Providence Resources P.l.c. - 2015 Annual Results

LEADERSHIP IN THE IRISH OFFSHORE

Dublin and London – June 29, 2016 - Providence Resources P.l.c. (PVR LN, PRP ID), the Irish based Oil and Gas Exploration Company, today announces Annual Results for the year ended December 31, 2015.

Tony O'Reilly, Chief Executive Officer commented:

"2015 was a year of unprecedented dislocation in the global oil and gas industry and provided a very tough backdrop for us to operate in. Market volatility has continued into 2016 but I am happy to report that, despite market turmoil, we have made significant progress in developing and realising value from our unique portfolio of assets offshore Ireland. Regardless of short term market flux, the Irish offshore remains a very attractive location for the global industry majors as evidenced by the record interest expressed in the recent Atlantic Margin Licensing Round.

"Thanks to the very significant support of our existing shareholders and new investors, we will have the financial resources and capability to advance our very extensive portfolio of assets. The proceeds from the recently announced equity capital raise, which is subject to shareholder approval, will not only allow Providence to repay the Melody debt facility and its court mandated obligations to Transocean, but it will also restore our flexibility in commercial negotiations on farm outs in relation to Barryroe, Spanish Point and the Porcupine Basin. Importantly, it will also allow us to fund our share of drilling costs associated with the high impact Druid exploration prospect in 2017, which is a key asset in our Porcupine Basin exploration portfolio.

"We look forward to updating shareholders on further developments as we continue to consolidate our leading position offshore Ireland."

2015 OPERATIONAL HIGHLIGHTS

▪ **Barryroe Oil Project, North Celtic Sea Basin (SEL 1/11)**
- Farm out discussions continued
- 2 year extension to the 1st phase of SEL 1/11 to July 2017 and an extension to 2nd phase to July 2019
- Area of SEL 1/11 increased by c.118 km^2 to accommodate mapped potential extensions of Barryroe, formerly located within LO 12/4, which has now expired
- Assessed separate fast-track development options of the highly productive C-Sand gas bearing reservoir

▪ **Offshore Petroleum Lease 1 (OPL 1) South Option, North Celtic Sea Basin**
- Option with PSE Kinsale Energy Limited for a right to earn a 60% working interest in southern portion of OPL 1 (subject to Ministerial consent) exercisable for a 3 year period
- Option is earned through the 100% financing and drilling of an exploration well
- Based on mapping, this area has the potential to host significant incremental resources

▪ **Spanish Point Gas Condensate Project, Northern Porcupine Basin (FEL 2/04 and 4/08)**
- Acquired Chrysaor E&P Ireland Limited which increased the Company's working interest in Spanish Point licences (FEL 2/04 and FEL 4/08) from 32% to 58% and FEL 1/14 from 32% to 43%
- HIIP of c. 730 MMBOE and combined contingent plus prospective recoverable resources of up to 337 MMBOE
- Farm out campaign launched in October 2015

▪ **Dunquin Oil Prospect, Southern Porcupine Basin (FEL 3/04)**
- Agreed to acquire Atlantic Petroleum (Ireland) Limited's 4% working interest in FEL 3/04 increasing the Company's working interest to 20% (subject to Ministerial approval)

▪ **Druid/Drombeg Oil Prospects, Southern Porcupine Basin (FEL2/14)**
- Major post 3D seismic analysis carried out; 3D seismic morphologies consistent with large stacked Lower Cretaceous and Paleocene deep-water fan systems at Drombeg and Druid

- Apparent depth consistent Class II AVO responses noted on both fan systems
- Large deeply buried pre-Cretaceous Diablo Ridge presence confirmed

2015 FINANCIAL HIGHLIGHTS

- Operating loss for the period of €13.080 million versus €6.463 million in 2014
- Loss of €24.137 million versus €11.489 million in 2014
- Loss per share of 19.57 cents versus 17.77 cents in 2014
- At December 31, 2015, total cash and cash equivalents were €6.518 million versus €8.552 million (2014, includes restricted cash of €3.296 million)

POST YEAR-END PROGRESS

- **Barryroe Oil Project, North Celtic Sea Basin (SEL 1/11)**
- Farm out discussions continue with a number of counterparties
- Upper C-Sand GIIP within SEL 1/11 & OPL1 Option area now estimated at c. 400 BSCF
- Latest well cost estimates for single vertical well c. US$25 million
- Court of Appeal overturns one aspect of 2014 Commercial Court Judgment in relation to Transocean litigation

- **Druid/ Drombeg Oil Prospects, Southern Porcupine Basin (FEL 2/14)**
- Multi-domain analysis confirms that the 3D seismic responses from the Druid and Drombeg prospects are consistent with the presence of 2 large vertically stacked stratigraphically trapped oil accumulations
- Total cumulative in-place un-risked prospective resources of c. 5.095 BBO (PMean)
- Adjacent third party Licensing Options awarded in 2015 Atlantic Margin Licensing Round
- Drilling of Druid being planned for summer 2017 (subject to conclusion of capital fundraising – see below)

- **Avalon Oil Prospect, LO 16/27)**
- Award of new Licensing Option in 2015 Atlantic Margin Licensing Round

- **Spanish Point Gas Condensate Project, Northern Porcupine Basin (FEL 2/04)**
- Farm out campaign continues
- Adjacent third party Licensing Options awarded in 2015 Atlantic Margin Licensing Round

- **Dunquin Oil Prospect, Southern Porcupine Basin (FEL 3/04)**
- Dunquin North post-well technical studies continuing
- Evidence of more significant residual oil in the Dunquin North well
- Adjacent third party Licensing Options awarded in 2015 Atlantic Margin Licensing Round

- **Newgrange Prospect, Goban Spur Basin (FEL 6/14)**
- Seismic supports top seal and reservoir presence for Cretaceous target
- Pre-Cretaceous structural closure far larger than previously mapped
- Adjacent third party Licensing Options awarded in 2015 Atlantic Margin Licensing Round

- **Kish Oil Prospect, Kish Bank Basin (SEL 2/11)**
- Company's working interest increased to 100%

- **Helvick/Dunmore Oil Discoveries North Celtic Sea Basin**
- Award of Lease Undertakings
- 50% staged farm in by Marginal Field Development Company Limited

- **Ruadhan Prospect, Northern Porcupine Basin (FEL 1/14)**
- Recently acquired 3D seismic data confirm the presence of a large base Cretaceous structural closure

- **Relinquishments made to Licence Authorisations over:**
  - Cuchulain, Southern Porcupine Basin (FEL 1/99)
  - Polaris, Rathlin Basin (P 1885)
  - Dragon (UK), St George's Channel Basin (P 1930)

POST YEAR-END FINANCIALS

- Capital fundraising announced on June 21, 2016 to raise gross proceeds of £53.712 million, comprising:
  - Proposed issuance of 399.670 million shares in a Placing Offer at £0.12 per share
  - Proposed allotment of 9.938 million shares to Melody at £0.12 per share
  - Proposed issuance of 37.998 million shares to Cenkos at £0.12 per share
- Open Offer of 31.835 million shares at €0.152 per share to raise up to a gross amount of €4.839 million
- Capital fundraising subject to ratification at the EGM on July 14, 2016
- Proceeds from capital fundraising proposed to be used to:
  - Retire corporate debt
  - Make payment to Transocean
  - Provide working capital
  - Finance the Company's cost of drilling the Druid exploration well

BOARD CHANGES

- Retirement of Dr. Brian Hillery from the Board
- Appointment of James S.D. McCarthy as Chairman
- Appointment of Dr. Phil Nolan as Senior Independent Director

EGM, AGM AND NEXT REPORTING

Providence will hold an EGM on July 14, 2016 for shareholders to consider the resolutions for the Proposed Placing Offer and Open Offer (as announced on June 21, 2016). The AGM is scheduled for July 27, 2016. The provisional date for the release of Interim Results for the period ending June 30, 2016 is September 29, 2016.

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ABOUT PROVIDENCE RESOURCES

Providence Resources is an Irish based Oil and Gas Exploration Company with a portfolio of appraisal and exploration assets located offshore Ireland. Providence's shares are quoted on AIM in London and the ESM in Dublin.

GLOSSARY OF TERSM USED

AVO- Amplitude Versus Offset
BBO – Billion Barrels of Oil
FEL – Frontier Exploration Licence
HIIP – Hydrocarbons Initially in Place
LO – Licensing Option
MMBOE – Millions of Barrels of Oil Equivalent
OPL – Offshore Production Lease
SEL – Standard Exploration Licence

ANNOUNCEMENT

This announcement has been reviewed by Dr John O'Sullivan, Technical Director, Providence Resources P.l.c. John is a geology graduate of University College, Cork and holds a Masters in Applied Geophysics from the National University of Ireland, Galway. He also holds a Masters in Technology Management from the Smurfit Graduate School of Business at University College Dublin and a doctorate in Geology from Trinity College Dublin. John is a Chartered Geologist and a Fellow of the Geological Society of London. He is also a member of the Petroleum Exploration Society of Great Britain, the Society of Petroleum Engineers and the Geophysical Association of Ireland. John has more than 25 years of experience in the oil and gas exploration and production industry having previously worked with both Mobil and Marathon Oil. John is a qualified person as defined in the guidance note for Mining Oil & Gas Companies, March 2006 of the London Stock Exchange. Definitions in this press release are consistent with SPE guidelines.

SPE/WPC/AAPG/SPEE Petroleum Resource Management System 2007 has been used in preparing this announcement.

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LIST OF ASSETS

Ref	Licence	Issued	Asset	Operator	Partners	%	Type
NORTH CELTIC SEA BASIN							
1	SEL 1/11	2011	Barryroe	Providence	Lansdowne	80.0	Oil discovery
2	SEL 2/07	2007	Hook Head	Providence	Atlantic; Sosina	72.5	Oil and gas discovery
3	LU	2016	Helvick	Providence	Atlantic; Sosina, Lansdowne	62.5	Oil and gas discovery
4	LU	2016	Dunmore	Providence	Atlantic; Sosina	72.5	Oil discovery
NORTHERN PORCUPINE BASIN							
5	FEL 2/04	2004	Spanish Point / Burren	Cairn	Sosina	58.0	Oil and gas discoveries
6	FEL 4/08	2008	Spanish Point North	Cairn	Sosina	58.0	Oil and gas exploration
7	FEL 1/14	2014	Ruadhan	Cairn	Sosina, Chrysaor	43.0	Oil and gas exploration
SOUTHERN PORCUPINE BASIN							
8	FEL 3/04	2004	Dunquin	ExxonMobil	Repsol; Eni; Sosina, Atlantic	16.0	Oil and gas exploration
9	LO 16/27	2016	Avalon	Providence	Sosina	80.0	Oil and gas exploration
10	FEL 2/14	2014	Druid / Drombeg	Providence	Sosina	80.0	Oil exploration
GOBAN SPUR BASIN							
11	FEL 6/14	2014	Newgrange	Providence	Sosina	80.0	Oil and gas exploration
KISH BANK BASIN							
12	SEL 2/11	2011	Kish Bank	Providence		100.0	Oil and gas exploration
SOUTH CELTIC SEA BASIN							
13	LO 13/4	2013	Silverback	Providence		100.0	Oil and gas exploration
ST GEORGE'S CHANNEL BASIN							
14	SEL 1/07	2007	Dragon	Providence		100.0	Gas discovery

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Condensed consolidated income statement

For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 Audited €'000	Year ended 31 December 2014 Audited €'000
Revenue – continuing operations	1	-	-
Administration and legal expenses	2	(6,437)	(6,119)
Pre-licence expenditure		(856)	(245)
Impairment of exploration, and evaluation assets		(5,787)	(99)
Operating loss	1	(13,080)	(6,463)
Finance income		34	39
Finance expense	3	(11,091)	(5,065)
Loss before income tax		(24,137)	(11,489)
Income tax expense		-	-
Loss for the financial year		(24,137)	(11,489)
Loss per share (cent) – total			
Basic loss per share	7	(19.57)	(17.77)
Diluted loss per share	7	(19.57)	(17.77)

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

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Condensed consolidated statement of comprehensive income

For the year ended 31 December 2015

	Year ended 31 December 2015 Audited €'000	Year ended 31 December 2014 Audited €'000
Loss for the financial year	**(24,137)**	**(11,489)**
Continuing operations		
OCI items that can be reclassified into profit and loss		
Foreign exchange translation differences	**7,178**	**2,257**
Total income recognised in other comprehensive income from continuing operations	**7,178**	**2,257**
Total comprehensive expense for the year	**(16,959)**	**(9,232)**

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

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Condensed consolidated statement of financial position

As at 31 December 2015

	Notes	31 December 2015 Audited €'000	31 December 2014 Audited €'000
Assets			
Exploration and evaluation assets	4	98,211	89,733
Property, plant and equipment		168	31
Intangible assets		296	-
Total non-current assets		98,675	89,764
Trade and other receivables		2,174	1,887
Restricted cash		-	3,296
Cash and cash equivalents		6,518	5,256
Total current assets		8,692	10,439
Total assets		107,367	100,203
Equity			
Share capital	5	25,694	18,151
Capital conversion reserve fund		623	623
Share premium	5	226,998	210,230
Foreign currency translation reserve		11,821	4,643
Share based payment reserve		3,586	4,282
Retained deficit		(199,780)	(176,339)
Total equity attributable to equity holders of the Company		68,942	61,590
Liabilities			
Decommissioning provision		7,424	6,034
Total non-current liabilities		7,424	6,034
Trade and other payables		12,712	13,231
Loans and borrowings	6	18,289	19,348
Total current liabilities		31,001	32,579
Total liabilities		38,425	38,613
Total equity and liabilities		107,367	100,203

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Condensed consolidated statement of changes in Equity

For the year ended 31 December 2015

	Share Capital €'000	Capital Conversion Reserve Fund €'000	Share Premium €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Retained Deficit €'000	Total €'000
At 1 January 2014	**18,151**	**623**	**210,230**	**2,386**	**5,382**	**(165,950)**	**70,822**
Total comprehensive income							
Loss for financial year	-	-	-	-	-	(11,489)	**(11,489)**
Currency translation	-	-	-	2,257	-	-	**2,257**
Cashflow hedge	-	-	-	-	-	-	**-**
Total comprehensive income	-	-	-	2,257	-	(11,489)	**(9,232)**
Transactions with owners, recorded directly in equity							
Shares issued in year	-	-	-	-	-	-	**-**
Share based payments	-	-	-	-	-	-	**-**
Share options exercised in year	-	-	-	-	-	-	**-**
Share options forfeited in year	-	-	-	-	-	-	**-**
Reclassified to gain on disposal	-	-	-	-	-	-	**-**
Share options lapsed in year	-	-	-	-	(1,100)	1,100	**-**
At 31 December 2014	**18,151**	**623**	**210,230**	**4,643**	**4,282**	**(176,339)**	**61,590**
At 1 January 2015	**18,151**	**623**	**210,230**	**4,643**	**4,282**	**(176,339)**	**61,590**
Total comprehensive income							
Loss for financial year	-	-	-	-	-	(24,137)	**(24,137)**
Currency translation	-	-	-	7,178	-	-	**7,178**
Cashflow hedge	-	-	-	-	-	-	**-**
Total comprehensive income	-	-	-	7,178	-	(24,137)	**(16,959)**
Transactions with owners, recorded directly in equity							
Shares issued in year	7,543	-	16,768	-	-	-	**24,311**
Share based payments	-	-	-	-	-	-	**-**
Share options exercised in year	-	-	-	-	-	-	**-**
Share options forfeited in year	-	-	-	-		-	**-**
Share options lapsed in year	-	-	-	-	(696)	696	**-**
Reclassified to gain on disposal	-	-	-	-	-	-	**-**
At 31 December 2015	**25,694**	**623**	**226,998**	**11,821**	**3,586**	**(199,780)**	**68,942**

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Condensed consolidated statement of cash flows

For the year ended 31 December 2015

	Year ended 31 December 2015	Year ended 31 December 2014
	Audited	**Audited**
	€'000	**€'000**
Cash flows from operating activities		
Loss before income tax for year	**(24,137)**	**(11,489)**
Adjustments for:		
Depletion and depreciation	**34**	**18**
Amortisation of intangible assets	**17**	**-**
Impairment of exploration and evaluation assets	**5,787**	**99**
Finance income	**(34)**	**(39)**
Finance expense	**11,091**	**5,065**
Foreign exchange	**(2,684)**	**(441)**
Change in trade and other receivables	**(287)**	**1,004**
Change in trade and other payables	**(521)**	**(2,855)**
Interest paid	**(4,204)**	**(1,350)**
Net cash outflow from operating activities	**(14,938)**	**(9,988)**
Cash flows from investing activities		
Interest received	**34**	**39**
Acquisition of exploration and evaluation assets	**(7,746)**	**(8,221)**
Acquisition of property, plant and equipment	**(484)**	**(14)**
Change in restricted cash	**3,296**	**(3,296)**
Net cash from investing activities	**(4,900)**	**(11,492)**
Cash flows from financing activities		
Proceeds from issue of share capital	**25,754**	**-**
Share capital issue costs	**(1,443)**	**-**
Repayment of loans and borrowings	**(3,671)**	**-**
Proceeds from drawdown of loans and borrowings	**-**	**16,699**
Net cash from financing activities	**20,640**	**16,699**
Net decrease in cash and cash equivalents	**802**	**(4,781)**
Cash and cash equivalents at 1 January	**5,256**	**8,998**
Effect of exchange rate fluctuations on cash and cash equivalents	**460**	**1,039**
Cash and cash equivalents at 31 December	**6,518**	**5,256**

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Basis of preparation

The consolidated preliminary financial results announcement of the Company, for the year ended 31 December 2015 comprises of the Company and its subsidiaries (together referred to as the "Group").

The financial information included in this preliminary financial results announcement, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS) which comprises standards and interpretations approved by the International Accounting Standards Board (IASB).

The consolidated preliminary financial information presented herein does not constitute the Company's statutory financial statements for the years ended 31 December 2015, with the meaning of Regulation 40(1) of the European Communities (Companies: Group Accounts) Regulations, 1992 of Ireland, insofar as such Group accounts would have to comply with disclosure and other requirements to those Regulations. The statutory financial statements for the year ended 31 December 2015, together with the independent auditor's report thereon, will be filed with the Irish Registrar of Companies following the Company's Annual General Meeting and will also be available on the Company's website www.providenceresources.com. The consolidated financial statements were approved by the Board of Directors on 28 June 2016.

The preparation of the condensed consolidated preliminary financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing this financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Going concern

The Group has two significant liabilities now falling due for payment being its loan facility (the "Facility") with Melody Business Finance LLC ("Melody") and amounts owing to Transocean UK Limited ("Transocean") arising from a recent order by the Court of Appeal in England and Wales (the " Order"). The Group currently does not have sufficient cash reserves to settle these liabilities. To allow the Group to meet these obligations and to recapitalise the Group's balance sheet, the Board of Directors announced a conditional equity placing to raise net proceeds of c.US$68.4 million (€60.5 million) which will be voted on by shareholders at an Extraordinary General Meeting on 14 July 2016.

Melody

The Company has reached agreement with Melody to extend the repayment date of the facility to 13 June 2016 and to extend the period within which to cure any event of default from 3 Business Days to 25 Business Days (subject to the preservation of the Lenders' rights and remedies under the Facility or at law in respect of any event of default arising in relation to insolvency proceedings). Accordingly, in the event of non-payment of amounts due to Melody by 13 June 2016, the Company will be required to remedy such default by the close of business on 15 July 2016. Pursuant to the terms of the Floating Charge, Melody may, at any time after an event of default which is continuing or where the Facility has become due and payable, exercise (as agent) its power of sale or appoint a receiver over the assets of the Group.

In addition, the Company and Melody have now agreed that, subject to the Placing and Open Offer Agreement becoming unconditional, repayment of amounts outstanding under the Facility will be satisfied as follows:

i. cash equal to US$20 million (together with any accrued and unpaid interest thereon) to be wired by the Company to Melody in immediately available funds in accordance with the terms of the Facility; and

ii. the allotment of 9,938,033 New Ordinary Shares by the Company to the Lenders by way of capitalisation of US$1.7 million of outstanding debt due to Melody under the amended Facility.

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Going concern *(continued)*

Assuming the Placing and Open Offer Agreement which was issued on 21 June 2016 becomes unconditional, the Melody Liability Shares will be issued and the balance of the Facility will be repaid in full from the proceeds of this Placing Offer. The Board believe that the repayment of the Facility in the manner set out above is in the best interests of the Company and that it will strengthen the financial position of the Company by removing a potential refinancing risk which, in turn, should help with future commercial discussions.

Subject to the successful conclusion of the Placing Offer and the Open Offer at the EGM on 14 July 2016, the net proceeds of the Placing Offer and the Open Offer are expected to be received by the Company on 15 July 2016.

Transocean

Pursuant to an Order of Her Majesty's Court of Appeal of England and Wales made on 13 April 2016, the Company was required to pay Transocean c.US$6.77 million by 6 May 2016 in respect of certain costs claimed by Transocean in the context of the original legal proceedings issued against the Company by Transocean in May 2012. The Order further stated that the Company was required to pay part of Transocean legal costs of the appeal in the sum of £225,000 by 27 April 2016 (with the remainder to be agreed and paid at a future date). These legal costs in the sum of £225,000 were paid to Transocean on 27 April 2016. Other matters in dispute between the Company and Transocean in the legal proceedings were remitted to the Commercial Court in England and Wales for determination at a future date.

The Company reached agreement with Transocean whereby the Company agreed to make a payment of (gross) US$2 million to Transocean in part satisfaction of the Order. This was done on May 6, 2016. By way of a further communication between Transocean and the Company dated 26 May, 3 June and 17 June, Transocean has agreed not to enforce the Order prior to 18 July 2016, or such earlier date as may be determined by Transocean in the event that Transocean reasonably concludes that the Company will be unable to pay in full the sums due to it. The Company further agreed the quantum of Transocean's costs of the legal proceedings as part of the agreement which the Company intends to discharge in due course. Lansdowne, the Company's Barryroe joint venture partner, is liable for their 20 per cent interest share of all costs associated with the litigation.

Assuming the successful completion of the Placing Offer and Open Offer, the balance of the sum owing to Transocean as specified in the Order will be paid in full from the proceeds of the Placing Offer and the Open Offer on or before 18 July 2016.

Cash flow forecasts

Detailed cash flow forecasts have been prepared by the Directors for the period through to 31 December 2017 which indicate that the Group will be able to settle the above liabilities and other commitments as they fall due.

The principal assumptions underlying the cash flow forecasts are as follows:

- the proposed conditional equity placing (the "Placing") will be completed; and

- exploration and evaluation expenditure and administrative expenditure will be line with commitments and current expectations.

Going concern *(continued)*

The Placing is due to be voted on by the shareholders at the EGM on 14 July 2016. The conditional net funds are c.US$68.4 million (€60.5 million). The Group intends to use to proceeds from the Placing as follows:

- to fund the Group's share of payments arising from the Transocean litigation; and the repayment of an amount of US$20 million of the Facility (together with any accrued and unpaid interest thereon).

- to strengthen the Group's financial position, fund general working capital to cover general administrative costs, sustaining capital expenditure and license expenditure and costs associated with the Company's portfolio of oil and gas projects and prospects, offshore Ireland.

- to fund the Company's share of drilling costs for an exploration well at Druid, drilling of which is subject to equipment availability, regulatory approvals and joint venture partner funding being in place.

On the basis that the Placing will be approved by the shareholders at the EGM, the Directors are satisfied that the Group will have sufficient resources available to settle its existing liabilities and commitments as they fall due for a period of at least 12 months from the date of approval of the 31 December 2015 financial statements.

However, these matters require the successful ratifications of resolutions to be voted upon by shareholders at the EGM on 14 July, 2016. A failure to pass the resolutions would create material uncertainties that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. The Group and the Parent Company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

The accounting policies applied in the condensed consolidated preliminary financial information are the same as those applied in the consolidated financial statements as at and for the year ended 31 December 2015, as set out on pages 24 to 28 of the 2014 Annual Report. There were no new standards or amendments to standards which were mandatory for the first time for the financial year beginning 1 January 2015 which had a significant impact on the financial information. FRS101 has been adopted by the Company in the preparation of its Company only financial statements.

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Note 1
Operating segments

	Year ended 31 December 2015	Year ended 31 December 2014
	Audited	**Audited**
	€'000	**€'000**
Segment net loss for the period		
Republic of Ireland – exploration assets	(3,946)	(97)
UK- exploration assets	(1,841)	(2)
Corporate expenses	(7,293)	(6,364)
Operating loss	(13,080)	(6,463)
Segment assets		
UK – exploration assets	73	1,799
Republic of Ireland – exploration assets	100,710	89,908
US	32	30
Group assets	6,552	8,466
Total assets	107,367	100,203
Segment Liabilities		
UK – exploration assets	(14)	(37)
Republic of Ireland – exploration assets	(19,634)	(16,176)
Group liabilities	(18,777)	(22,400)
Total Liabilities	(38,425)	(38,613)
Capital Expenditure		
UK – exploration assets	103	417
Republic of Ireland – exploration assets	7,643	7,804
Republic of Ireland - property, plant and equipment and intangible assets	484	14
Total capital expenditure, net of cash calls	**8,230**	**8,235**
Impairment charge		
Republic of Ireland – exploration assets	3,946	97
UK – exploration assets	1,841	2
	5,787	99

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Note 2
Administration and legal expenses

	Year ended 31 December 2015	Year ended 31 December 2014
	Audited	Audited
	€'000	€'000
Corporate, exploration and development expenses	**3,783**	4,593
Legal expenses	**2,127**	2,804
Foreign exchange differences	**1,550**	511
Total administration and legal expenses for the year	**7,460**	7,908
Capitalised in exploration and evaluation expenses (Note 4)	**(1,023)**	(1,789)
Total charge to the income statement	**6,437**	6,119

Note 3
Finance Expense

	Year ended 31 December 2015	Year ended 31 December 2014
	Audited	Audited
	€'000	€'000
Recognised in income statement:		
Amortisation of arrangement fees and other amounts	2,861	516
Unwinding of discount on decommissioning provision	1,390	929
Interest charge	2,367	1,467
Interest charge on legal settlement	2,141	-
Foreign exchange loss on revaluation of loan, net	2,332	2,153
Total finance expense recognised in income statement	**11,091**	**5,065**
Recognised directly in other comprehensive income		
Foreign currency differences on foreign operations	7,178	2,257
Total finance expense recognised in comprehensive income	**7,178**	**2,257**

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Note 4
Exploration and evaluation assets

	Republic of Ireland	UK	Total
	€'000	**€'000**	**€'000**
Cost and book value			
At 1 January 2014	78,948	1,141	80,089
Additions	6,815	367	7,182
Administration expenses	1,739	50	1,789
Cash calls received in year	(750)	-	(750)
Impairment charge	(97)	(2)	(99)
Foreign exchange translation	1,440	82	1,522
At 31 December 2014	**88,095**	**1,638**	**89,733**
At 31 December 2014	88,095	1,638	89,733
Additions	6,805	84	6,889
Administration expenses	1,004	19	1,023
Cash calls received in year	(166)	-	(166)
Impairment charge	(3,946)	(1,841)	(5,787)
Foreign exchange translation	6,419	100	6,519
At 31 December 2014	**98,211**	**-**	**98,211**

The exploration and evaluation asset balance at 31 December 2015 primarily relates to the Barryroe (€62.9 million), Dunquin (€13.6 million), Spanish Point (€13.0 million) and license areas, Druid/Drombeg (€5.7 million) and Newgrange (€1.5 million). The remaining €1.5 million relates to other license areas held by the Group in the Republic of Ireland.

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that an impairment charge of €5.8 million is required at 31 December 2015 in relation to specific licenses as it is unlikely that further exploration and evaluation work will be undertaken.

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.

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Note 5
Share Capital and Share Premium

		Number	
Authorised:		'000	€'000
At 31 December 2015			
Deferred shares of €0.011 each		1,062,442	11,687
Ordinary shares of €0.10 each		223,131	22,313
	Number	Share Capital	Share Premium
Issued:	000's	€'000	€'000
Deferred shares of €0.011 each	1,062,442	11,687	5,691
Ordinary share of €0.10 each	64,649	6,464	204,539
At 1 January 2014 and 31 December 2014	64,649	18,151	210,230
At 1 January 2015	64,649	18,151	210,230
Shares issued in year	75,427	7,543	16,768
At 31 December 2015	**140,076**	**25,694**	**226,998**

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Note 6
Loans and Borrowings

	Melody loan facility	**Melody loan fees**	**Total**
	€'000	**€'000**	**€'000**
At 1 January 2014			
Drawn down in year	17,572	(873)	16,699
Written off to income statement	-	496	496
Foreign exchange difference	2,155	(2)	2,153
At 31 December 2014	**19,727**	**(379)**	**19,348**
Repaid during year	(3,646)	-	(3,646)
Drawn down in year	1,519	(4,125)	(2,606)
Written off to income statement	-	2,861	2,861
Foreign exchange difference	2,332	-	2,332
At 31 December 2015	**19,932**	**(1,643)**	**18,289**

In June 2014, the Company agreed a US$24 million financing with Melody. This financing was structured by way of a US$20 million facility and a US$4 million facility. In February 2015, the Company and Melody agreed to restructure the commercial arrangements with the US$4 million facility being repaid in June 2015 and the US$20 million facility being extended to 22 May 2016, with the extension fees and associated costs being capitalised, resulting in a net outstanding sum payable of US$ 21.7 million (the "Facility"). Under the Facility, Melody has security over all of the Group's assets by way of the Floating Charge.

The Company has reached agreement with Melody to extend the repayment date of the Facility to 13 June 2016 and to extend the period within which to cure any event of default from 3 Business Days to 25 Business Days (subject to the preservation of the Lenders' rights and remedies under the Facility or at law in respect of any event of default arising in relation to insolvency proceedings). Accordingly, in the event of non-payment of amounts due to Melody by 13 June 2016, the Company will be required to remedy such default by the close of business on 15 July 2016. Pursuant to the terms of the Floating Charge, Melody may, at any time after an event of default which is continuing or where the Facility has become due and payable, exercise (as agent) its power of sale or appoint a receiver over the assets of the Group.

In addition, the Company and Melody have now agreed (pursuant to the terms of the consent request between the Company, Melody and the Lenders dated 17 June 2016 (the "Consent Request")) that, subject to the Placing and Open Offer Agreement becoming unconditional, repayment of amounts outstanding under the Facility will be satisfied as follows:

i. cash equal to US$20 million (together with any accrued and unpaid interest thereon) to be wired by the Company to Melody in immediately available funds in accordance with the terms of the Facility; and

ii. the allotment of 9,938,033 New Ordinary Shares by the Company to the Lenders (being the "Melody Liability Shares") by way of capitalisation of US$1.7 million of outstanding debt due to Melody under the amended Facility.

Assuming the Placing and Open Offer Agreement which was issued on 21 June 2016 becomes unconditional, the Melody Liability Shares will be issued and the balance of the Facility will be repaid in full from the proceeds of this Placing Offer. The Board believe that the repayment of the Facility in the manner set out above is in the best interests of the Company and that it will strengthen the financial position of the Company by removing a potential refinancing risk which, in turn, should help with future commercial discussions.

Note 6
Loans and Borrowings *(continued)*

Subject to the successful conclusion of the Placing Offer and the Open Offer at the EGM on 14 July 2016, the net proceeds of the Placing Offer and the Open Offer are expected to be received by the Company on 15 July 2016.

The Facility Agreement (as amended by written agreement between the parties) provides for a 25 Business Day (as that term is defined in the Facility Agreement) cure period within which the Company can remedy any failure to repay. If such failure to repay is not remedied within the 25 Business Day cure period, then it will constitute an “Event of Default” (as that term is defined in the Facility Agreement). In addition, pursuant to the terms of Floating Charge, Melody may, at any time after an Event of Default which is continuing or where the Facility has become due and payable, exercise (as agent) its power of sale or appoint or a receiver over the assets of the Group.

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Note 7
Earnings per share

	31 December 2015	31 December 2014
	Audited	**Audited**
	Total	**Total**
(Loss) / profit attributable to equity holders of the company from continuing operations (€'000)	**(24,137)**	(11,489)
The basic weighted average number of ordinary shares in issue		
In issue at beginning of year ('000s)	**64,649**	64,649
Adjustment for shares issued in year ('000s)	**58,689**	-
Weighted average number of ordinary shares ('000s)	**123,338**	64,649
Basic and diluted (loss) / earnings per share (cent)	**(19.57)**	(17.77)

There is no difference between the loss per ordinary share and the diluted loss per ordinary share for the current period as all potentially dilutive ordinary shares outstanding are anti-dilutive.

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Note 8
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 May 2015. The amount paid under the contract in the year ended 31 December 2015 was €448,500. It is of two years duration and is subject to one year's notice period.

Note 9
Commitments

The Group has capital commitments of approximately €2.7m to contribute to its share of costs of exploration and evaluation activities during 2016.

Note 10
Post Balance Sheet Events

Equity fundraising
The Company announced a conditional equity placing to raise net proceeds of c.US$68.4 million (€60.5 million) which will be voted on by shareholders at an Extraordinary General Meeting on 14 July 2016.

Transocean Drilling UK Limited legal case
In May 2012, Transocean initiated proceedings against the Company for c.US$19 million. The Company counterclaimed pleading that Transocean was in breach of contract because their rig and their equipment were not in good working condition or adequate to conduct the drilling activities over most of a period from late December 2011 through to early February 2012. In December 2014, a judgment was handed down by the Commercial Court in London (the "Judgment") which confirmed the Company's pleadings that it should not have to pay Transocean for those periods when the rig was not operable, due to breaches of contract arising from Transocean's failure to carry out maintenance on safety critical parts of its sub-sea equipment. The Judgment provided that the Company should also be allowed to set-off certain third party costs against Transocean's claim. The Judgment allowed the parties to agree the final account, with the Company paying a net amount of c.US$6.15 million and Lansdowne paying c.US$1.54 million.

Transocean was subsequently granted the right to appeal one aspect of the Judgment. In April 2016 the Court of Appeal ruled in favour of Transocean's appeal (the "Appeal Judgment"). The appeal of this one aspect of the Judgment turned on the Court of Appeal's interpretation of the wording of the consequential loss clause in the rig contract.

In relation to the Appeal Judgement, by Order of Her Majesty's Court of Appeal of England and Wales made on 13 April 2016 (the "EWCA Order"), the Company was ordered to pay Transocean a gross amount of c.US$6.77 million on or before 4.00 p.m. on 6 May 2016 in respect of certain costs claimed by Transocean in the context of the original legal proceedings issued against the Company by Transocean in May 2012. This amount has been fully accrued as at 31 December 2015 (note 21). The EWCA Order further stated that the Company was required to pay part of Transocean's legal costs of the appeal in the sum of gross £225,000 by 27 April 2016 (with the remainder to be agreed and paid at a future date). This amount was fully accrued as at 31 December 2015 (note 21).

These legal costs in the sum of £225,000 were paid to Transocean on 27 April 2016. In addition, the EWCA Order stated that other matters in dispute between the Company and Transocean in the legal proceedings will be the subject of a further hearing in the Commercial Court in London unless otherwise resolved between the parties.

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Note 10 - continued
Post Balance Sheet Events

The two main matters which arise out of the Court of Appeal judgment and which remain unresolved as at the date of the financial statements are as follows:

(a) the quantification of interest on the judgment sum awarded by the Court of Appeal to Transocean; and

(b) whether Transocean is entitled to its legal costs (and interest thereon) in respect of the first instance decision handed down by the Commercial Court in London in December 2014, on the basis of Transocean having previously made an offer to the Company (the “Settlement Offer”) to reach a settlement in respect of those proceedings pursuant to Part 36 of the English Civil Procedure Rules (the “CPR”). Part 36.14 of the CPR provides that, where judgment against a defendant (in this case, the Company) is at least as advantageous as the proposals in the Part 36 offer, the offeror (in this case, Transocean) would be entitled to its legal costs and interest on those costs together with interest on the principal sums from the date upon which the period for acceptance of the offer expired.

Transocean contends that, as the aggregate amount payable to them as a result of the Judgment and the Appeal Judgment is more advantageous to Transocean than the terms of the Settlement Offer, that Transocean is now entitled to recover from the Company its costs (and interest thereon) in respect of the first instance proceedings. The Company will be required to make an additional payment to Transocean pursuant to paragraph (a) above in the sum of (net) c.US$0.4 million (however, the final amount has yet to be agreed/determined) and, in the event that Transocean is successful in the Commercial Court in relation to the matter outlined in paragraph (b) above, an additional payment of (net) c.US$3.1 million.

As of the date of approval of the financial statements, no date has been set by the Commercial Court to consider these matters. In the event of an adverse adjudication, it is open to the Company to appeal such a decision.

Following the issue of the EWCA Order, the Company and Transocean reached agreement (the “TO Agreement”) whereby the Company agreed to make a payment of (gross) US$2 million to Transocean (in part satisfaction of the EWCA Order) payment of which has now been made. By way of a further communication between Transocean and the Company dated 26 May, 3 June and 17 June, Transocean has agreed not to enforce the EWCA Order prior to 18 July 2016, or such earlier date as may be determined by Transocean in the event that Transocean reasonably concludes that the Company will be unable to pay in full the sums due to it (the “Transocean Long Stop Date”). The Company further agreed the quantum of Transocean’s costs of the legal proceedings as part of the agreement which the Company intends to discharge in due course. Lansdowne, the Company’s joint venture partner in Barryroe, is also liable for its 20 per cent. interest share of all costs associated with the litigation.