Providence Resources P.l.c. – 2017 Annual Results

Multiple Commercial Deals Agreed; Significant Momentum Driving Portfolio Development

Dublin and London – May 10, 2018 - Providence Resources P.l.c. (PVR LN, PRP ID), the Irish based Oil & Gas Exploration Company, today announces Annual Results for the year ended December 31, 2017.

Commenting today, Tony O'Reilly, Chief Executive Officer said:

"2017 was an extremely busy year across the entire Providence portfolio. During the year, we agreed 3 major exploration farm-out transactions which provided significant momentum to our portfolio development activities and also delivered incremental capital to enhance our financial resources. In recent months, we have signed a substantial appraisal farm-out transaction with a Chinese led consortium which provides the financial and operational capacity for the appraisal and development of our flagship Barryroe Project in the Celtic Sea.

Our main operational activity of 2017 was the drilling of the 53/6-1 exploration well in FEL 2/14 in the Porcupine Basin. This drilling programme, targeting the Druid & Drombeg exploration targets, was a major undertaking for Providence. Not only was this well the deepest water depth well ever drilled by any company offshore North-West Europe, but it was also the first exploration well to be drilled under the new PEES (Petroleum Exploration and Extraction Safety) Act 2015, which required substantial additional permitting and consenting.

Unfortunately, as we announced last summer, both targets were water wet which was very disappointing - but as a by-product, valuable regional geology, reservoir development and pressure regime data were obtained. As only the second wildcat exploration well ever drilled in the southern Porcupine Basin, the well data will be useful for any future planned drilling of the deeper Diablo structure contained within FEL 2/14 or other Providence assets elsewhere within the basin. Importantly, from a financing perspective, the farm-out deals structured with TOTAL and Cairn substantially mitigated our cost exposure to this drilling programme.

In addition to drilling activity, we continued to advance our West of Ireland exploration portfolio. Through a farm-out, we welcomed TOTAL in as a new 50% partner and Operator of Avalon, which we recently applied to convert to a Frontier Exploration Licence. At Dunquin, the partners licenced newly acquired 3D seismic which clearly differentiates between the breached Dunquin North structure and the undrilled Dunquin South prospect and so further analysis is ongoing. Finally, at Newgrange, we are getting this prospect drill ready by accelerating plans for a site survey this summer, whilst also continuing to run a major farm-out campaign.

Post year end, the signing of the Farm-Out Agreement with APEC of a 50% working interest in Barryroe was the key transaction for Providence. The farm-out, which is subject to closing conditions and is expected to close in Q3, is proceeding to plan. The farm-out provides for the drilling of 3 wells and associated side-tracks and testing in 2019. Importantly, the structure of the farm-out transaction means that Providence has no upfront risk or capital exposure for the initial appraisal drilling, whilst also providing a roadmap to take this project, subject to the results of the drilling, to project sanction and on to production.

We continue to be by far the most active player offshore Ireland in terms of drilling activity, commercial deals and collaborations with world-class partners. Looking ahead, we have the portfolio, partners, people and financial resources in place to advance our portfolio through exploration & appraisal drilling for the benefit of all our shareholders."

2017 OPERATIONAL HIGHLIGHTS

APPRAISAL

- **BARRYROE, North Celtic Sea Basin (SEL 1/11)**
- Farm-out discussions continued - Period of exclusivity granted
- Extension to 1st phase of SEL 1/11 to July 2019 and overall license extension of 2 years to July 2021
- New 3D seismic uplift provided significantly enhanced visualisation of Barryroe reservoir interval

- **HELVICK & DUNMORE, North Celtic Sea Basin (LU)**
- Awarded Lease Undertakings
- Assigned 10% equity in Helvick to MFDevCo and 10% equity to Lansdowne
- Assigned 10% equity in Dunmore to MFDevCo

EXPLORATION

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

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

- Capricorn Ireland Limited (“Capricorn”), a wholly owned subsidiary of Cairn Energy PLC (“Cairn”) paid 45% (US$18.9 million) of 53/6-1 well costs, subject to a gross well cap of US$42 million, and thereafter at 30% cost share
- Capricorn made a cash payment of US$2.82 million on a pro-rata 80/20 basis to Providence and Sosina
- Capricorn also agreed methodology for a contingency appraisal well carry on a 1.33 to 1 promote basis, subject to US$42 million gross well cap

TOTAL Option and Election to Farm-in to 35% of FEL 2/14

- Option with TOTAL E&P Ireland B.V. (“TOTAL”), a wholly owned subsidiary of TOTAL S.A., giving TOTAL the right to take a 35% working interest, via agreed farm-in, exercisable post drilling of the 53/6-1 well
- TOTAL paid US$27 million to Providence & Sosina (US$21.6 million & US$5.4 million, respectively)
- TOTAL subsequently exercised Option to farm-in for 35% working interest and assumed Operatorship

- **DUNQUIN SOUTH, Southern Porcupine Basin (FEL 3/04)**
- ENI assumed Operatorship
- Providence equity increased to 26.846% following acquisition of Atlantic’s 4.0% working interest
- Licensed 1,800 km^2 of 3D seismic data from CGG as part of their Porcupine Basin multi-client 3D acquisition programme (acquired in June 2017)

- **AVALON, Southern Porcupine Basin (LO 16/27)**
  Technical work
- Generated calibrated Petroleum Systems Model ("PSM" c.48,000 km^2), which supports the potential of a working petroleum system in LO 16/27
- Model demonstrated that Avalon could potentially access a total hydrocarbon resource charge of c. 8.67 BBO and c. 21.43 TSCF (equivalent to c. 12 BBOE)

  TOTAL Farm-In to 50% of LO 16/27
- TOTAL E&P Ireland B.V. ("TOTAL"), a wholly owned subsidiary of TOTAL S.A., farmed-in for 50% interest and Operatorship
- TOTAL paid pro-rata share of past gross costs of c. US$0.175 million, and in addition to its pro-rata share, pay 21.4% of the past and future costs during the 2-year term of LO 16/27, subject to a gross cost cap of US$1.33 million
- In the event that the JV partners decide to drill an exploration well, TOTAL will pay 60% of the drilling costs, subject to a gross well cap of US$ 42 million

- **NEWGRANGE, Goban Spur Basin (FEL 6/14)**
- Prepared scope for 2018 site survey and future drilling

- **KISH, Kish Bank Basin (SEL 2/11)**
- Ministerial consent granted to extend the 1st phase of SEL2/11 to August 2018 and an overall extension of one year to the license term to August 2020

2017 FINANCIAL HIGHLIGHTS

- Operating Loss for the period of €21.402 million versus €18.844 million in 2016
- Loss of €20.419 million versus €20.546 million in 2016
- Loss per share of 3.42 cents versus 5.80 cents in 2016
- At December 31, 2017 total cash & cash equivalents of €19.603 million versus €31.403 million (at 31/12/16)
- The Company had no debt at December 31, 2017 (2016: nil)
- The total issued & voting share capital comprises 597,658,958 ordinary shares of €0.10 each

BOARD CHANGES

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

POST YEAR END EVENTS

- **BARRYROE, North Celtic Sea Basin (SEL 1/11)**
- In March 2018, the Company, through its wholly owned subsidiary, EXOLA DAC ("EXOLA") signed a Farm-Out Agreement ("FOA") with APEC Energy Enterprise Limited ("APEC") in relation to SEL 1/11.
- Under the terms of the FOA, in consideration for APEC being assigned a 50% working interest in SEL 1/11:
  - APEC will be directly responsible for paying 50% of all the cost obligations associated with the drilling of 3 vertical wells, plus associated side-tracks and well testing (hereinafter referred to as the "Drilling Programme");
  - APEC will provide a drilling unit and related operational services for the Drilling Programme;
  - APEC will finance, by way of a non-recourse loan facility (the "Loan"), the remaining 50% of all costs of the Barryroe Partners in respect of the Drilling Programme;
  - The Loan, drawable against the budget for the Drilling Programme, will incur an annual interest rate

of LIBOR +5% and will be repayable from production cashflow from SEL 1/11 with APEC being entitled to 80% of production cashflow from SEL 1/11 until the Loan is repaid in full;
    - Following repayment of the Loan, APEC will be entitled to 50% of production cashflow from SEL 1/11 with EXOLA and Lansdowne being entitled to 40% and 10% of production cashflow, respectively.
    - Upon completion of the Drilling Programme, APEC will be able to subscribe for warrants over 59.2 million shares in Providence at a strike price of £0.12 per share (the "Warrants"). The Warrants, representing circa 9.9% of the current issued share capital of Providence, are exercisable for a period of 6 months following the completion of the Drilling Programme.
    - EXOLA will act as Operator for the Drilling Programme with technical assistance being provided by the APEC Consortium; and,
    - After the completion of the Drilling Programme, APEC will have the right to become Operator for the development/production phase.
- The Closing of the Farm-out is conditional on completion of all ancillary legal documentation required to implement the terms of the Farm-out Agreement, and is subject to the approval of the Minister of State at the Department of Communications, Climate Action and Environment and the approval of the Chinese government. The Closing of the Farm-out, which is expected to occur in Q3 2018, is proceeding to plan.

- **NEWGRANGE, Goban Spur Basin (FEL 6/14)**
- Extension of the first phase of the Frontier Exploration Licence to March 2019
- High resolution 2D seismic acquisition and well exploration site survey contract awarded to Gardline
- Site survey to take place in Q3 2018
- Farm-out process continues

- **AVALON, Southern Porcupine Basin (LO 16/27)**
- Application to convert from a Licensing Option to Frontier Exploration Licence

OUTLOOK

We remain very optimistic about the future prospects for Providence. We are both determined and uniquely positioned to continue to lead the industry in identifying and realising Ireland's significant offshore potential, whilst also scouting opportunities elsewhere that leverage our unique skillset and experience offshore Ireland. We continue to be by far the most active player offshore Ireland in terms of drilling activity, commercial deals and collaborations with world-class partners. Looking ahead, we have the portfolio, partners, people and financial resources in place to advance our portfolio through exploration & appraisal drilling for the benefit of all our shareholders.

An updated Investor Presentation will be available at providenceresources.com later today

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ABOUT PROVIDENCE RESOURCES

Providence Resources is an Irish based Oil & Gas Exploration Company with a portfolio of appraisal and exploration assets located offshore Ireland. Providence's shares are quoted on the AIM in London and the ESM in Dublin. Further information on Providence can be found at providenceresources.com.

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.

SUMMARY OF KEY ASSETS/RESOURCE BASE

APPRAISAL ASSETS

- **Barryroe Oil Project, North Celtic Sea Basin (PVR – 80.00%*)**
  - Field Size (2C): 346 MMBOE REC
  - Net to PVR*: 276 MMBOE REC

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

- **Hook Head Oil Project, North Celtic Sea Basin (PVR - 72.50%)**
  - Field Size (2C): 35 MMBOE REC
  - Net to PVR: 25 MMBOE REC

- **Spanish Point Gas Condensate Project, Northern Porcupine Basin (PVR – 58.00%)**
  - Field Size (2C): 337 MMBOE REC
  - Net to PVR: 195 MMBOE REC

EXPLORATION ASSETS

- **Diablo Oil Prospect, Southern Porcupine Basin (PVR – 28.00%)**
  - Prospect Size (Pmean): To be confirmed
  - Net to PVR: To be confirmed

- **Dunquin South Oil Prospect, Southern Porcupine Basin (PVR-26.85%)**
  - Prospect Size (Pmean): 1.389 BBO REC
  - Net to PVR: 372 MMBO REC

- **Avalon Oil prospect, Southern Porcupine Basin (PVR – 40.0%)**
  - Prospect Size (Pmean): To be confirmed
  - Net to PVR: To be confirmed

- **Newgrange Oil/Gas Prospect, Goban Spur Basin (PVR – 80.00%)**
  - Prospect Size (Pmean): 9.2 BBO STOIIP / 13.6 TSCF GIIP
  - Net to PVR: 7.36 BBO STOIIP / 10.8 TSCF

- **Kish Oil Prospect, Kish Bank Basin (PVR – 100.00%)**
  - Prospect Size (P50): 210 MMBO REC
  - Net to PVR: 210 MMBOE REC

GLOSSARY OF TERMS USED

BBO – Billion Barrels of Oil
BBOE – Billion Barrels of Oil Equivalent
BSCF – Billion Standard Cubic Feet of Gas
FEL – Frontier Exploration Licence
GIIP – Gas Initially in Place
LO – Licensing Option
LU – Lease Undertaking
MMBO – Millions of Barrels of Oil
MMBOE – Millions of Barrels of Oil Equivalent
Pmean – the expected average value or risk-weighted average of all possible outcomes
Rec – Recoverable
SEL – Standard Exploration Licence
STOIIP – Stock Tank of Oil Initially in Place
SCF – Trillion Standard Cubic Feet of Gas

SUMMARY OF KEY ASSETS

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

* Held through wholly owned subsidiary, Exola DAC.

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

PROVIDENCE RESOURCES P.l.c.

Condensed consolidated income statement

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 Audited €'000	Year ended 31 December 2016 Audited €'000
Revenue – continuing operations	**1**	**-**	**-**
Administration and legal expenses	**2**	**(6,491)**	**(3,688)**
Pre-licence expenditure		**(268)**	**(61)**
Impairment of exploration and evaluation assets		**(14,643)**	**(15,095)**
Operating loss	**1**	**(21,402)**	**(18,844)**
Finance income		**1,116**	**39**
Finance expense	**3**	**(133)**	**(1,741)**
Loss before income tax		**(20,419)**	**(20,546)**
Income tax expense		**-**	**-**
Loss for the financial year		**(20,419)**	**(20,546)**
Loss per share (cent) – total			
Basic loss per share	**7**	**(3.42)**	**(5.80)**
Diluted loss per share	**7**	**(3.42)**	**(5.80)**

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

PROVIDENCE RESOURCES P.l.c.
Condensed consolidated statement of comprehensive income
For the year ended 31 December 2017

	Year ended 31 December 2017 Audited €'000	Year ended 31 December 2016 Audited €'000
Loss for the financial year	**(20,419)**	**(20,546)**
Continuing operations		
OCI items that can be reclassified into profit and loss		
Foreign exchange translation differences	**(7,626)**	**1,994**
Total (expense)/income recognised in other comprehensive income from continuing operations	**(7,626)**	**1,994**
Total comprehensive expense for the year	**(28,045)**	**(18,552)**

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

PROVIDENCE RESOURCES P.l.c.

Condensed consolidated statement of financial position

As at 31 December 2017

	Notes	31 December 2017 Audited €'000	31 December 2016 Audited €'000
Assets			
Exploration and evaluation assets	4	74,831	89,276
Property, plant and equipment		62	102
Intangible assets		88	192
Total non-current assets		74,981	89,570
Trade and other receivables		7,660	255
Cash and cash equivalents		19,603	31,403
Total current assets		27,263	31,658
Total assets		102,244	121,228
Equity			
Share capital	5	71,452	71,452
Capital conversion reserve fund		623	623
Share premium	5	247,918	247,918
Foreign currency translation reserve		6,189	13,815
Share based payment reserve		1,502	1,398
Retained deficit		(243,980)	(223,888)
Total equity attributable to equity holders of the Company		83,704	111,318
Liabilities			
Decommissioning provision		6,956	7,783
Total non-current liabilities		6,956	7,783
Trade and other payables		11,584	2,127
Loans and borrowings	6	-	-
Total current liabilities		11,584	2,127
Total liabilities		18,540	9,910
Total equity and liabilities		102,244	121,228

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Condensed consolidated statement of changes in Equity

For the year ended 31 December 2017

	Share Capital €'000	Capital Conversion Reserve Fund €'000	Share Premium €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Retained Deficit €'000	Total €'000
At 1 January 2016	**25,694**	**623**	**226,998**	**11,821**	**3,586**	**(199,780)**	**68,942**
Total comprehensive income							
Loss for financial year	-	-	-	-	-	(20,546)	**(20,546)**
Currency translation	-	-	-	1,994	-	-	**1,994**
Cashflow hedge	-	-	-	-	-	-	**-**
Total comprehensive income	-	-	-	1,994	-	(20,546)	**(18,552)**
Transactions with owners, recorded directly in equity							
Shares issued in year	45,758	-	20,920	-	-	(5,892)	**60,786**
Share based payments	-	-	-	-	142	-	**142**
Share options cancelled in year	-	-	-	-	(1,493)	1,493	**-**
Share options lapsed in year	-	-	-	-	(837)	837	**-**
At 31 December 2016	**71,452**	**623**	**247,918**	**13,815**	**1,398**	**(223,888)**	**111,318**
At 1 January 2017	**71,452**	**623**	**247,918**	**13,815**	**1,398**	**(223,888)**	**111,318**
Total comprehensive income							
Loss for financial year	-	-	-	-	-	(20,419)	**(20,419)**
Currency translation	-	-	-	(7,626)	-	-	**(7,626)**
Total comprehensive income	-	-	-	(7,626)	-	(20,419)	**(28,045)**
Transactions with owners, recorded directly in equity							
Share based payments	-	-	-	-	431	-	**431**
Share options lapsed in year	-	-	-	-	(327)	327	**-**
At 31 December 2017	**71,452**	**623**	**247,918**	**6,189**	**1,398**	**(243,980)**	**83,704**

PROVIDENCE RESOURCES P.l.c.

Condensed consolidated statement of cash flows

For the year ended 31 December 2017

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

Basis of preparation

The consolidated preliminary financial results announcement of the Company, for the year ended 31 December 2017 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 year ended 31 December 2017, 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 2017, 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 9 May 2018.

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 2016.

Going concern

Cash flow forecasts

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

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

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

PROVIDENCE

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Note 1 - Operating segments

	Year ended 31 December 2017	Year ended 31 December 2016
	Audited	Audited
	€'000	€'000
Segment net loss for the period		
Republic of Ireland – exploration assets	(14,643)	(15,028)
UK- exploration assets	-	(67)
Corporate expenses	(6,759)	(3,749)
Operating loss	(21,402)	(18,844)
Segment assets		
Republic of Ireland – exploration assets	82,641	89,659
Group assets	19,603	31,569
Total assets	102,244	121,228
Segment Liabilities		
UK – exploration assets	(15)	(64)
Republic of Ireland – exploration assets	(18,263)	(9,598)
US - liabilities	-	(1)
Group liabilities	(262)	(247)
Total Liabilities	(18,540)	(9,910)
Capital Expenditure		
UK – exploration assets	-	67
Republic of Ireland – exploration assets	8,015	3,915
Republic of Ireland - property, plant and equipment and intangible assets	27	-
Total capital expenditure, net of cash calls	**8,042**	**3,982**
Impairment charge		
Republic of Ireland – exploration assets	14,643	15,028
UK – exploration assets	-	67
	14,643	15,095

Note 2 - Administration and legal expenses

	Year ended 31 December 2017	Year ended 31 December 2016
	Audited	Audited
	€'000	€'000
Corporate, exploration and development expenses	**5,431**	4,271
Legal expenses	**25**	68
Foreign exchange differences	**2,932**	507
Total administration and legal expenses for the year	**8,388**	4,846
Capitalised in exploration and evaluation expenses (Note 4)	**(1,897)**	(1,158)
Total charge to the income statement	**6,491**	3,688

PROVIDENCE RESOURCES P.l.c.

Note 3 - Finance Expense

	Year ended 31 December 2017	Year ended 31 December 2016
	Audited	**Audited**
	€'000	**€'000**
Recognised in income statement:		
Amortisation of arrangement fees and other amounts	-	1,643
Unwinding of discount on decommissioning provision	133	359
Interest charge	-	1,093
Interest charge on legal settlement	-	(1,055)
Foreign exchange loss on revaluation of loan, net	-	(299)
Total finance expense recognised in income statement	**133**	**1,741**
Recognised directly in other comprehensive income		
Foreign currency differences on foreign operations	(7,626)	1,994
Total finance expense recognised in comprehensive income	**(7,626)**	**1,994**

Note 4 - Exploration and evaluation assets

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

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

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

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

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

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Note 5 - Share Capital and Share Premium

		Number	
Authorised:		'000	€'000
At 31 December 2016			
Deferred shares of €0.011 each		1,062,442	11,687
Ordinary shares of €0.10 each		986,847	98,685
	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	140,077	14,007	221,307
At 1 January 2016	140,077	25,694	226,998
Share issued in year	457,582	45,758	20,920
At 31 December 2016	597,659	71,452	247,918
Shares issued in year	-	-	-
At 31 December 2017	**597,659**	**71,452**	**247,918**

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

Note 6 - Loans and Borrowings

	Melody loan facility	**Melody loan fees**	**Total**
	€'000	**€'000**	**€'000**
At 1 January 2016	19,932	(1,643)	18,289
Repaid during year	(19,633)	-	(19,633)
Written off to income statement	-	1,643	1,643
Foreign exchange difference	(299)	-	(299)
At 31 December 2016 and 31 December 2017	**-**	**-**	**-**

Under the Facility, Melody had security over all of the Group's assets by way of the Floating Charge.

Note 7 - Earnings per share

	31 December 2017	**31 December 2016**
	Audited	**Audited**
	Total	**Total**
(Loss) / profit attributable to equity holders of the company from continuing operations (€'000)	**(20,419)**	(20,546)
The basic weighted average number of ordinary shares in issue		
In issue at beginning of year ('000s)	**597,659**	140,077
Adjustment for shares issued in year ('000s)	**-**	214,374
Weighted average number of ordinary shares ('000s)	**597,659**	354,451
Basic and diluted loss per share (cent)	**(3.42)**	(5.80)

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.

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 April 2017. The amount paid under the contract in the year ended 31 December 2017 was €606,930 *(2016: €366,390)*. The contract is of two years duration and is subject to one year's notice period.

Note 9 - Commitments

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

Note 10 - Post Balance Sheet Events

On 28 March 2018, the Group through its subsidiary, Exola DAC, signed a Farm Out Agreement on SEL 1/11 with APEC Energy Enterprise Limited (APEC). Under the terms of the Farm Out, APEC will take a 50% interest in the licence and pay 50% of the costs associated with the drilling programme. APEC will fund Exola's and Lansdowne's 50% interest by means of a non-recourse loan facility to cover their costs in the Barryroe drilling programme.

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

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

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

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