted into SEL 2/11. In January 2012, a Foreshore Licence application was made to carry out temporary seismic and exploration drilling works on the Dalkey Island exploration prospect, located approximately 8 kilometres offshore which was granted in October 2011. Due to the incorrect transposition of certain EU EIA directives into Irish law by the Irish Government in 1999, the Foreshore Licence was subsequently declared to be invalid. Providence elected to surrender the Foreshore Licence to allow the Government to rectify the appropriate legislations. The Company has retained its exploration authorisation and associated rights over the area.

The Dalkey Island prospect forms part of the Company's multi-well programme with estimated recoverable prospective resources of up to c. 250 MMBO. 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 exploration drilling in 2015.

PL 5/10 and P 1885 – Polaris

Onshore licence PL 5/10 over Rathlin Island, which lies in the middle of the Rathlin Basin, was awarded in early 2011 with Providence taking 100.0% equity. The Rathlin Basin is a Mesozoic basin which lies both onshore and offshore County Antrim, Northern Ireland. Providence (100%) also made application for the surrounding six offshore licence blocks under the UK 26th Seaward Licensing Round and subsequently P 1885 was awarded in January 2012 to Providence. In 2012, a Full Tensor Gradiometry Survey (FTG) was acquired which detected five significant anomalies within the licensed area. Most notable was the Polaris prospect, which has an estimated 530 MMBO of oil in place. The prospect lies structurally on-trend with the Ballinlea-1 exploration well, which was drilled onshore in 2008 and from which the Operator reported recovered good quality oil from Carboniferous aged sandstone reservoir. Polaris forms part of the Company's multi-well programme which is now being worked up for exploration drilling in 2015, subject to the receipt of the necessary permits and approvals.



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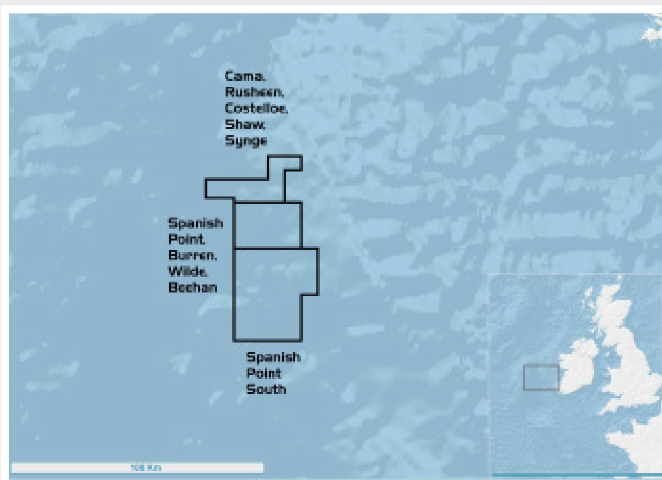
Business Review continued

Appraisal and Exploration: Northern Porcupine Basin

FEL 2/04 – Spanish Point

Frontier Exploration Licence (FEL) 2/04 was originally awarded to Providence in 2004. The licence is located in the northern Porcupine Basin c. 170 km off the west coast of Ireland. The licence is situated in c. 400 metre water depth and contains the Spanish Point and Burren oil and gas discoveries. In 2008, Providence entered into a staged farm-in arrangement with Chrysaor who assumed an initial 30% equity stake in return for carrying the costs of a 3D seismic programme, which was subsequently acquired in 2009. Following this initial entry, the 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. Providence's cost exposure was capped at $20 million for up to two wells (well and potential side-track). In May 2013, Chrysaor announced that it had agreed a farm in by Cairn Energy plc with the agreement to drill an appraisal/exploration well on Spanish Point. As a result, with Cairn assuming operatorship, the equity stakes are now Cairn 38%, Providence 32%, Chrysaor 26% and Sosina 4%. This well forms part of the Company's multi-well programme and in July 2013, Cairn announced that it had secured the Blackford Dolphin semi-submersible rig to carry out appraisal drilling at Spanish Point.

The audited estimate of recoverable resources at Spanish Point is up to 200 MMBOE with estimated recoverable resources for Burren being up to 66 MMBOE.



FEL 4/08 – Spanish Point North

FEL 4/08 lies adjacent and to the north of FEL 2/04 and was originally awarded to 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. In May 2013, via the Cairn farm in, Cairn assumed operatorship with the current equity stakes being Cairn 38%, Providence 32%, Chrysaor 26% and Sosina 4%.

Estimated recoverable prospective resources of up to 550 MMBOE are identified within FEL 4/08, as independently audited by Senergy. These prospects include targets within the Upper Jurassic which are of a similar age to the Spanish Point field but located in separate structures identified from previous 2D seismic data. Further potential has been highlighted in a possible stratigraphically controlled Spanish Point field extension to the north together with an overlying Lower Cretaceous pinch-out play of the sands which successfully tested oil in the nearby Burren well.

FEL 2/14 – Spanish Point South

LO 11/2 was awarded to Chrysaor, Providence and Sosina in October 2011 as part of the 2011 Irish Atlantic Margin Round and lies adjacent and south of FEL 2/04. In May 2013, Cairn farmed into the Licensing Option as part of its overall farm in deal to FEL 2/04 and FEL 2/08 (above), and assumed the operatorship. Current equity stakes are Cairn 38%, Providence 32%, Chrysaor 26% and Sosina 4%. In January 2014, LO 11/2 was converted into FEL 1/14 and plans are progressing to acquire a 3D seismic programme over this area in summer 2014.

Exploration: Southern Porcupine Basin

FEL 3/04 – Dunquin

FEL 3/04 was originally awarded to Providence (80%, Operator) in 2004 and partner Sosina (20.0%). The licence lies in the southern Porcupine Basin c. 200 km off the south-west coast and in c. 1,500 metre water depth. In 2006, Providence agreed a farm-in with ExxonMobil whereby they assumed an 80.0% stake in return for a pre-agreed investment programme. This transaction reduced Providence's equity stake to 16.0% and that of Sosina to 4.0%. In 2006, the partnership acquired 1,500 line km of 2D seismic data over Dunquin which confirmed c. 1.7 BNBOE REC (P50) prospective resources potential in the two interpreted carbonate prospects. 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 licence, 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%. Finally, in 2013, Atlantic Petroleum farmed in to the licence resulting in final equity stakes of ExxonMobil 25.5%, Eni 27.5%, Repsol 25%, Providence 16.0%, Atlantic 4.0% and Sosina 2.0%.

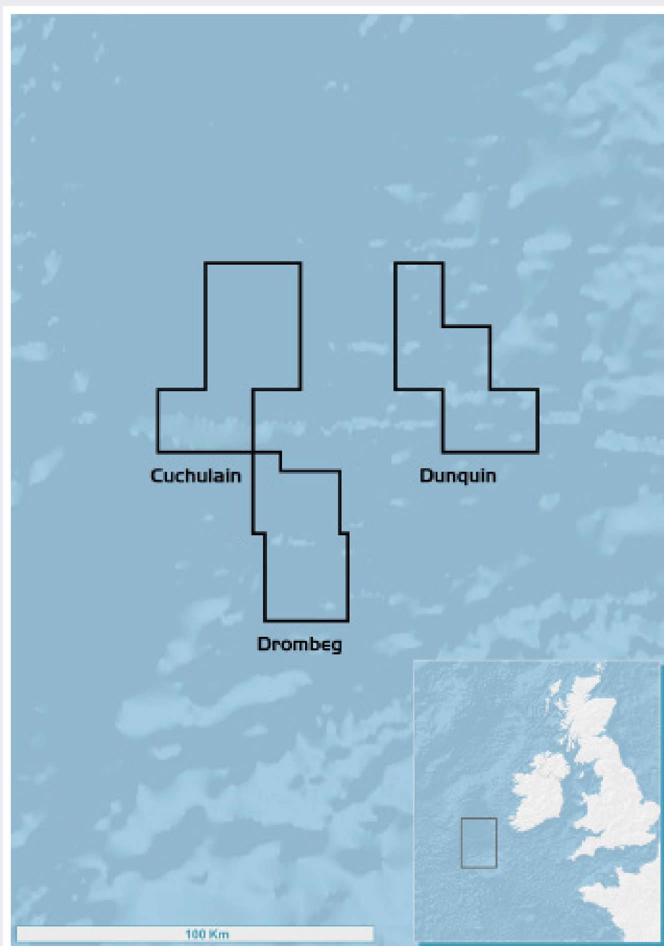
Drilling operations on the Dunquin North exploration well, situated on the northern flank of a c. 700 km^2 intra-basinal ridge system, were completed in July 2013 having reached a final total depth of c. 16,400 feet MDBRT. The primary Lower Cretaceous Dunquin North target was encountered within the pre-drill depth prognosis and comprised a thick overpressured carbonate reservoir system. The well was terminated having drilled a total thickness of c. 800 feet of massive porous carbonate reservoir. Preliminary well analysis indicates the reservoir to be water bearing, however, petrophysical log interpretation, elevated gas levels, together with oil shows in sidewall cores over the upper 144 feet section of the reservoir, suggest the presence of a residual oil column. In accordance with pre-drill plans, and following a comprehensive data acquisition programme, the well was plugged and abandoned and the rig demobilised out of Irish waters. Post-well studies are continuing in order to ascertain what the remaining exploration potential exists on the licence, in particular in relation to the undrilled Dunquin South prospect.

FEL 1/99 – Cuchulain

FEL 1/99 was awarded to ENI in 1999 at 100% equity stake. In 2009, as part of the ENI's deal to farm into Dunquin, Providence took equity in FEL 1/99. The equity stakes in FEL 1/00 are ENI (93.75%), Providence (5.0%) and Sosina (1.25%).

FEL 2/14 – Drombeg

LO 11/9 which is located in the southern Porcupine Basin off the south-west coast of Ireland was awarded to Providence (80.0%) and its partner Sosina in October 2011 as part of the 2011 Irish Atlantic Margin 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 a STOIIP volume of 2,970 MMBO. Further stacked prospectivity has been identified within the Cenozoic and Jurassic section at Drombeg providing further resource growth potential. Providence is currently engaged in farm out discussions.



In February 2014, Providence announced that it had converted LO 11/9 into FEL 2/14 and that it had entered into an agreement with Polarcus to acquire a multi-client 3D seismic survey over Drombeg in summer 2014. About 1,160km^2 3D seismic are planned to be acquired over FEL 2/14 which should provide significant insight into the future hydrocarbon potential of the acreage.

Business Review continued

Exploration: Goban Spur Basin and South Celtic Sea Basin

FEL 6/14 – Newgrange

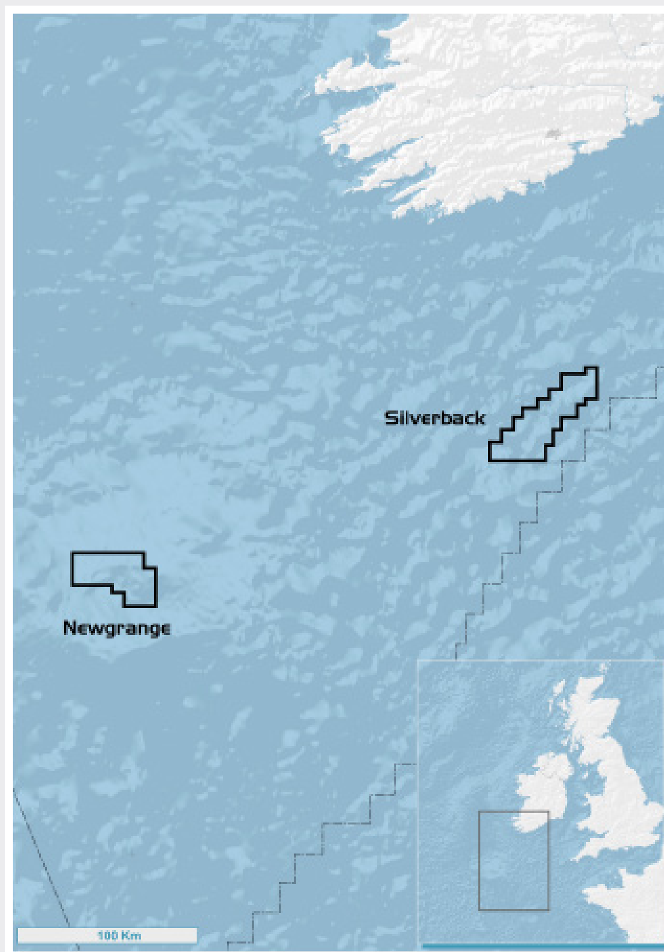
LO 11/11 was awarded to a consortium comprising Providence (40.0%), Repsol (40.0%) and Sosina (20.0%) as part of the 2011 Irish Atlantic Margin Round. In April 2014, LO 11/11 was converted into FEL 6/14 with Providence retaining 80% equity and operatorship with Sosina as partner (20%). The partners have agreed to carry out a 1,000 line km 2D seismic programme.

The Newgrange prospect is a similar carbonate play-type to Dunquin, with estimated recoverable resources of 14 TCF. Subsurface studies carried out during the licensing option period highlighted clastic and carbonate exploration prospectivity within the Jurassic and Cretaceous intervals respectively. Seismic interpretation of 2D reflection profile data have revealed the presence of two large stacked four-way structural closures at both Base Cenozoic (Top Cretaceous) and Base Cretaceous levels covering a c. 1000 km^2 area. The previously drilled 62/7-1, which is located c. 30 km from the Newgrange prospect and was drilled down-structure, encountered hydrocarbon shows in sands of Lower Jurassic age.

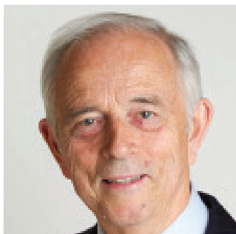
LO 4/13 – Silverback

In December 2013, Providence (100%) was offered a new Licensing Option in the South Celtic Sea Basin. This 18-month option is situated in c. 100 metres of water and is c. 130 km off the south coast of Ireland and covers nine offshore blocks totalling a c. 1,530 km^2 area. Initial seismic interpretation and mapping of existing vintage 2D data has identified a number of structures including a significant mid-basinal Mesozoic anticlinal closure ('Silverback'). Petroleum systems analyses suggest that this structure may be prospective for the stacked entrapment of hydrocarbons in possible Lower Triassic, Lower Jurassic and Lower Cretaceous reservoir intervals. The primary source rocks in the basin are considered to be Lower Jurassic oil prone marine shales which have been previously proven by exploration drilling in the north-eastern part of the basin and which are oil generative in the adjacent North Celtic Sea and Fastnet Basins.

Providence has committed to carry out a work programme involving the reprocessing and interpretation of the existing 2D seismic data together with the integration of existing well control from adjacent basins in order to assess the potential within the area.

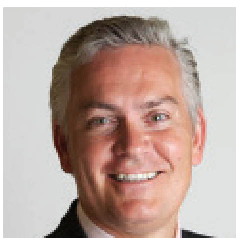


Board of Directors



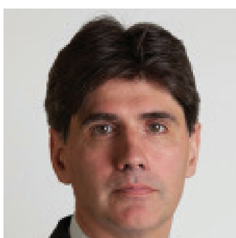
Dr. Brian Hillery *B. Comm., MBA, Ph.D* Chairman

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).



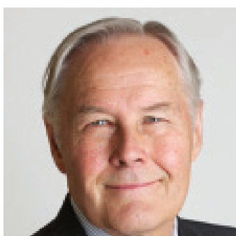
Tony O'Reilly *B.A.* Chief Executive

Tony O'Reilly has been Chief Executive of Providence Resources Plc 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 Plc (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.

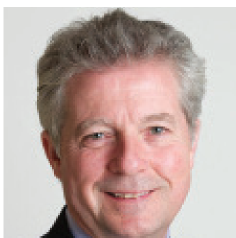


Lex Gamble *B.A., MBA* Non-Executive Director

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 Plc



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 non-executive chairman of J Laing PLC, the Ulster Bank Group and Affinity Water. He is a non-executive director of EnQuest PLC. 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. He is the chairperson of the Onshore Petroleum Association of South Africa. Philip is a fellow of the Institute of Chartered Accountants in Ireland and qualified as a Chartered Accountant with Ernst & Young.

Providence in the community

Pictured: Providence Team Ireland in action.

Directors' Report

The Directors submit their annual report together with the audited financial statements of Providence Resources Plc ("the Company") and its subsidiaries ("Providence" or the "Group") for the year ended 31 December 2013.

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 the Business Review on pages 2 to 12. 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 2013

The Consolidated Income Statement for the year ended 31 December 2013 and the consolidated Statement of Financial Position at that date are set out on pages 21 and 22. The loss for the year amounted to €2.797 million and net assets at 31 December 2013 were €70.822 million.

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

Important Events since the Year End

In June 2014, the Company entered into a financing facility with Melody Business Finance LLC, a US based financial institution for the provision of a $24 million debt facility, the proceeds of which will be used for general working capital purposes. This financing facility, which runs until 1 June 2015 is secured by way of a floating charge and carries a 10% headline interest rate.

Directors

Mr. John O'Sullivan and Mr. Tony O'Reilly 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 2013, 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 €448,500 for 2013 (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		
Directors	31 December 2012	**31 December 2013**	20 June 2014
Dr. Brian Hillery	14,060	**46,584**	46,584
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	**30,648**	30,648
Secretary			
Michael Graham	5,250	**15,519**	15,519

Directors' Report continued

Details of the movement on outstanding options, and those exercised during the year are as follows:

Directors	At 31 December 2012		At 31 December 2013	Price (Euro)	Expiry Date
Dr. Brian Hillery	102,694	Exercised	–		
	51,347		51,347	2.73	July 2014
	10,000		10,000	6.75	May 2014
	25,000		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		25,000	6.13	July 2019
Tony O'Reilly	50,000		50,000	5.00	June 2014
	100,000		–		Lapsed May 2013
	100,000		100,000	6.75	May 2014
	70,000		70,000	2.95	December 2017
	100,000		100,000	6.13	July 2019
Dr. Philip Nolan	25,000		25,000	5.00	June 2014
	10,000		–		Lapsed May 2013
	10,000		10,000	6.75	May 2014
	25,000		25,000	6.13	July 2019
James SD McCarthy	10,000		10,000	6.75	May 2014
	35,000		35,000	6.13	July 2019
Lex Gamble	10,000		–		Lapsed May 2013
	10,000		10,000	6.75	May 2014
	25,000		25,000	6.13	July 2019
John O'Sullivan	20,538	Exercised	–		
	10,000		10,000	5.00	June 2014
	75,000		–		Lapsed May 2013
	60,000		60,000	6.75	May 2014
	70,000		70,000	2.95	December 2017
	100,000		100,000	6.13	July 2019
Secretary					
Michael Graham	10,269	Exercised	–		
	5,000		5,000	5.00	June 2014
	20,000		–		Lapsed 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		25,000	6.13	July 2019

Based on the closing share price on 31 December 2013, options over 141,347 of the above shares were capable of being exercised. There were no options over shares granted during the year 2013. The closing market price of the ordinary shares at 31 December 2013 was €2.689 and the range during the financial year was €2.60 to €8.40.

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 also being asked to grant authority to the Directors until the earlier of the next Annual General Meeting or 26 November 2015 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 €646,494 corresponding to 10% of the nominal value of the Company's issued ordinary share capital at the date of passing of Resolution number 5.

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 Irish 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 Financial 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 2013 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 2013. 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 reviewed budgets, projected cashflows, the current status of arrangements with the Group's bankers and other relevant information, and on the basis of this review, are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Consequently the Directors consider it 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 2013.

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 13.

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 12 occasions during 2013. 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 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 retires 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.

Directors' Report continued

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.

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's website 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 chairmen of the Board's committees will also be available at the Annual General Meeting. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views. Notice of the Annual General Meeting together with the Annual Report and accounts is sent to shareholders in accordance with the 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 2003. 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 production at rates in excess of the current commodity market price. Consideration of further hedging instruments 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 mentioned below, held 3% or more of the Ordinary share capital of the Company at 20 June 2014.

Shareholder	Number of shares	%
Sir Anthony O'Reilly	9,961,720	15.45%
JP Morgan Asset Management UK Limited	3,688,306	5.71%
Henderson Global Investors Limited	3,730,952	5.77%
BlackRock Investment Management (UK) Limited	3,188,789	4.93%
HSBC plc and subsidiary companies	3,219,817	4.98%
American Funds Insurance Global Small Capitalization Fund	1,956,250	3.03%

Political Donations

There were no political donations during the year (2012 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
Director

26 June 2014

Independent Auditor's Report to the members of Providence Resources Plc

We have audited the Group and Company financial statements ("financial statements") of Providence Resources Plc for the year ended 31 December 2013 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 17, 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 Financial Reporting Council's Ethical Standards for Auditors.

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 2013 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 2013; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013.

Matters on which we are required to report by the Companies Acts 1963 to 2013

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 2013 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 2013 which require us to report to you if, in our opinion the disclosures of Directors' remuneration and transactions specified by law are not made.

Conall O'Halloran
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
26 June 2014

Consolidated Income Statement

for the year ended 31 December 2013

	Note	2013 €'000	2012 €'000
Continuing operations			
Revenue	2	**–**	–
Administration expenses	4	**(6,484)**	(3,937)
Pre-licence expenditure		**(68)**	–
Impairment of exploration and evaluation assets	12	**(678)**	(1,495)
Operating loss	10	**(7,230)**	(5,432)
Finance income	5	**180**	494
Finance expenses	6	**(713)**	(3,295)
Loss before income tax		**(7,763)**	(8,233)
Income tax expense	7	**(5)**	–
Loss for year from continuing operations		**(7,768)**	(8,233)
Discontinued operations			
Profit/(loss) from discontinued operations (net of income tax)	3	**4,971**	(15,950)
Loss for the financial year		**(2,797)**	(24,183)
Loss per share (cent) – continuing operations			
Basic and diluted loss per share	11	**(12.03)**	(13.51)
Earnings/(loss) per share (cent) – discontinued operations			
Basic and diluted earnings/(loss) per share	3,11	**7.70**	(26.17)
Loss per share (cent) – total			
Basic and diluted loss per share		**(4.33)**	(39.68)

The total loss 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 Comprehensive Income

for the year ended 31 December 2013

	Note	2013 €'000	2012 €'000
Loss for the financial year		**(2,797)**	(24,183)
Continuing operations			
OCI items that can be reclassified into profit or loss			
Foreign exchange translation differences	6	**1,426**	(97)
Net change in fair value of cashflow hedges transferred to income statement	6	**–**	2,305
Cashflow hedges			
related deferred tax	21	**–**	3,407
Total income recognised in other comprehensive income from continuing operations		**1,426**	5,615
Total comprehensive expense for the year		**(1,371)**	(18,568)

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 2013

	Note	**2013 €'000**	2012 €'000
Assets			
Exploration and evaluation assets	12	**80,089**	67,076
Development and production assets	13	**–**	–
Property, plant and equipment	14	**35**	42
Deferred tax	21	**–**	–
Total non-current assets		**80,124**	67,118
Trade and other receivables	15	**2,891**	4,005
Restricted cash	16	**–**	–
Cash and cash equivalents	16	**8,998**	16,831
Assets classified as held for sale	3	**–**	43,852
Total current assets		**11,889**	64,688
Total assets		**92,013**	131,806
Equity			
Share capital	17	**18,151**	18,136
Capital conversion reserve fund		**623**	623
Share premium	17	**210,230**	209,975
Singleton revaluation reserve	18	**–**	2,471
Convertible bond – equity portion		**–**	–
Foreign currency translation reserve		**2,386**	(3,752)
Share based payment reserve		**5,382**	4,942
Loan warrant reserve		**–**	–
Cashflow hedge reserve		**–**	–
Retained deficit		**(165,950)**	(164,297)
Total equity attributable to equity holders of the Company		**70,822**	68,098
Liabilities			
Loans and borrowings	19	**–**	–
Decommissioning provision	20	**5,105**	4,738
Deferred tax	21	**–**	–
Total non-current liabilities		**5,105**	4,738
Loans and borrowings	19	**–**	–
Trade and other payables	22	**16,086**	23,445
Liabilities classified as held for sale	3	**–**	35,525
Total current liabilities		**16,086**	58,970
Total liabilities		**21,191**	63,708
Total equity and liabilities		**92,013**	131,806

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 2013

	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Singleton revaluation reserve (Note 18(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
Total comprehensive income											
Loss for financial year	–	–	–	–	–	–	–	–	–	(24,183)	(24,183)
Currency translation	–	–	–	–	(97)	–	–	–	–	–	(97)
Cashflow hedge	–	–	–	–	–	–	–	–	2,305	–	2,305
Total comprehensive income	–	–	–	–	(97)	–	–	–	2,305	(24,183)	(21,975)
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 (Note 17)	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**

	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Singleton revaluation reserve (Note 18(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 2013	18,136	623	209,975	2,471	(3,752)	4,942	–	–	–	(164,297)	68,098
Total comprehensive income											
Loss for financial year	–	–	–	–	–	–	–	–	–	(2,797)	(2,797)
Currency translation	–	–	–	–	1,426	–	–	–	–	–	1,426
Cashflow hedge	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,426	–	–	–	–	(2,797)	(1,371)
Transactions with owners, recorded directly in equity											
Shares issued in year	–	–	–	–	–	–	–	–	–	–	–
Share based payments	–	–	–	–	–	1,584	–	–	–	–	1,584
Share options exercised in year (Note 17)	15	–	255	–	–	–	–	–	–	–	270
Share options lapsed in year	–	–	–	–	–	(927)	–	–	–	927	–
Share options forfeited in year	–	–	–	–	–	(217)	–	–	–	217	–
Reclassified to gain on disposal (Note 3)	–	–	–	(2,471)	4,712	–	–	–	–	–	2,241
At 31 December 2013	**18,151**	**623**	**210,230**	**–**	**2,386**	**5,382**	**–**	**–**	**–**	**(165,950)**	**70,822**

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	2013 €'000	2012 €'000
Cash flows from operating activities		
Loss before tax for the year – continuing operations	**(7,763)**	(8,233)
Profit/(loss) before income tax for the year – discontinued operations	**4,971**	(36,524)
	(2,792)	(44,757)
Adjustments for:		
Depletion and depreciation	**272**	2,755
Gain on sale of discontinued operations	**(6,096)**	–
Abandonment provision	**(379)**	34
Impairment of exploration and evaluation assets	**678**	1,495
Impairment of development and production assets	**–**	32,357
Finance income	**(180)**	(494)
Finance expense	**3,455**	16,369
Equity-settled share based payment charge	**1,584**	1,247
Foreign exchange	**101**	(507)
Change in trade and other receivables	**2,907**	(3,782)
Change in trade and other payables	**(8,869)**	(2,696)
Interest paid	**(363)**	(6,712)
Hedge repayments	**(33)**	(297)
Net cash outflow from operating activities	**(9,715)**	(4,988)
Cash flows from investing activities:		
Interest received	**180**	494
Acquisition of exploration and evaluation assets	**(13,691)**	(31,755)
Acquisition of development and production assets	**–**	(27,202)
Acquisition of property, plant and equipment	**(14)**	(38)
Disposal of development and production assets – AJE	**–**	4,610
Change in restricted cash	**910**	16,581
Disposal of development and production assets – Singleton	**16,235**	–
Net cash used in investing activities	**3,620**	(37,310)
Cash flows from financing activities:		
Proceeds from issue of share capital	**270**	84,797
Share capital issue costs	**–**	(3,902)
Repayment of loans and borrowings	**(1,565)**	(44,273)
Proceeds from drawdown of loans and borrowings	**–**	4,077
Net cash from financing activities	**(1,295)**	40,699
Net decrease in cash and cash equivalents	**(7,390)**	(1,599)
Cash and cash equivalents at 1 January	**16,831**	18,563
Effect of exchange rate fluctuations on cash and cash equivalents	**(443)**	(133)
Cash and cash equivalents at 31 December	**8,998**	16,831

Notes to the Consolidated Financial Statements

for the year ended 31 December 2013

1 Statement of accounting policies

Reporting entity

Providence Resources Plc (the "Company") is a company domiciled in Ireland. The consolidated financial statements of the Company for the year ended 31 December 2013 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 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.

The financial statements were authorised for issue by the Board of Directors on 26 June 2014.

Going concern

The Directors have considered carefully the financial position of the Group and, in that context, have prepared and reviewed cash flow forecasts for the period to 31 December 2015. The Group's cash on hand at 31 December 2013 of €9 million was increased in June 2014 when the Group secured a working capital facility from for an amount of $24 million. 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 expects to incur significant capital expenditure in 2014 and 2015. The Directors are satisfied that, as a result of the available working capital facility, the proceeds that are expected to be received from the farm out of Barryroe, which is due to be completed later in 2014, and the expected timing of other capital expenditure programs which are planned, the Group will be in a position to fund this capital expenditure programme.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Statement of compliance

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

New accounting standards applied during 2013

A number of new accounting standards and amendments to accounting standards became applicable to the Group during the year as set out below. None had a material impact on the financial statements.

These included:

- IAS 19 *Employee Benefits* (2011) – IAS 19 *Employee Benefits* (2011) changes the basis for determining the income or expense related to defined benefit pension plans. As the group has no defined benefit plan, this revised standard had no material impact on the financial statements.
- IFRS 13 *Fair Value Measurement* – IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. It defines fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. IFRS 13 also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures.*

  The change had no significant impact on the measurements of the Group's assets and liabilities.
- *Disclosures – Offsetting Financial Assets and Financial Liabilitie*s (Amendments to IFRS 7) – These amendments to IFRS 7 apply new disclosure to help financial statement users to better assess the effect or potential effect of offsetting arrangements on a group's financial position, thus providing better information on how a group mitigates credit risk related to offsetting. As the Group has no offsetting arrangements, this revised standard had no material impact on the financial statements.
- *Presentation of Items of Other Comprehensive Incom*e (Amendments to IAS 1) – As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be reclassified. Tax impacts have also been so allocated. Comparative information has been re-presented accordingly. The adoption of the Amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1 Statement of accounting policies (continued)

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 on or after 1 January 2014, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group is still reviewing the impact of the upcoming standards to determine their impact.

- IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* (2011), which supersedes IAS 27 (2008) and IAS 28 *Investments in Associates and Joint Ventures* (2011), which supersedes IAS 28 (2008).

IFRS 10 establishes a new control-based model for consolidation that replaces the existing requirements of both IAS 27 and SIC-12 *Consolidation – Special Purpose Entities*. Under the new requirements an investor controls an investee when (i) it has exposure to variable returns from that investee (ii) it has the power over relevant activities of the investee that affect those returns and (iii) there is a link between that power and those variable returns. The standard includes specific guidance on the question of whether an entity is acting as an agent or principal in its involvement with an investee. Also it is worth noting that the assessment of control is based on all facts and circumstances and is reassessed if there is an indication that there are changes in those facts and circumstances.

IFRS 11 replaces IAS 31 *Interests in joint ventures* and SIC-13 *Jointly-controlled entities – non-monetary contributions by venturers.* IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. The predecessor standard, IAS 31, focused to a greater extent on the legal form to determine the presence of 'jointly controlled entities' (JCEs) which would then have been equity accounted or proportionately consolidated. IFRS 11 may result in some of these JCEs instead being seen as joint operations which will be subject to (as at present) line-by-line accounting of the underlying assets and liabilities, when additional factors (other than legal form) are taken into account. All investee entities determined under the new criteria to be 'joint ventures' will be equity accounted for, with the option for the investor to proportionally consolidate being removed from the new standard.

IFRS 12 sets out more comprehensive disclosures relating to the nature, risks and financial effects of interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity or operation.

IAS 27 carries forward the existing accounting and disclosure requirements for separate financial statements; the requirements of IAS 28 and IAS 31 for separate financial statements have been incorporated into IAS 27. IAS 28 previously discussed how to apply equity accounting to associates in consolidated financial statements. The revised IAS 28 continues to include that guidance but it is now extended to also apply that accounting to entities that qualify as joint ventures under IFRS 11.

- *Offsetting Financial Assets and Financial Liabilities* (Amendment to IAS 32) – These amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group does not expect these clarifications to have a material impact on the financial statements.
- *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) – Where a parent entity meets the definition of an investment entity as set out in the IFRS 10 Amendment, that parent must now carry its investment in certain of its subsidiaries at fair value through profit or loss; it is no longer allowed to consolidate them. The Amendment sets out various detailed criteria that need to be considered to determine if a parent falls into scope of this Amendment. The Group does not expect these clarifications to have a material impact on the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of Providence Resources Plc 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.

Jointly controlled operations

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

1 Statement of accounting policies (continued)

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 contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

(ii) Share based payment transactions

The Company's "2005 scheme" 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 expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Finance income and expenses

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

Finance expenses comprise interest or finance expense on borrowings, unwinding of any discount on provisions, and 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1 Statement of accounting policies (continued)

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gains or losses are generally recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity instruments, which are not deemed to be impaired, or a financial liability designated as a hedge of the net investment in a foreign operation (see (ii) below).

(ii) Foreign operations

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

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

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they are unlikely to reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities on a net basis or their tax assets and liabilities will be settled simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares.

Exploration and evaluation assets and development and production assets

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

(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 licences 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.

1 Statement of accounting policies (continued)

(i) Exploration and evaluation assets (continued)
Exploration and evaluation drilling costs are capitalised within each licence area until the success or otherwise of the well has been established. Unless further evaluation expenditures in the licence area have been planned and agreed or unless the drilling results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial, drilling costs are written off. Internal costs are capitalised where it is evident that these costs are directly attributable to the evaluation or exploration of those assets. Interest is capitalised within exploration and evaluation assets if it is directly attributable to the evaluation or exploration of those assets.

Expenditure on exploration and evaluation assets is held undepleted within the exploration licence asset until such time as the exploration phase on the licence area is complete or commercial reserves have been recognised, subject to any impairment losses recognised. This is in accordance with IFRS 6, '*Exploration for and Evaluation of Mineral Resources*'.

(ii) Development and production oil and gas assets
Following appraisal of successful exploration wells and the establishment of commercial reserves, the related capitalised exploration and evaluation expenditures are reclassified as development and production assets.

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

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

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

(iv) Cash calls
The Group has shared interests in a number of licence areas. In cases where the Group acts as operator of these licence areas, requests for cash from other partners, known as cash calls, 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 (CGU's) 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. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset. The decommissioning provision is reviewed annually.

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

1 Statement of accounting policies (continued)

Leased assets

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

Cash and cash equivalents

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

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 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.

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.

1 Statement of accounting policies (continued)

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. The Group has four principal reportable segments as follows:

- UK producing assets: oil and gas producing assets in the UK
- UK exploration assets: oil and gas exploration assets in the UK
- Republic of Ireland exploration assets: oil and gas exploration assets in the Republic of Ireland
- US: assets and liabilities held in the United States of America

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment result and total asset value as included in the internal management reports that are reviewed by the Group's board of Directors, 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.

	2013 €'000	2012 €'000
Segment net loss for the year		
Republic of Ireland – exploration assets	**(678)**	(1,495)
Corporate expenses	**(6,552)**	(3,937)
Operating loss	**(7,230)**	(5,432)

	2013 €'000	2012 €'000
Segment assets		
Republic of Ireland – exploration assets	**78,948**	69,129
Group assets	**11,735**	17,737
UK – exploration assets	**1,141**	933
US assets	**189**	155
UK – producing assets – discontinued operations	**–**	43,852
Total assets	**92,013**	131,806

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

2 Operating segments (continued)

		2013 €'000	2012 €'000
Segment liabilities			
Republic of Ireland – exploration assets		**(21,047)**	(27,183)
UK – exploration assets		**(74)**	–
Group liabilities		**(63)**	(748)
US – liabilities		**(7)**	(252)
UK – producing assets – discontinued operations		**–**	(35,525)
Total liabilities		**(21,191)**	(63,708)
Capital expenditure			
UK – producing assets – discontinued operations		**–**	27,202
	– exploration assets	**367**	774
		367	27,976
Republic of Ireland	– exploration assets, net of cash calls	**13,324**	30,981
	– property, plant and equipment	**14**	38
Total capital expenditure, net of cash calls		**13,705**	58,995
Depletion and decommissioning charge			
UK – producing assets – discontinued operations		**–**	2,727
Republic of Ireland – exploration assets		**–**	34
		–	2,761
Impairment charge			
UK – development assets – discontinued operations		**–**	32,357
Republic of Ireland – exploration assets		**678**	1,495
		678	33,852

Prior to the sale of Singleton, the Group sold its entire oil production to one customer, and therefore significant credit concentration risk existed during the first two months of the year and in the prior year.

3 Discontinued operations

On 28 February 2013, the Group disposed of its UK producing operations to IGas Energy Plc for gross consideration of $66.0 million (€50 million). The loans and borrowings held in the Company being disposed of were repaid by the purchaser from this gross amount, and the Group received a net consideration of $21.4 million, realising a gain on disposal of €6.1 million. The disposal was treated as a discontinued operation in the 31 December 2012 financial statements, and the assets and liabilities were classified as held for sale.

The disposal group comprised the following assets and liabilities at 28 February 2013, and 31 December 2012 respectively.

3 (a) Assets and liabilities

	2013 €'000	2012 €'000
Assets		
Development and production assets	**39,637**	38,986
Derivative instruments	**1,411**	2,163
Trade and other receivables	**1,779**	1,793
Cash and cash equivalents	**1,425**	910
	44,252	43,852
Liabilities		
Loans and borrowings	**31,918**	31,725
Decommissioning provision	**822**	869
Deferred tax	**1,733**	1,421
Trade and other payables	**1,881**	1,510
	36,354	35,525

3 Discontinued operations (continued)

3 (b) Gain on sale of discontinued operations – UK disposal

The gain on sale of discontinued operations is calculated as follows:

	€'000
Net proceeds received	**17,028**
Disposal costs	**(793)**
	16,235
Net assets disposed of	**7,898**
Transfer from revaluation reserve	**(2,471)**
Transfer from FCTR	**4,712**
	10,139
Gain on sale of discontinued operation	**6,096**

3 (c) Results from discontinued operations – UK disposal

	2013 €'000	2012 €'000
Revenue	**2,411**	15,642
Cost of sales	**(615)**	(5,454)
Gross profit	**1,796**	10,188
Administration expenses	**(179)**	(1,281)
Impairment of assets	**–**	(32,357)
Result from operating activities	**1,617**	(23,450)
Finance expense	**(2,742)**	(13,074)
Result from operating activities before tax	**(1,125)**	(36,524)
Income tax credit	**–**	20,574
Result from operating activities after tax	**(1,125)**	(15,950)
Gain on sale of discontinued operation	**6,096**	–
Tax on gain on sale of discontinued operation	**–**	–
Profit/(loss) for the year	**4,971**	(15,950)

The profit/(loss) from discontinued operations is attributable entirely to the owners of the Company.

The results for 2013 represent two months of activity.

3 (d) Cashflows from discontinued operations

	2013 €'000	2012 €'000
Net cash from operating activities	**1,772**	9,726
Net cash used in investing activities	**–**	(27,202)
Net cash used in financing activities	**(1,565)**	(5,931)
Net cash flows for the year	**207**	(23,407)

3 (e) Earnings/(loss) per share from discontinued operations

	2013 € cent	2012 € cent
Basic earnings/(loss) per share (Note 11)	**7.70**	(26.17)
Diluted earnings/(loss) per share (Note 11)	**7.70**	(26.17)

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

4 Administration expenses

	2013 €'000	2012 €'000
Corporate, exploration and development expenses	**8,028**	7,822
Foreign exchange differences	**392**	(1,179)
Total administration expenses for the year	**8,420**	6,643
Capitalised in Exploration and Evaluation assets (Note 12)	**(1,757)**	(1,367)
Capitalised in Development and Production assets (Note 13)	**–**	(58)
	(1,757)	(1,425)
Total charged to the income statement	**6,663**	5,218
Analysed as:		
Continuing operations	**6,484**	3,937
Discontinued operations (Note 3)	**179**	1,281
	6,663	5,218

5 Finance income

	2013 €'000	2012 €'000
Bank deposit interest income	**180**	494

6 Finance expenses

	2013 €'000	2012 €'000
Recognised in income statement:		
Interest expense on financial liabilities – measured at amortised cost	**–**	3,021
Unwind of discount on decommissioning provision (Note 20)	**713**	274
Total	**713**	3,295

	2013 €'000	2012 €'000
Recognised in other comprehensive income:		
Foreign currency differences on foreign operations	**6,138**	(97)
Reclassified to gain on disposal (Note 3)	**(4,712)**	–
Effective portion of change in fair value of cash flow hedge	**–**	–
Net change in fair value of cash flow hedge transferred to income statement	**–**	2,305
Total finance expenses	**1,426**	2,208

7 Income tax expense/(credit)

	2013 €'000	2012 €'000
Current tax expense		
Current year	**–**	–
Adjustment for prior years	**5**	–
	5	–
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	**–**	(16,528)
Effect of change in tax rates	**–**	135
Adjustment in respect of prior year	**–**	(4,181)
Total income tax charge/(credit) for year	**5**	(20,574)
Analysed as:		
Continuing operations	**5**	–
Discontinued operations (Note 3)	**–**	(20,574)

7 Income tax expense/(credit) (continued)

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

	2013 €'000	2012 €'000
Loss before tax	(2,792)	(44,757)
Irish standard tax rate	12.5%	12.5%
Tax credit at the Irish standard rate	(349)	(5,595)
Expenses not deductible for tax purposes	204	917
Losses unutilised	213	1,959
Other timing differences	27	(940)
Effect of different tax rates in foreign jurisdictions	(95)	(16,915)
Adjustment in respect of prior periods	5	–
Tax expense/(credit) for the year	5	(20,574)

8 Employee expenses and numbers

	2013 €'000	2012 €'000
Wages and salaries	1,753	2,314
Social welfare costs	183	249
Defined contribution pension costs	136	175
Share-based payment expense (Note 23)	1,584	1,301
	3,656	4,039

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

	2013 €'000	2012 €'000
Wages and salaries	666	526
Share-based payment expense	–	54

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

	2013 Number	2012 Number
Exploration, evaluation, production and development	9	11
Corporate management and administration	8	11
	17	22

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 €136,000 (2012: €175,000).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

9 Directors' remuneration and transactions with key management personnel

Directors' emoluments are analysed as follows:

	Salaries & other emoluments		Fees		Total	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000
Executive						
Tony O'Reilly	**494**	741	**–**	–	**494**	741
John O'Sullivan	**296**	379	**–**	–	**296**	379
Sub-total	**790**	1,120	**-**	-	**790**	1,120
Non-Executive						
Brian Hillery	**–**	–	**80**	80	**80**	80
Lex Gamble	**–**	–	**45**	45	**45**	45
James McCarthy	**–**	–	**45**	45	**45**	45
Philip Nolan	**–**	–	**45**	45	**45**	45
Philip O'Quigley	**–**	106	**45**	30	**45**	136
Sub-total	**-**	106	**260**	245	**260**	351
Share based payments					**699**	550
Total	**790**	1,226	**260**	245	**1,749**	2,021

	Share based payments	
	2013 €'000	2012 €'000
Executive		
Tony O'Reilly	**209**	153
John O'Sullivan	**209**	172
Sub-total	**418**	325
Non-Executive		
Brian Hillery	**52**	38
Lex Gamble	**52**	38
James McCarthy	**73**	54
Philip Nolan	**52**	38
Philip O'Quigley	**52**	57
Sub-total	**281**	225
Total	**699**	550

(a) Directors' remuneration is fixed by the Remuneration Committee of the Board which is comprised solely of Non-Executive Directors of the Company.

(b) 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 2013, payments totalling €Nil were made to the executive directors. In July 2012 payments totalling €354,750 were made to the Executive Directors, covering the period 2008 through 2011.

(c) The share based payments cost represent the non-cash expense attributable to the relevant options held by each director. Other than the share option schemes (Note 23), the Group does not have any long term incentive scheme in place for Directors. No options were granted in 2013. The calculation of share based payments (which are non cash items) are calculated by reference to the Monte Carlo model related to options granted in prior years (see Note 23).

(d) The emoluments of Mr. Tony O'Reilly include payments made to Kildare Consulting Limited under the terms of his employment contract (Note 26).

(e) Included in salaries and other emoluments are pension contributions made to a pension scheme for Mr. Philip O'Quigley amounting to €Nil (2012: €14,417). Mr. O'Quigley became a non executive director on 1 May 2012.

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 15 and 16.

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:

	2013 €'000	2012 €'000
Wages, salaries and fees:		
Executive Directors	**779**	1,211
Non-Executive Directors	**260**	245
Other key management salaries	**433**	458
	1,472	1,914
Social welfare costs	**82**	109
Defined contribution pension costs	**65**	96
Share-based payment expense	**900**	729
	2,519	2,848

10 Statutory and other information

	2013 €'000	2012 €'000
Auditors' remuneration		
– Audit	**42**	42
– Other assurance services, being audit of subsidiary entities	**48**	48
Taxation services	**10**	10
Operating lease rentals on property	**195**	229
Depreciation on development and production assets	**–**	2,727
Depreciation on property, plant and equipment	**21**	28
Impairment of evaluation and exploration assets	**678**	1,495
Impairment of development and production assets	**–**	32,357
Pre-licence exploration expenditure	**68**	–
Gains on sale of discontinued operations (UK assets)	**6,096**	–
Directors' emoluments		
– Fees	**260**	245
– Salaries and other emoluments	**790**	1,226
– Share-based payments	**699**	550

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.

	2013			2012		
	Continuing operations €'000	**Discontinued operations €'000**	**Total €'000**	Continuing operations €'000	Discontinued operations €'000	Total €'000
(Loss)/profit attributable to equity holders of the Company	**(7,768)**	**4,971**	**(2,797)**	(8,233)	(15,950)	(24,183)

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

	2013 €'000	2012 €'000
In issue at beginning of year ('000s)	**64,498**	49,808
Adjustments for shares issued in year ('000's)	**64**	11,145
Weighted average number of ordinary shares ('000s)	**64,562**	60,953

	2013			2012		
	Continuing operations €cent	**Discontinued operations €cent**	**Total €cent**	Continuing operations €cent	Discontinued operations €cent	Total €cent
Basic and diluted (loss)/profit per share (cent)	**(12.03)**	**7.70**	**(4.33)**	(13.51)	(26.17)	(39.68)

There is no difference between the basic loss per ordinary share and the diluted loss per ordinary share for the current year as all potentially dilutive ordinary shares outstanding are anti-dilutive in relation to continuing operations. There were 1,996 (2012: 2,666) anti-dilutive share options, no (2012: nil) anti-dilutive convertible bonds and no (2012: nil) anti-dilutive share warrants in issue at 31 December 2013.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

12 Exploration and evaluation assets

	Republic of Ireland €'000	UK €'000	Total €'000
Cost and net book value			
At 1 January 2012	36,214	–	36,214
Additions	35,344	551	35,895
Administration expenses	1,144	223	1,367
Cash calls received in year	(5,507)	–	(5,507)
Impairment charge	(1,495)	–	(1,495)
Increase in abandonment costs	602	–	602
At 31 December 2012	66,302	774	67,076
Additions	13,006	127	13,133
Cash calls received in year	(1,199)	–	(1,199)
Administration expenses	1,517	240	1,757
Impairment charge	(678)	–	(678)
At 31 December 2013	**78,948**	**1,141**	**80,089**

The exploration and evaluation asset balance at 31 December 2013 primarily relates to the Barryroe (€58.3 million), Dunquin (€12.8 million), Spanish Point (€4.3 million), Dragon (€3.2 million) and Rathlin (€0.9 million) licence areas. The remaining €0.6 million relates to other licence areas held by the Group in the Republic of Ireland and the UK.

Net spend on exploration and evaluation assets during the year amounted to €13.7 million, with the majority of spend relating to the Dunquin licence area FEL 3/04 (€11.3 million) and the Spanish Point licence areas FEL 2/04 and FEL 4/08 in the Porcupine Basin (€1 million).

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that no additional impairment charge is required at 31 December 2013. 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.

13 Development and production assets

	UK €'000	Total €'000
Cost		
At 1 January 2012	**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	**–**	–
Additions in year	**–**	–
Administration expenses	**–**	–
Transfer to held for sale assets (Note 3)	**–**	–
Exchange rate adjustment	**–**	–
At 31 December 2013	**–**	**–**
Depletion		
At 1 January 2012	**15,674**	15,674
Charge for the year	**2,727**	2,727
Impairment charge	**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	**–**	–
Charge for the year	**–**	–
Impairment of assets	**–**	–
Exchange rate adjustment	**–**	–
At 31 December 2013	**–**	**–**
Net book value		
At 31 December 2013	**–**	**–**
At 31 December 2012	–	–

14 Property, plant and equipment

	Furniture & equipment €'000
Cost	
At 1 January 2012	678
Additions in year	38
Transfer to assets held for sale	(251)
At 31 December 2012	465
Additions in year	14
At 31 December 2013	**479**
Depreciation	
At 1 January 2012	646
Charge for year	28
Transfer to assets held for sale	(251)
At 31 December 2012	423
Charge for year	21
At 31 December 2013	**444**
Net book value	
At 31 December 2013	**35**
At 31 December 2012	42

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

15 Trade and other receivables

	2013 €'000	2012 €'000
VAT recoverable	**41**	–
Prepayments and accrued income	**90**	66
Other receivables	**–**	38
Amounts due from joint operation partners	**2,760**	3,901
	2,891	4,005

16 Cash and cash equivalents

	2013 €'000	2012 €'000
Cash held in bank accounts (a)	**8,998**	17,741
Less: Restricted bank balances (b)	**–**	(910)
Cash and cash equivalents	**8,998**	16,831

(a) Included in the cash and cash equivalents balance are amounts totalling €0.6 million (2012: €0.6 million) held on behalf of partners in jointly controlled operations.

(b) At 31 December 2012, the restricted cash balance related to cash deposits required to comply with the terms of the Deutsche Bank prepaid swap agreement. The restricted cash balance of €0.91 million was classified in assets held for sale at 31 December 2012 (Note 3).

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 000's	Share capital €'000	Share premium €'000
Deferred shares of €0.011 each	1,062,442	11,687	5,691
Ordinary shares of €0.10 each	49,809	16,668	130,548
At 1 January 2012	49,809	16,668	130,548
Ordinary shares issued in year	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
Ordinary shares issued in year	–	–	–
Share issue costs	–	–	–
Share options exercised in year (Note 23) (a)	151	15	255
Warrants exercised in year (Note 23)	–	–	–
At 31 December 2013	**64,649**	**18,151**	**210,230**

(a) During the year, 0.15 million ordinary shares were issued to employees on the exercise of share options for a consideration of €0.27 million.

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 remaining balance in this reserve was included in the gain on sale of Singleton reported in the profit from discontinued operations.

(b) The currency translation reserve comprises all foreign exchange differences from 1 January 2006, arising from the translation of the net assets of the Group's non-euro denominated operations, including translation of the profits of such operations from the average exchange rate to the rate at the reporting date.

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

(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). 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. As a result of the sale of the Singleton assets in February 2013, these hedged oil sales were no longer highly probable at 31 December 2012, and the remaining balance on this reserve was reclassified to the income statement.

19 Loans and borrowings

	Deutsche Bank loan facility (a) €'000	Deutsche Bank loan fees €'000	Convertible bond (b) €'000	Total €'000
At 1 January 2012	39,151	(786)	33,447	71,812
Drawn down in year	4,077	–	–	4,077
Repaid during year	(10,008)	–	(34,265)	(44,273)
Written off to income statement	–	135	818	953
Foreign exchange differences	(825)	(19)	–	(844)
Transferred to held for sale liabilities (Note 3)	(32,395)	670	–	(31,725)
At 31 December 2012	–	–	–	–
Foreign exchange differences	–	–	–	–
Drawn down in year	–	–	–	–
Repaid during year	–	–	–	–
At 31 December 2013	**–**	**–**	**–**	**–**

(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 were sold as part of the disposal of the UK producing assets, and will subsequently be repaid by the acquirers. Accordingly these were 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. The bonds were fully repaid in 2012 following the sale of the Africa asset.

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20 Decommissioning provisions

	2013 €'000	2012 €'000
At beginning of year	**4,738**	5,165
(Credit)/charge for year	**(379)**	34
Unwind of discount – continuing operations (Note 6)	**713**	274
Unwind of discount – discontinued operations (Note 3)	**–**	61
Utilised in year	**–**	(541)
Created in year	**–**	602
Foreign exchange differences	**33**	12
Transferred to held for sale liabilities (Note 3)	**–**	(869)
At end of year	**5,105**	4,738

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2015 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.

21 Deferred taxation

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

	At 1 January 2013 €'000	Recognised in income statement €'000	Recognised in OCI €'000	Translation adjustment €'000	Transfer to held for sale assets and liabilities €'000	At 31 December 2013 €'000
Development & production assets	–	–	–	–	–	–
Decommissioning provision	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Tax value of loss carry forwards	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**

	At 1 January 2012 €'000	Recognised in income statement €'000	Recognised in OCI €'000	Translation adjustment €'000	Transfer to 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	–

The Group is not recognising a deferred tax asset of approximately €25.5 million (2012: €24.4 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.

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

	2013 €'000	2012 €'000
One year	**988**	231
Two years	**505**	988
Three years	**1,977**	505
Four years	**376**	1,977
Five years	**193**	376
More than five years	**168,871**	157,778
Total	**172,910**	161,855

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

	2013 €'000	2012 €'000
Capital expenditure payable	**13,829**	22,145
Accruals	**1,219**	1,099
Other payables	**1,038**	201
	16,086	23,445

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 ten years from that date. All options granted under this scheme expire at varying dates up to June 2014. 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 2013 options over 0.14 million (2012: 0.32 million) shares remained outstanding at subscription prices ranging from €2.73 to €5.

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 2013 under this scheme (2012: nil). At 31 December 2013, options over 0.4 million (2012: 0.8 million) shares remained outstanding at subscription prices ranging from €4.05 to €9.79. These options expire at varying dates up to October 2015.

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.

No options were granted during 2013 under this scheme (2012: 755,000). At 31 December 2013, options over 1.48 million (2012: 1.55 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

23 Share schemes and warrants (continued)

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

For the year ended 31 December 2013

	1997 scheme		2005 scheme		2009 scheme		Warrants	
	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €	No of warranty 000's	Weighted average exercise price €
At 1 January 2013	**318**	**2.93**	**802**	**6.91**	**1,546**	**4.68**	**–**	**–**
Granted during year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Expired during year	**(25)**	**5.00**	**(430)**	**6.82**	**(63)**	**5.66**	**–**	**–**
Exercised during year *	**(151)**	**1.79**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2013	**142**	**4.18**	**372**	**7.01**	**1,483**	**4.62**	**–**	**–**
Of which exercisable at year end	**142**	**4.18**	**–**	**–**	**–**	**–**	**–**	**–**

* The weighted average share price when these options and warrants were exercised was €4.95.

For the year ended 31 December 2012

	1997 scheme		2005 scheme		2009 scheme		Warrants	
	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €	No of warranty 000's	Weighted average exercise price €
At 1 January 2012	354	2.93	1,177	5.74	910	3.33	1,400	6.64
Granted during the year	–	–	–	–	755	6.13	–	–
Forfeited during the year	–	–	(375)	4.27	(15)	6.13	–	–
Exercised during the year	(36)	1.46	–	–	(104)	3.35	(1,400)	6.64
At 31 December 2012	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 total number of options outstanding at 31 December 2013 was 1,997,597 (2012: 2,666,234). 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 models.

No options were granted in 2013 (2012: 755,000). 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 (€)	6.13
Exercise price (€)	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 (€)	3.75

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

	2013 €'000	2012 €'000
Administration expenses	**1,584**	1,247
Capitalised within exploration and evaluation assets	**–**	54

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 the disposal 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:

	2013 €'000	2012 €'000
Variable rate instruments		
Financial assets – cash and cash equivalents	**8,998**	16,831
Financial assets – restricted cash	**–**	910
Fixed rate instruments		
Financial liabilities – loans and borrowings	**–**	(31,725)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ('bps') in interest rates at 31 December 2013 and 31 December 2012 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 2013				
Variable rate instruments	85	(57)	–	–
31 December 2012				
Variable rate instruments	448	(448)	–	–

(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 2013 and 2012 the Group did not utilise either foreign currency forward contracts or derivatives to manage foreign currency risk on future net cash flows.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2013

24 Financial instruments (continued)

(b) Foreign currency risk (continued)

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

	31 December 2013					31 December 2012				
	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
VAT recoverable	**–**	**–**	**–**	**41**	**41**	–	–	21	–	21
Other debtors	**–**	**–**	**–**	**2,850**	**2,850**	–	–	–	4,333	4,333
Derivative asset/(liability) (net)	**–**	**–**	**–**	**–**	**–**	–	–	2,163	–	2,163
Cash and cash equivalents	**42**	**907**	**6,963**	**1,086**	**8,998**	11	9,880	6,139	801	16,831
Restricted cash	**–**	**–**	**–**	**–**	**–**	–	–	–	910	910
Loans & borrowings	**–**	**–**	**–**	**–**	**–**	–	–	(31,725)	–	(31,725)
Trade and other payables	**–**	**(1,606)**	**(11,808)**	**(2,672)**	**(16,086)**	(154)	(12,744)	(9,156)	(2,901)	(24,955)
Total exposure	**42**	**(699)**	**(4,845)**	**1,305**	**(4,197)**	(143)	(2,864)	(31,114)	3,143	(30,978)

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

	Average rate		Spot rate	
	2013	2012	**2013**	2012
1 GBP	**0.8501**	0.8119	**0.8337**	0.8161
1 USD	**1.3308**	1.2932	**1.3791**	1.3194

Sensitivity analysis

A 10% strengthening and weakening of the euro against the following currencies, based on outstanding financial assets and liabilities at 31 December 2013 and 31 December 2012 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 2013				
GBP	70	(70)	–	–
USD	484	(484)	–	–
31 December 2012				
GBP	286	(286)	–	–
USD	3,131	(3,131)	–	–

(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.

24 Financial instruments (continued)

Contractual maturities of financial liabilities as at 31 December 2013 were as follows:

Item	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6–12 months €'000	1–2 years €'000	2–5 years €'000
Trade and other payables	**16,086**	**16,086**	**16,086**	**–**	**–**	**–**
Total	**16,086**	**16,086**	**16,086**	**–**	**–**	**–**

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

(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:

	2013 €'000	2012 €'000
Cash and cash equivalents	**8,998**	16,831
Restricted cash	**–**	910
Trade receivables	**–**	1,444
VAT recoverable	**41**	21
Other receivables	**2,850**	4,333
Derivative asset	**–**	2,163
Maximum exposure to credit risk	**11,889**	25,702

(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 2013, 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. The bank borrowings were disposed of in February 2013 following the disposal of the Group's interest in the Singleton asset, and 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.

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25 Commitments and contingencies

(a) Exploration and evaluation activities

The Group has capital commitments of approximately €27.7 million to contribute to its share of costs of exploration and, evaluation activities during 2014, €16 million of this relates to the drilling of Spanish Point.

(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	218
Between two and five years	298
After five years	–
Total operating lease commitments	516

(c) Contingencies

From time to time, the Group is involved in other claims and legal actions which arise in the normal course of business. Based on information currently available to the Group, and legal advice, the Directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the Group is adequately positioned to deal with the outcome of any such litigation.

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 2013. The amount paid under the contract in the year ended 31 December 2013 was €448,500. 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 €80.1 million at 31 December 2013. The Directors carried out a review, in accordance with IFRS 6 "*Exploration for and evaluation of mineral interests*", of the carrying value of these assets and are satisfied that these are recoverable, acknowledging however that their recoverability is dependent on future successful exploration efforts.

Decommissioning

The decommissioning provision amounts to €5.1 million (2012: €4.7 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 €5.4 million (2012: €4.9 million) at 31 December 2013. 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 prepared and reviewed cash flow forecasts for the period to 31 December 2015. The Group's cash on hand at 31 December 2013 of €9 million was increased in June 2014 when the Group secured a working capital facility from for an amount of $24 million. 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 expects to incur significant capital expenditure in 2014 and 2015. The Directors are satisfied that, as a result of the available working capital facility, the proceeds that are expected to be received from the farm out of Barryroe, which is due to be completed later in 2014, and the expected timing of other capital expenditure programs which are planned, the Group will be in a position to fund this capital expenditure programme.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

28 Approval of financial statements

The financial statements were approved by the Directors on 26 June 2014.

Company Balance Sheet

at 31 December 2013

	Note	2013 €'000	2012 €'000
Fixed assets			
Oil and gas interests	2	**78,948**	66,302
Tangible assets	3	**35**	41
Financial assets	4	**2**	2
		78,985	66,345
Current assets			
Debtors	5	**46,528**	65,826
Cash at bank and in hand		**8,684**	16,208
		55,212	82,034
Creditors: amounts falling due within one year	6	**(17,779)**	(25,972)
Net current assets		**37,433**	56,062
Total assets less current liabilities		**116,418**	122,407
Provision for liabilities	7	**(5,105)**	(4,392)
Net assets		**111,313**	118,015
Capital and reserves			
Called up share capital	8	**18,151**	18,136
Share premium	8	**210,230**	209,975
Capital conversion reserve	9	**623**	623
Share based payment reserve	9	**5,382**	4,942
Loan warrant reserve	9	**–**	–
Convertible bonds – equity portion	9	**–**	–
Profit and loss account	9	**(123,073)**	(115,661)
Shareholders' funds – equity		**111,313**	118,015

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 2013

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 prepared and reviewed cash flow forecasts for the period to 31 December 2015. The Group's cash on hand at 31 December 2013 of €9 million was increased in June 2014 when the Group secured a working capital facility from for an amount of $24 million. 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 expects to incur significant capital expenditure in 2014 and 2015. The Directors are satisfied that, as a result of the available working capital facility, the proceeds that are expected to be received from the farm out of Barryroe, which is due to be completed later in 2014, and the expected timing of other capital expenditure programs which are planned, the Group will be in a position to fund this capital expenditure programme.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

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.

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.

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.

Notes to the Company Financial Statements continued

for the year ended 31 December 2013

1 Statement of accounting policies (continued)

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:

	Ireland €'000
Cost	
At 1 January	66,302
Exploration and appraisal expenditure	13,006
Cash call received in year	(1,199)
Impairment charge	(678)
Administration expenses	1,517
Increase in abandonment costs	–
At 31 December	78,948

The exploration and evaluation asset balance at 31 December 2013 primarily relates to the Barryroe (€58.3 million), Dunquin (€12.8 million), and Spanish Point (€4.3 million) and Dragon (€3.0 million) licence areas. The remaining €0.5 million relates to other licence areas held by the Group in the Republic of Ireland.

Net spend on exploration and evaluation assets during the year amounted to €13.3 million, with the majority of spend relating to the Dunquin licence area FEL 3/04 (€11.3 million) and the Spanish Point licence areas FEL 2/04 and FEL 4/08 in the Porcupine basin (€1 million).

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that no additional impairment charge is required at 31 December 2013. The Directors recognise that the future realisation of these exploration and evaluation assets is dependent on future successful exploration and appraisal activities and the subsequent economic production of hydrocarbon reserves. They have reviewed current and prospective plans for each of the licence areas and are satisfied that future exploration and evaluation activities are appropriate in light of the carrying value of these assets.

3 Tangible fixed assets

	Furniture & equipment €'000
Cost	
At 1 January 2013	419
Additions in year	15
At 31 December 2013	**434**
Depreciation	
At 1 January 2013	378
Charge for year	21
At 31 December 2013	**399**
Net book value	
At 31 December 2013	**35**
At 31 December 2012	41

4 Financial fixed assets

	2013 €'000
Investments in subsidiaries at start and end of year	**2**

At 31 December 2013, the Company had the following principal subsidiaries, all of which are wholly owned:

Name	Registered Office/Country of Incorporation	Activity	Interest in Ordinary Share Capital
Providence Resources UK Limited	5th Floor, 6 St. Andrews Street, London, EC4A 3AE, UK	Oil and gas exploration and production	100%
Providence Resources (NI) Limited	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 (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%
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%

5 Debtors

	2013 €'000	2012 €'000
VAT	**39**	–
Other debtors	**–**	38
Prepayments and accrued income	**90**	66
Amounts due from subsidiaries	**43,639**	61,821
Amounts due from joint operation partners	**2,760**	3,901
	46,528	65,826

All of the above amounts fall due within one year.

6 Creditors: amounts falling due within one year

	2013 €'000	2012 €'000
Trade creditors	**13,724**	21,943
Accruals	**1,203**	770
Other creditors	**1,013**	177
Amounts owed to subsidiaries	**1,839**	3,082
	17,779	25,972

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

Notes to the Company Financial Statements continued

for the year ended 31 December 2013

7 Provision for liabilities – Decommissioning

	2013 €'000	2012 €'000
At 1 January	**4,392**	3,482
Unwind of discount	**713**	274
Charge in year	**–**	34
Increase in provision in year	**–**	602
Balance at 31 December	**5,105**	4,392

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2015 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.

8 Share capital and share premium

See note 17 to the Group financial statements.

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 2013	623	4,942	–	–	(115,661)
Loss for financial year	–	–	–	–	(8,556)
Share based payments	–	1,584	–	–	–
Share options exercised in year	–	–	–	–	–
Share options forfeited in year	–	(217)	–	–	217
Share options lapsed in year	–	(927)	–	–	927
Bond redemption	–	–	–	–	–
At 31 December 2013	**623**	**5,382**	**–**	**–**	**(123,073)**

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 €27 million to contribute to its share of costs of exploration and evaluation activities during 2014, €16 million of this relates to the drilling of Spanish Point.

(b) Operating leases

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

	2013 €'000	2012 €'000
Within one year	**1**	1
Between two and five years	**163**	163
Total	**164**	164

(c) Contingencies

From time to time, the Company is involved in other claims and legal actions which arise in the normal course of business. Based on information currently available to the Company, and legal advice, the Directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the Company is adequately positioned to deal with the outcome of any such litigation.

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 €8,556,000 (2012: €7,024,000) for the financial year ended 31 December 2013 has been dealt with in the separate profit and loss account of the Company.

	2013 €'000	2012 €'000
Auditors' remuneration	42	42

During the year the Company employed 15 people (2012: 18 people) and incurred payroll costs of €1.9 million (2012: €2.0 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 €136,000 (2012: €175,000).

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 2013. The amount paid under the contract in the year ended 31 December 2013 was €448,500. The contract is of two years duration and is subject to one year's notice period.

13 Approval of financial statements

The financial statements were approved by the Directors on 26 June 2014.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Providence Resources Plc will be held in The Hilton Hotel, Charlemont Place, Dublin 2 on Tuesday 26 August 2014 at 11.00am 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 2013.

(2) (a) To re-elect Mr. John O'Sullivan as a Director.
(b) To re-elect Mr. Tony O'Reilly 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 resolution.

As a Special Resolution:

(5) 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 €646,494 (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 15 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 expired.

Dated 30 June 2014

By order of the Board
M. Graham, Secretary, Airfield House, Airfield Park, Dublin 4.

Note 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.

Note 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 15 minutes prior to the said meeting until the conclusion of the meeting.

Note 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 48 hours before the time for the holding of the meeting.

Note 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.

Note 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.

Note 6: Only those shareholders on the register of members of the Company as at 6:00pm on 22 August 2014 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

Computershare Investor Services (Ireland) Limited
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
London
EC2R 7AS
United Kingdom

Liberum Capital
Level 12
25 Ropemaker Street
London
EC2Y 9LY

Principal Bankers

Allied Irish Banks Plc
Bank of Ireland
DnB NOR
HSBC plc

Auditors

KPMG
Chartered Accountants
and Registered Auditors
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Dublin 2

Financial PR

Murray Consultants Dublin
Powerscourt Media London

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