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## **STRATEGIC REVIEW - PRELIMINARY RESULTS**

### **Dublin and London - 20th December 2021:**

As indicated in our announcement dated 29th September 2021, which covered Providence Resources P.l.c.'s (PVR) unaudited interim results for the first six months of fiscal 2021, the new PVR Board confirmed that it had initiated a full Strategic Review of the development potential of the Barryroe Field. The singular objective of the review was to optimise value for our shareholders, in the context of both Irish energy security and the transition to a carbon neutral economy by 2050, in line with stated Irish Government objectives.

At that time, the new PVR Board indicated that the Strategic Review would be completed by Q4 of 2021. For a variety of reasons, there remain a number of key areas outstanding for consideration by the new PVR Board, in order to present a compelling case to ensure the achievement of our key objective - the optimisation of the value of the Barryroe Field.

The purpose of this status update is to provide you with an update on the progress made to-date in the formulation of the Barryroe Technical Strategy. We are confident that the remaining steps required to complete our Strategic Review will enable us to report back conclusively and positively to our shareholders by the end of January 2022.

### **1. Executive Summary**

- *Securing the Lease Undertaking*

All required technical and financial information in relation to the Barryroe Lease Undertaking, which requires Ministerial consent, has been submitted to the GeoScience Regulation Office (GSRO). The Board is confident that it has discharged all of its responsibilities and will continue to examine all options and act upon them, as required, to ensure that our shareholders' interests are protected.

- *An effective technical strategy to optimise the value of the Barryroe Field*

A realistic and pragmatic approach has been adopted by the Board in the formulation of our Barryroe Strategy, in the light of the current regulatory environment, energy transition issues around security of supply and growing energy demand. Development of our Barryroe technical strategy is progressing satisfactorily. One of the principal preliminary conclusions from the technical review is that the key uncertainties impeding the future development of Barryroe could be substantially reduced by further appraisal drilling.

**James Menton, Executive Chairman, commented:**

*"The Board is confident in both the process adopted and the skills, competencies and commitment of the new technical leadership team. Our preliminary conclusion is that an appraisal well will be essential before embarking on an initial phased development and the conclusions of the Barryroe Strategic Review will be communicated to shareholders by the end of January 2022."*

## **2. PVR Board - Key Objectives**

Following the formation of the new PVR Board approximately 140 days ago, we immediately undertook an evaluation of our key objectives and priorities.

Our key objectives can be summarised as follows:

1. Securing the award of the Lease Undertaking in relation to the Barryroe Field.
2. Developing an effective technical strategy for the optimisation of the value of the Barryroe Field through a phased development scheme and having regard to successive failed proposals.
3. Considering and developing an appropriate funding strategy.
4. Positioning PVR to play a key role during the energy transition phase to 2050.

Consequent upon these objectives, our initial and continuing priorities are as follows:

- Follow-up and engagement with the GSRO in relation to our application for the Lease Undertaking
- Ensuring that we have the breadth and depth of experience, competency and skills within our technical team to support the Board in the formulation of its Barryroe Strategy.
- Enhancing the understanding of the Barryroe project and the opportunities it presents for all shareholders and other key stakeholders to facilitate the achievement of the Board's objectives.

The Board believes that PVR is well positioned to play a pivotal role in the energy transition phase to 2050, having regard to the many benefits that a successful Barryroe development would yield including, *inter alia*,

- Contribution to energy transition planning, particularly security of supply.
- Significant strategic and fiscal value to the Irish economy (at no cost to the Irish taxpayer).
- Reducing Ireland's dependency on the importation of energy resources.

## **3. PVR Board Perspectives and Key Actions**

The new Board has adopted a realistic and pragmatic attitude towards the formulation of our Barryroe Strategy. In addition to the technical and economic aspects of the Barryroe project, we have had careful regard to the dynamics of the current regulatory environment and the energy transition issues of security of supply, growing energy demand and the continuing need to attract foreign direct investment

in the pathway to achieve the ultimate goal of carbon neutrality by 2050.

The new PVR Board believes that these conditions offer a unique opportunity to play a key role during the transition phase - namely to be potentially "part of the solution".

As noted, the new PVR Board was formed approximately 140 days ago. As a priority from the outset, the new Board has been acutely conscious of the need to secure the regulatory Lease Undertaking, which is subject to Ministerial consent and is a prerequisite to optimise the value of the Barryroe Field. We believe that PVR has discharged its responsibilities through the submission of the required technical and financial information to the GSRO, in order to comply fully with their requirements. We will continue to examine all options and act upon them, as required, in order to ensure that our shareholders' interests are protected.

Secondly, in the wake of the failed "Spot On" farm out and PVR's resumption of direct management of the Barryroe project, we evaluated both our technical approach and capacities. Consequently, we made changes to the team, and we appointed NRG Well Management International Ltd (NRG) to lead the recruitment and organisation of an expanded technical team. NRG has prior experience of working with PVR and particularly well 48/24 - 10z, the last appraisal well drilled in Barryroe in 2011/2012. Andrew Mackay, a director of PVR, is Chairman of NRG. The contract with NRG is for €115,000. The PVR directors (Mr Mackay excepted) consider, having consulted with our nominated adviser and Euronext Growth Adviser, Davy, that the terms of the NRG contract are fair and reasonable insofar as its shareholders are concerned.

Thirdly, given the particular significance of this project for Cork and the south coast, we have retained a specialist, Cork-headquartered agency, AM O'Sullivan PR, to develop a stakeholder management and communication strategy to enhance understanding of the Barryroe project and the opportunities it presents. Ms. Ann-Marie O'Sullivan, a director of PVR, is also the CEO of AM O'Sullivan PR. The contract has an equivalent annual value of €81,000. The PVR directors (Ms. O'Sullivan excepted) consider, having consulted with our nominated adviser and Euronext Growth Adviser, Davy, that the terms of the contract are fair and reasonable insofar as its shareholders are concerned.

Finally, we have initiated efforts to recruit a new CEO having regard to the status of the Lease Undertaking and the completion of the Barryroe Strategic Review.

#### **4. GSRO Lease Undertaking - Status and Approach**

As shareholders are aware, the granting of the Lease Undertaking for the Barryroe Field, which is subject to Ministerial consent, is fundamental to the execution of the Board's strategy. In the absence thereof, and indeed without receipt on a timely basis, the Board may not be able to achieve its stated objectives, with fundamental and serious consequences for PVR's future viability.

The receipt of a Barryroe Lease Undertaking would provide PVR and its partner Lansdowne Celtic Sea Ltd. ('Lansdowne', our 20% partner) with an exclusive right to apply for a Petroleum Lease (a) for a defined period and (b) in return for an agreed work programme. The Lease Undertaking is a natural follow-on from the Barryroe SEL 1/11 exploration licence. The grant of the Lease Undertaking would allow PVR, together with Lansdowne, to proceed with the execution of the Barryroe technical strategy. The work proposed during the period of the Lease Undertaking is designed to reduce uncertainties, to confirm the extent of hydrocarbons across the field segment targeted for initial development and thus, potentially, to lead to a declaration of commerciality and the award of a Petroleum Lease, subject to both Ministerial consent and our anticipated phased development scheme.

As indicated in our 2021 Half-Year report, the Board outlined the then status of the Lease Undertaking application. Since that date, the Board has been in contact with the GSRO on three occasions. The latest update from the GSRO was received on December 10th, with confirmation that the application is still being reviewed and assessed by the Department for the Environment, Climate and Communications (DECC) and the GSRO. The PVR Board will continue to engage with DECC and the GSRO.

## **5. PVR Barryroe - Strategic Background and Environment**

Since the formation of the new PVR Board, there have been a number of important developments not only in the Irish, but also the European and wider global energy landscape. These include, but are not limited to:

- The enactment of the Climate Action and Low Carbon Development Bill, outlining the Government's strategy and legislation to ensure that Ireland's carbon neutral targets are achieved by 2050.
- Continuing and escalating price hikes in energy costs.
- Major concerns arising from the key issue of security of energy supply to 2030 and beyond. This issue is not limited to Ireland but is also influenced by European geo-political matters, such as the supply of Russian gas through the Nord Stream2 gas pipeline.
- The Government's policy statement, dated 30th November 2021, on security of electricity supply. This sets out various policy decisions to address security of supply issues, including the need for significant investment in "flexible conventional electricity generation" which would include gas-fired and gasoil/distillate fired generation.
- In local economic terms, the recognition of the importance of a sensible transition over the next decade, given the value of existing oil and gas infrastructure within the Cork region and the need to plan accordingly.

The new PVR Board and its technical team have had regard to all of these relevant factors and influences in the formulation of our Barryroe Strategy.

In simple terms, and as stated, PVR's Barryroe Field can, potentially, be "part of the solution" in the sensible and effective energy transition of Ireland's economy to 2050 and thus play its role in:

- Aligning with Government and EU energy policy in Climate Change objectives.
- Underpinning Ireland's security of supply over this transition period.
- Alleviating various challenges to supply into Ireland's National Grid.
- Generating significant economic benefits to Ireland's economy, at no cost to the Irish taxpayer.

All of the above is, however, predicated on the timely grant of the Lease Undertaking in order to enable the Board to execute our Barryroe Strategy.

## **6. PVR Technical Strategy**

### **6.1 The Barryroe Technical Strategy**

The PVR Board seeks to maximise the return on investment at Barryroe and, as such, the technical and economic assessment is focused on selecting the optimised development solution that will successfully achieve this. The optimal solution for Barryroe is one that will deliver value within the timescale of the eventual transition to a hydrocarbon-free energy production and PVR's ability to fund this development.

From 2014 to April 2021, all attempts to introduce a Farm-In partner to expedite development of the Barryroe discovered resources foundered. In April 2021, the failure of the SpotOn EDS proposition obliged PVR to fundamentally reassess the Barryroe technical and economic factors. Initially, several workstreams were established using individual specialist advisers and contractors.

The focus shifted to those resources that are more certain, and for which subsurface data is more proximal to the Central Segments of the field most closely connected to the 48/24-10z discovery well, where hydrocarbons were previously found and tested. An independent reservoir engineering consultancy was retained to assist in remodelling the hydrocarbon recovery potential and they will also shortly finalise an updated Competent Persons Report (CPR) on these segments of the field only.

Following the departure of the Chief Executive in mid-October 2021, NRG was contracted to boost capabilities and to expedite and integrate information and analyses arising from the various workstreams into a coherent framework. That work is well advanced and will reach completion during January 2022 to support key Board decisions on the best way forward.

Since July 2021, the new PVR Board has met on fourteen occasions to supervise and monitor progress on this thorough review of all the technical, environmental and economic data. Importantly, the PVR Board preliminary conclusion is that the key uncertainties impeding the future development of Barryroe could be substantially reduced by further appraisal drilling.

In support of this pending appraisal well decision, the team has:

- Confirmed a previously identified well location as optimal.
- Successfully completed a seabed site survey
- Realistic expectations, given planning, logistics and regulatory consent processes, that the appraisal well could be drilled and evaluated during 2023.

We anticipate that a new appraisal well will provide excellent technical information to enable execution of the first phase of development of hydrocarbon resources at Barryroe. Preliminary conceptual planning has been progressed with a view to a sequenced development within the Central Segments of the overall Barryroe field, with first production envisaged during 2026.

The 2011 and 2013 Competent Persons Reports assessed the overall Barryroe accumulation to be 346 mmmboe of recoverable hydrocarbons, primarily oil, categorised as '2C' Contingent Resources. The appraisal well and initial development project now being pursued targets the most readily accessible portion of the overall field hydrocarbons, those assessed to lie within the Central Segments of the field.

Following successful exploitation through this initial phase, it is anticipated that further phases of development would target the resources assessed to be held in other Segments of the field.

The appraisal stage of the Barryroe development project will be a success if sufficient information is obtained from the appraisal well to identify the technically and commercially optimal future development strategy, where an investable development plan is produced and engagement with environmental regulators has provided confidence of regulatory approval.

Previous attempts to embark directly on an Early Development Scheme (EDS), without the necessary preparatory appraisal work, have serially proven to be unworkable for both financial and technical reasons.

## **6.2 Key Decisions**

The key decision criteria are associated with the reduction of subsurface uncertainty and, key to this is the level of confidence in the resources targeted being sufficient to justify the cost of the appraisal well itself. In reaching its final conclusions over the coming weeks, the PVR Board will have satisfied itself on the following questions:

- (1) That there is a compelling technical and financial argument for drilling an

appraisal well.

- (2) That the optimal appraisal well location has been selected.
- (3) That the targeting and outline design of the appraisal well is appropriate for the initial phased development ambition.
- (4) Selecting the development of an optimal approach if oil and gas are confirmed by the appraisal well as regards a phased oil, and then gas, development.
- (5) Given a successful appraisal well, there is an investable project development scheme.

At this stage, the Board's expected conclusion is that an appraisal well is required to gain further confidence about the extent and characteristics of the hydrocarbons in these first segments of the Barryroe Field to be targeted for initial development. The appraisal programme is anticipated to reduce uncertainties sufficiently to support an investable phased development scheme.

### **6.3 Next Steps**

The next steps are as follows:

- (1) Secure the Lease Undertaking.
- (2) Complete the current Barryroe technical and commercial evaluations.
- (3) Finalise the Board's review process, currently anticipated to confirm a recommendation to drill an appraisal well to substantially reduce subsurface uncertainties.
- (4) Secure funding for the appraisal programme.
- (5) Plan the appraisal well in detail, contract a suitable rig and execute the drilling and appraisal data acquisition programme.
- (6) Progress work on the conceptual designs for development wells and facilities.
- (7) Analyse the appraisal data and progress the selection amongst post-appraisal development options to an appropriate conclusion.

### **ENDS**

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