

Diversity. Experience. Expertise. Partnership. Growth.

Providence Resources P.l.c.
Annual Report for the
year ended 31 December 2015

Stock Code:
PVR:LN
PZQA



Welcome to the Providence Resources P.I.c. Annual Report 2015

Oil and gas exploration and development

Who we are

Providence Resources P.I.c. is an Irish based upstream oil and gas company with a portfolio of appraisal and exploration assets located offshore the island of Ireland.

Operating offshore Ireland for over 30 years, the Company has a well-established background in the Irish oil and gas business, having worked closely with many major international companies including ExxonMobil, Repsol, ENI, Petronas and Cairn Energy.

The Company is involved in a number of material exploration prospects and appraisal projects in multiple basins offshore Ireland.

Strategy

The Company's strategy has been to assemble a material equity position in a portfolio of assets offshore Ireland combining existing discoveries with new prospects to improve overall economics and reduce risk profile in order to realise value and to generate sustainable incremental wealth for the Company and its shareholders.

- Focus on oil & gas exploration offshore the 'Island of Ireland'
 - Core focus on early stage exploration & appraisal drilling opportunities in multiple basins
- Create a diversified and material exploration & appraisal portfolio
 - c. 358 MMBOE net audited 2C Contingent Resources
 - c. 4.792 BBOE gross un-risked Prospective Resources
- Farm out to defray CAPEX for subsequent drilling/development
- Leverage in third parties to validate and co-venture with on prospects and projects

2015 Operational Highlights

2015 Operations

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 term to July 2019
- Area of SEL 1/11 increased by c.118 km² 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 (KEL) for a right to earn a 60% working interest in southern portion of OPL1 (subject to Ministerial consent) exercisable for a 3 year period
- Option is earned through the 100% financing and drilling of 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 (CEPIL) which increased the working interest in Spanish Point licences (FEL 2/04 and FEL 4/08) from 32% to 58%
- 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 (FEL 2/14)

- 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

Post 2015 Operations

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 the litigation with Transocean Drilling U.K. Limited.

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

Ruadhan Prospect, Northern Porcupine Basin (FEL 1/14)

- Recently acquired 3D seismic data confirms the presence of a large base Cretaceous structural closure

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 studies 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

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

Kish Bank 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 (MFDevCo)

Avalon Oil Prospect, Porcupine Basin (LO 16/27)

- Award of new Licensing Option in 2015 Atlantic Margin Licensing Round

Relinquishments made to Licence Authorisations over:

- Cuchulain, Southern Porcupine Basin
- Polaris, Rathlin Basin
- Dragon (UK), St George's Channel Basin

FY 2015 Financials

- 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) inclusive of restricted cash €3.3 million

Post FY 2015 Financials

- Capital fundraising announced on June 21, 2016
- Proposed cumulative issuance of 447.607 million shares in a Placing Offer at £0.12 pence per share to raise a gross amount of US\$76.6 million
- Open Offer of 31.838 million shares at €0.152 cents per share to raise up to a gross amount of €4.838 million
- Capital fundraising subject to ratification at the EGM on 14 July 2016
- Proceeds proposed to be used for:
 - Retire corporate debt
 - Make payment to Transocean
 - Working capital
 - Drilling of Druid exploration well

Board Changes

- Retirement of Dr. Brian Hillery from the Board effective May 26, 2015
- Appointment of James S.D. McCarthy as Chairman with effect May 26, 2015

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

Portfolio Management in the Irish Offshore Sector

Dear Shareholder,

The Company is pleased to present the 2015 Annual Report, which gives an update on the activities of the Company over the 2015 period as well as updating on recent activities, including a proposed major equity capital fundraising, which was announced last week.

Market Environment

2015 was an exceptionally difficult year for the global E&P sector and the experience for the Company was no different from other companies who operate in the North West European sector. Understanding these market fundamentals is important for every investor in the Company as part of the Company's strategy is to co-venture with industry partners, which has been compromised of late.

The precipitous fall in oil prices in 2014 continued on through 2015 and into early 2016, which saw Brent oil prices drop to US\$27/barrel in January 2016. The industry's reaction to this price fall has been severe – significant redundancies worldwide and major cutbacks in investment. In the North Sea sector alone, it is estimated that c. 100,000 jobs have been lost and investment is down to levels not seen since the 1990's. Whilst market commentators' estimates on the precise amount of cutbacks vary, there is universal agreement that the level of cutbacks has far exceeded anything seen in prior downturns. A recent study by IHS Energy found that investment planned for the years from 2014 to 2020 has already been reduced by US\$1.8 trillion, compared to what was originally planned in 2014.

The prevailing market conditions have significantly and adversely impacted oil and gas companies at all stages of the exploration, development and production cycle. Notwithstanding a recent improvement in hydrocarbon pricing from the lows seen in January/February 2016, the market remains volatile and continues to be severely impacted by divestment programmes and associated job cuts.

In particular, the prolonged reduction in pricing has resulted in abnormally low levels of farm-out and other transactional activity as E&P companies across the market reduce capital expenditure, preserve cash to maintain dividends or satisfy lenders, or refocus on strategies which are perceived to have a lower risk or greater return on capital. Against that backdrop, very few farm-in transactions have been concluded in the UK North Sea sector in the past 18 months.

Elsewhere, funding options for companies have also become increasingly limited with the current low oil price driving a reduction in availability of existing debt facilities and testing companies' abilities to meet covenants and cover interest or capital payments, with the ongoing forbearance of lenders often necessary to default situations. Indeed, most of the very limited mergers and acquisitions activity seen in the past year to 18 months has been stimulated by distressed debt positions.

At the same time, London-listed E&P shares have significantly underperformed the market and a combination of the oil price crash, low risk appetite, cost inflation, poor exploration results and development delays have all impacted the sentiment of institutional investors, and the number of primary issues of new equity has declined since a recent peak in 2012 and the quantum of funds raised on the LSE for E&P's has been in decline since a recent peak in 2013.

Nevertheless, despite ongoing caution, it is clear that some investors do see inherent value in the medium term as oil prices improve from current lows and industry costs reduce from pre-crash levels, which may help to drive a recovery in valuations. For instance, a Barryroe appraisal well, which cost c. US\$80 million to drill in 2012, could now be drilled for

c. US\$25 million. And these cost reductions are not just drilling related, but apply across all aspects of the industry.

Some of the most active players in the current market are private equity backed E&P firms who are taking a three to five year view on the sector and the Board is optimistic that this sentiment will extend, in due course, to the wider industry market. More recently, a number of secondary fundraisings involving junior E&P companies have been successful and, encouragingly, certain of these have provided exploration companies with the capital necessary to prove and develop assets in the absence of a farm-out transaction.

Cost Management

In such an operating environment, the Company carried out a review of its activities and, with a view to minimising costs, implemented a number of cost reduction programmes, resulting in a reduction of c. 29% in normalised general and administration costs to c. US\$3 million per annum (compared to FY 2014).

The Company also carried out a review of its licence portfolio and, as a result, has relinquished its 100% working interests in the Polaris Prospect, in the Rathlin Basin (P1885), offshore Northern Ireland and UK licence adjacent to Dragon (P1930), in the St. George's Channel Basin, offshore Wales. The Company has also relinquished its 3.2% working interest in the Cuchulain licence (FEL 1/99) in the Porcupine Basin, off the west coast of Ireland. Furthermore, the contractor of a planned non-exclusive multi-client seismic survey, which was proposed to cover the Newgrange exploration prospect, located in Frontier Exploration Licence (FEL 6/14), has advised the Company that this programme will now not proceed in 2017.

Operations

Despite the very challenging backdrop for the oil and gas industry, the Company continues to progress its unique portfolio of assets offshore Ireland.

Barryroe

In February 2015, the Company confirmed that it had reached agreement on commercial terms with a proposed farminee on Barryroe. However, as this transaction was subject to closing conditions, most specifically the proposed farminee raising the required level of financing, terms were not disclosed. Shareholders were advised at the time that there was no certainty that the farm in would be concluded as the proposed farminee had to demonstrate financial capability. Ultimately, this potential farminee was unable to do so and therefore the farm-in transaction did not complete. As the aforementioned farm-in deal was not exclusive, the Company continued discussions with a number of other counterparties and today, discussions with potential counterparties continue.

Exclusive Option Agreement, southern portion of OPL1

In December 2015 the Company announced that its wholly owned subsidiary, Exola Limited, had entered into an exclusive option agreement with KEL over the southern portion of OPL 1, which is immediately adjacent to the Barryroe oil field.

Under the terms of the Option, Exola will have the right to earn a 60% working interest in the southern portion of OPL 1 below 4,000' TVDSS (true vertical depth subsea), through the 100.0% funding and drilling of an exploration well in the southern portion of OPL 1 to evaluate the resource potential of the basal Wealden reservoir interval. For clarity, the Option does not cover the northern portion of OPL 1 which contains the producing Kinsale gas field and related infrastructure, which is owned and operated by KEL.

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

The Option is exercisable for a period of 3 years and is at the sole discretion of Exola, with any future assignment of equity in respect of the area of the Option, being subject to the approval of the Irish government.

Transocean Litigation

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 drilling rig and 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 which confirmed the Company's pleadings that it should not have to pay Transocean for those periods when the drilling 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 20% partner Lansdowne Celtic Sea Limited, paying c.US\$1.54 million in May 2015.

Transocean was subsequently granted the right to appeal one aspect of the judgment and, in April 2016, the Court of Appeal ruled in its favour. 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.

Pursuant to an Order of Her Majesty's Court of Appeal of England and Wales made on 13 April 2016, the Company was ordered to pay Transocean a gross amount of c.US\$6.77 million 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's legal costs of the appeal in the sum of gross £225,000 by 27 April.

In part settlement of the Order, the Company made a gross US\$2 million interim payment to Transocean in May 2016, with the balance of gross US\$4.77 million agreed to now be paid out of the proceeds of the proposed equity fundraising on or before July 18, 2016. The agreed legal costs, in the sum of £225,000, were also paid to Transocean on 27 April 2016. The apportionment of these payments is 80% to Providence's account, and 20% to Lansdowne's account.

The Order also stated that any other matters still 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. The two main matters which arise out of the Court of Appeal judgment and which remain unresolved are (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 to reach a settlement in respect of those proceedings pursuant to Part 36 of the English Civil Procedure Rules. No date has been set by the Commercial Court to consider these matters.

The litigation between the Company and Transocean has been a very challenging episode for the Company, something that the Company never wished to be involved with. Unfortunately, having suffered the

implications of a rig that was not fit for purpose, the Company was then thrown into defending litigation that was brought against it by Transocean. Whilst the Company was vindicated by the Commercial Court judgment in December 2014, the subsequent decision by the Court of Appeal in April 2016 was a real setback for the Company. Thankfully, through the support of investors through the announced proposed equity capital raise, the Company will have the financial ability to discharge the obligations of the Order to Transocean.

The Company has sought leave to appeal the appeal judgment to the Supreme Court in the United Kingdom. A decision on the grant of such leave to appeal is expected to take between nine months and one year to be reached and further announcements will be made in this regard in due course. Further details concerning the Transocean Litigation are provided in Note 26, on page 44 of the accounts.

Spanish Point

In July 2014, the Company announced that the planned Spanish Point appraisal well was delayed due to rig refurbishment issues with the selected rig. In March 2015, drilling was again deferred due to unforeseen changes to the make-up of the joint venture and the consequent delay to the securing of equipment and other necessary requirements. As part of the re-constitution of the joint venture, the Company acquired CEPIL in February 2015, thereby increasing the Company's working interest in the Spanish Point licences (FEL's 2/04 and 4/08) from 32.0% to 58.0%.

In October 2015, the Company commenced a farm out process for part of its working interest in FEL's 2/04 and 4/08. This process, which is ongoing, focuses on the divestment of a 32.0% non-operated working interest, with the objective of the Company retaining a 26.0% working interest.

Technical work on the Spanish Point licences in 2015 included a re-analysis of the original 35/8-2 well data, which is now supportive of the stacked reservoir contact scenario with a meaningful increase in prospective resource to an un-risked HIIP of c. 730 MMBOE and combined contingent plus prospective recoverable resources of up to 337 MMBOE. Additionally, post seismic analysis from the 2014 Ruadhan 3D seismic survey has identified significant Cenozoic and pre-Cretaceous prospectivity within FEL 1/14.

Irish Atlantic Margin Licensing Round

The Company was the only company to be awarded licensing authorisations in the Porcupine Basin in the 2004 Atlantic Margin Licensing Round, when it successfully secured licence authorisations over Dunquin (FEL 3/04) and Spanish Point (FEL 2/04). The Directors believe that the Company has been the main catalyst for inward investment in the Porcupine Basin over the past 10 years – best demonstrated by ExxonMobil Exploration & Production Ireland (Offshore) Limited farming into Dunquin in 2006 and then subsequently, Chrysaor Holdings Limited and Cairn farming into Spanish Point in 2008 and 2013, respectively.

The results of the 2011 Atlantic Margin Round further demonstrated an increased interest in the area with 13 Licensing Options being issued. In that round, the Company was awarded licensing options over the Druid/Drombeg and Newgrange prospects. The subsequent drilling of the Dunquin North well in 2013 (operated by ExxonMobil) was a landmark event, being the first well drilled in the southern Porcupine Basin. Further, the Board believes the subsequent acquisition of multiple 3D seismic surveys in the southern Porcupine area has also helped to dramatically change the international industry's perception of the potential of the Irish Atlantic Margin.

During the same period as the Dunquin operations, there has been major exploration success offshore Eastern Canada, which has led to the Conjugate Margin Concept of the “North Atlantic Jurassic Oil Source Rock Superhighway” being further developed – geologically linking Eastern Canada with the Irish Atlantic Margin. The Board believes that the combination of this Canadian exploration success, the Dunquin North well data, new 3D seismic data and the Irish government’s regional 2D seismic programme (completed in 2014), have all helped to result in Ireland’s largest ever offshore Licensing Round in September 2015, when a record 43 applications were submitted.

In February 2016, the Irish government announced the First Phase offers, with 14 Licensing Options offered to companies including Nexen (CNOOC), Statoil, ExxonMobil, Eni (in partnership with BP) and Woodside. In March 2016, the Irish government revealed the locations of the newly offered southern Porcupine Licensing Options. The location of these new Licensing Options highlights the increased interest being shown by major international players in areas adjacent to the Company’s acreage. Nexen (CNOOC) was offered acreage directly adjacent and along the depositional axis to the Company’s acreage at Druid/Drombeg (FEL 2/14). Also, an ExxonMobil/Statoil consortium has been offered one tranche a further block away. The Newgrange prospect, located in FEL 6/14 in the Goban Spur Basin has been partially encircled by new Licensing Options offered to Nexen (CNOOC) and an ExxonMobil/Statoil consortium, with the main Newgrange structural grain extending directly westward into the new Nexen (CNOOC) acreage.

In June 2016, the Irish government announced the Second Phase offers with a further 14 Licensing Options being offered to a range of companies. Having been out bid for a Licensing Option in the First Phase offer of Licensing Option awards, the Company is particularly pleased to have been offered Licensing Option 16/27, where the Company has identified the Avalon Fan, which is adjacent to the Dunquin oil prospect. This new Licensing Option, which covers an area of 1,324 km², shows similar characteristics to the nearby Druid prospect and was the Company’s first preference in the 2015 round. Importantly, the Board believes that the Avalon system could potentially have accessed breached oil from the nearby Dunquin North residual oil accumulation.

Druid/Drombeg

During the initial pre-FEL 2/14 authorisation phase (Licensing Option 11/9 – from 2011 through to 2013), two large vertically stacked Paleocene (**Druid**) and Lower Cretaceous (**Drombeg**) fan systems with notable Class II amplitude versus offset (AVO) anomalies were identified primarily from previously acquired 2D seismic data. The Company and partner Sosina subsequently agreed to licence part of a multi-client 3D seismic survey over the area. This 3D survey was acquired by Polarcus in the summer of 2014 and was subsequently processed by ION Geophysical in 2014/15.

Schlumberger Exploration Collaboration Project

In September 2015, the Company signed a strategic and incentivized exploration collaboration agreement with Schlumberger Oilfield UK Plc in respect of the southern Porcupine and Goban Spur Basins, in which Schlumberger provided specific ‘state of the art’ technology capabilities. The main themes addressed through the collaboration included the burial and hydrocarbon expulsion history of the southern Porcupine and Goban Spur Basins, together with a regional top seal capacity analysis. This joint study was primarily designed to further de-risk Drombeg, Druid and Newgrange exploration prospects, together with any new acreage acquired in the area.

Over a 6 month period, a multi-disciplinary team of 24 technical professionals from Schlumberger and 6 from the joint venture worked on this project focusing on the primary technical disciplines of Geology,

Geophysics, Geomechanics and Petroleum Systems Modelling. With thousands of man-hours involved, this project was designed to confirm prospective resource potential as well as helping to mitigate risk at both the basin and prospect levels.

In April 2016, the Company announced the key results of the collaborative project which confirmed the significant resource potential of Druid and Drombeg, with multi-domain analysis confirming that the 3D seismic responses from the Druid and Drombeg prospects are consistent with the presence of two large vertically stacked stratigraphically trapped oil accumulations. The results of the study confirmed total cumulative in-place un-risked prospective resources of c. 5.095 BBO (Pmean) for Druid 3.180 BBO – Pmean) and Drombeg 1.915 BBO (Pmean).

Through the proposed equity capital raise, the Company now plans to move forward with the drilling of Druid in 2017, subject to equipment availability, regulatory approvals and joint venture partner funding being in place. The estimated gross cost to drill Druid is c.US\$46 million and it may also be open to the Company to deepen the proposed Druid exploration well to drill the underlying Drombeg exploration prospect, with estimated in-place un-risked prospective resources of 1.915 BBO (Pmean). The latest internal gross cost estimate for a dual objective Druid/Drombeg exploration well is gross c.US\$70 million.

Melody Debt

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, with Melody taking security over all of the Company’s assets by way of a floating charge. 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 to Melody of US\$21.7 million. In view of the very challenging global industry environment towards the end of 2015, the Company and Melody agreed the basis for an extension of the Facility to May 2018, if required.

In May 2016, with the Company exploring the potential to raise equity capital to satisfy various short term obligations, the Company and Melody agreed to extend the repayment date of the debt facility to 13 June 2016. Subsequent to this, various other amendments were agreed between the Company and Melody to facilitate the proposed equity capital raise, further details of which are provided in Note 18, on page 38 of the accounts.

In addition, the Company and Melody agreed that, subject to the successful conclusion of the proposed equity capital raise, repayment of amounts outstanding under the Facility would be satisfied as follows:

- i. a cash payment equal to US\$20 million (together with any accrued and unpaid interest thereon);
- ii. the issuance of 9.938 million new ordinary shares to Melody (at £0.12 per share) to satisfy of US\$1.7 million of the outstanding debt

Equity Capital Raise

On 21 June 2016, the Company announced that it had conditionally raised approximately US\$76.6 million (including expenses) through the proposed Placing of 399.670 million shares to institutional and other investors at a price of £0.12 per share and the issuance of 9.838 million new ordinary shares to Melody and the issuance of 37.998 million new ordinary shares to Cenkos (as payment of their fee for arranging the equity capital raise).

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

The Company also separately offered all qualifying shareholders the opportunity to participate in an Open Offer to raise up to a further €4,839,013 (before expenses), by subscribing for Open Offer Shares on the following basis of 1 Open Offer Share at €0.152 per Open Offer Share for every 4.4 Ordinary Shares.

Documentation on the Proposed Placing Offer and Open Offer, which was sent to shareholders on June 21, 2016, sets out the background to and reasons for the Placing Offer and the Open Offer. The Placing Offer and Open Offer are subject to ratification at the EGM on 14 July 2016. Subject to approval, it is anticipated that the net proceeds of the Placing Offer and the Open Offer will be used principally for the following purposes:

- Firstly, to fund (i) the Company's share of payments arising from the Transocean litigation; and (ii) the repayment of the Facility.
- Secondly, to strengthen the Group's financial position, fund general working capital to cover general and 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.
- Thirdly, 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.

Amendment to the Memorandum and Articles of Association

Any amendment to the Memorandum and Articles of Association of the Company requires the passing of a special resolution in accordance with the provisions of the Companies Act 2014. Two special resolutions will be proposed at the Annual General Meeting to be held on July 27, 2016 to amend the Memorandum of Association and to adopt revised Articles of Association to take account of the comprehensive consolidations, with amendments, of company law in Ireland effected by the Companies Act 2014 and to make some consequential and 'housekeeping' changes. Please see the Appendix at pages 53 to 55 for a more detailed explanation of the proposed amendments to the Memorandum and Articles of Association. Also a copy of the Company's proposed new Memorandum and Articles of Association together with a comparison against the existing Memorandum and Articles of Association, are available on the Company's website (www.providenceresources.com) and at its registered office.

Summary

After what has been a very tough year for all, thanks to the major support of the Company's existing shareholders and new investors, the Company now has the financial capability to advance its extensive portfolio of assets offshore Ireland.

Assuming the successful completion of the equity capital raise at the upcoming EGM on 14 July 2016, the proceeds will not only allow the Company to repay its debt obligations to Melody and its court mandated obligations to Transocean, it should also increase the Company's flexibility in commercial negotiations for farm outs in relation to Barryroe, Spanish Point and the Porcupine Basin. Importantly, it will also allow the Company to fund its share of drilling of the high impact Druid exploration prospect in 2017, which is a key asset in the Company's Porcupine Basin exploration portfolio.

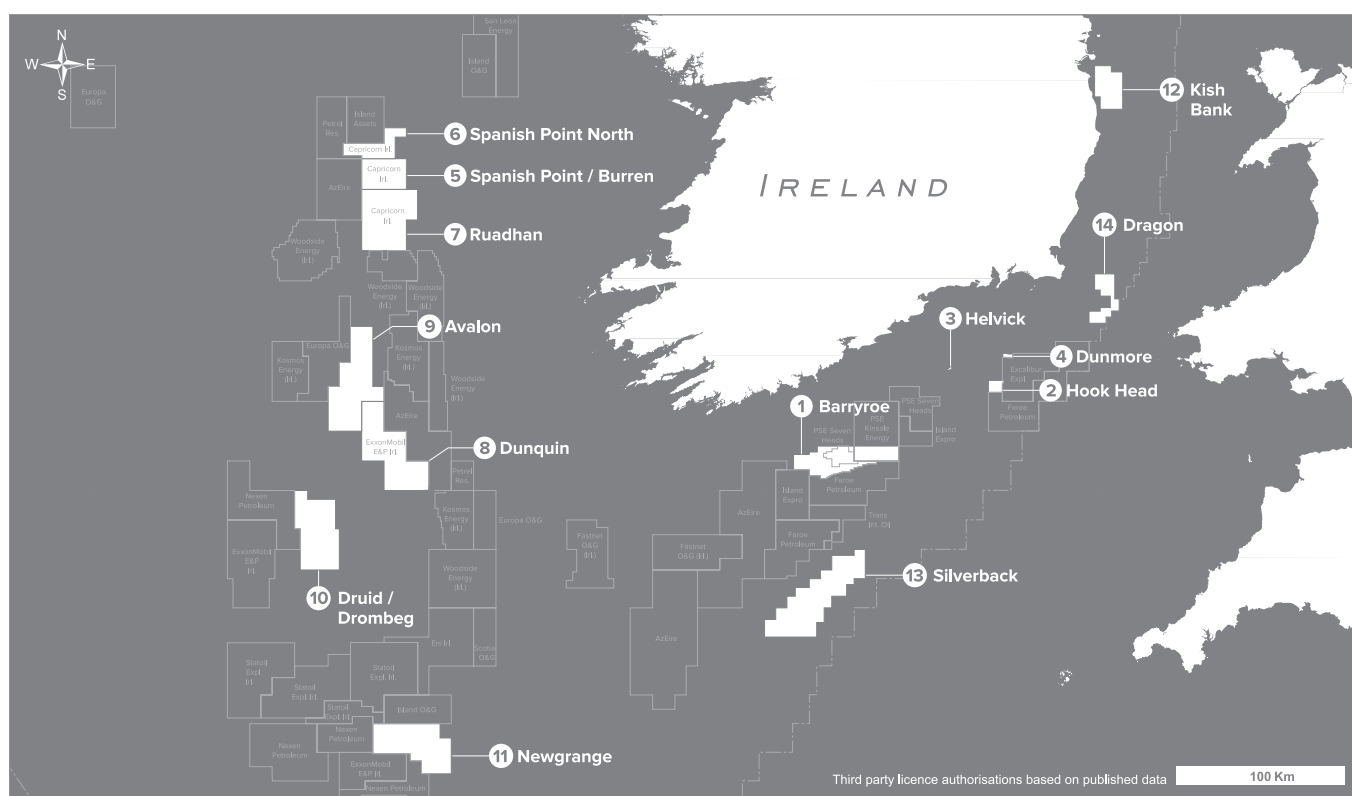
The Company looks forward to updating its shareholders in the future on further developments as the Company further consolidates its leading position offshore Ireland.

James McCarthy
Chairman

Tony O'Reilly
Chief Executive

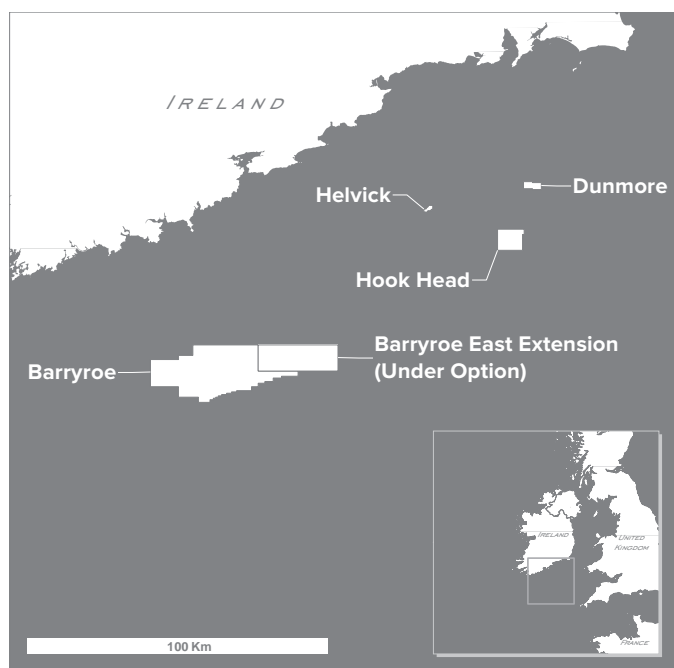
Business Review — List of Assets

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



Business Review

Appraisal: North Celtic Sea Basin



SEL 1/11 – Barryroe Project

The Company holds an 80.0% working interest in SEL 1/11 which contains the Barryroe oil field. The licence is located in the North Celtic Sea Basin, offshore southern Ireland and is adjacent to the PETRONAS operated Kinsale Head gas field. The Company acts as Operator with Lansdowne (20.0%).

In the past, under different operators, five wells were successfully drilled on Barryroe. All of these wells successfully logged hydrocarbon-bearing reservoirs with three successfully flowing oil to surface. In 2011, having acquired new 3D seismic over the field, the Company and Lansdowne drilled a sixth well on this areally extensive field. In March 2012, the Barryroe partners announced the flow rates from this well, results which far exceeded pre-drill expectations with oil rates in excess of 3,500 BOPD from a 7-metre vertical section of reservoir.

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

In April 2013, a Competent Persons Report was issued by Netherland Sewell & Associates Inc. confirming the Company's previously published figures on the main basal sandstone reservoir. In conjunction with a previous audit carried out by RPS Energy on the overlying secondary Middle Wealden reservoir, the total upgraded resource base at Barryroe is listed in the table below.

Table: Total gross audited on-block Barryroe oil resources:

	1C (MMBO)	2C (MMBO)	3C (MMBO)
Basal Wealden STOIP (NSAI)	338	761	1,135
Basal Wealden Recoverable (NSAI)	85	266	511
Middle Wealden STOIP (RPS)	31	287	706
Middle Wealden Recoverable (RPS)	4	45	113
Total STOIP	369	1,048	1,841
Total Recoverable Oil Resources	89	311	624

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

Further incremental resource potential has also been identified in logged hydrocarbon bearing intervals within stacked Lower Wealden and Purbeckian sandstones, which the Company estimates contain total associated P90, P50 & P10 in place oil resources of 456 MMBO, 778 MMBO and 1,165 MMBO, respectively. In 2014, the area of SEL 1/11 was increased by c. 160 km² to provide for possible extensions of the Barryroe oil field beyond the area previously licensed.

Post the publication of the CPR, Rothschild were appointed advisors and a farm-out process commenced with the objective of bringing in a suitably qualified company to advance the Barryroe project towards field sanction/development. Noting the evolving market conditions for capital expenditure reductions, in April 2014, the Company revised the original field development plan to a smaller, staged development programme, building up to full field development (with projected ultimate production rates of up to 100,000 BOPD). The phased development programme targets an initial peak production rate of c. 30,000 BOPD, with substantially reduced initial capital expenditure and an accelerated timeline to get to first oil.

In November 2015, the area of SEL 1/11 was further increased by 118 km² to accommodate for mapped extensions of the Barryroe accumulation into the adjacent Licensing Option 12/4 which had expired. The Barryroe partners were also granted a 2-year extension to the current phase of the Barryroe licence (SEL 1/11) to July 2017 as well as an extension to the term of the 2nd phase to July 2019.

The Company continues discussions with a number of companies, who are currently active in the data room process, and the recent rise in oil prices, combined with the benefits of a lower operating and capital cost base, provide a much better background environment for the Company to conclude commercial matters.

Further announcements regarding Barryroe will be issued in due course as appropriate.

Exclusive Option Agreement, southern portion of OPL1

In December 2015 the Company announced that, through its wholly owned subsidiary, Exola, it had entered into an exclusive option agreement with KEL over the southern portion of OPL 1.

Under the terms of the Option, Exola will have the right to earn a 60.0% working interest in the area relating to the Option through the 100.0% funding and drilling of an exploration well.

The Option is exercisable for a period of 3 years and is at the sole discretion of Exola, with any future assignment of equity in respect of the Option, being subject to the approval of the Irish government.

SEL 2/07 – Hook Head, Helvick and Dunmore Projects

SEL 2/07 was awarded to the Company and its partners in 2007. The licence is located in the North Celtic Sea Basin approximately mid-way between the Dragon gas discovery in the St George's Channel Basin and the PETRONAS operated Kinsale Head gas field.

There are 3 oil appraisal projects located within SEL 2/07 – Hook Head, Helvick and Dunmore.

Hook Head

Hook Head has had four wells drilled on it, all of which have logged pay. Hook Head has estimated audited recoverable resources of c. 35 MMBO (2C) in the central panel. The Company has made an application for a Lease Undertaking for Hook Head to allow the partners to evaluate innovative methods to commercialise this discovery with third parties. The current working interests in Hook Head are Providence (72.5%), Atlantic (18.3%), and Sosina (9.2%), with the Company acting as Operator.

Helvick and Dunmore

The audited recoverable resource estimate for Helvick is c. 3 MMBO, whilst the joint ventures' latest internal work indicates a STOIP resource estimate for Dunmore of up to c. 17 MMBO. The current working interests in Helvick are Providence (62.5%), Atlantic (18.3%), Lansdowne (10.0%) and Sosina (9.2%), with the Company acting as Operator. The current working interests in Dunmore are Providence (72.5%), Atlantic (18.3%), and Sosina (9.2%), with the Company acting as Operator.

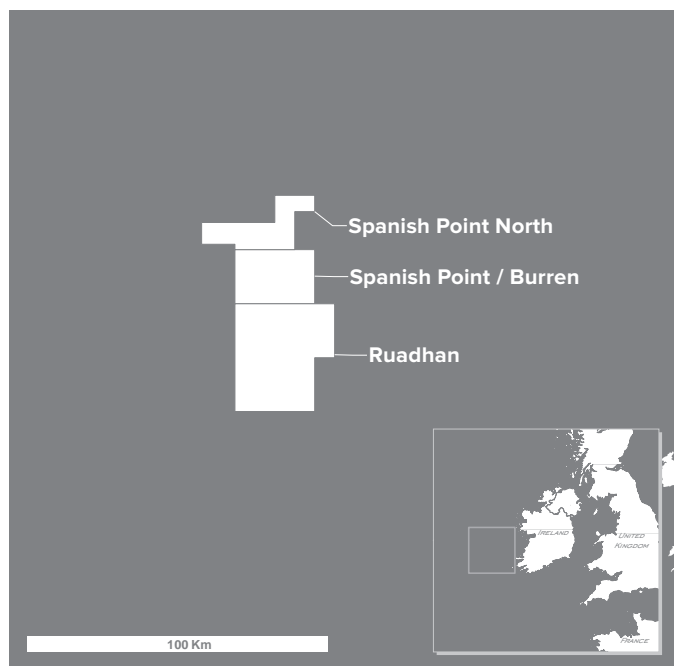
In November 2013, the Company agreed a phased farm-in in relation to the Helvick and Dunmore discoveries with MFDevCo, formerly known as ABT Oil and Gas, a UK based company who has proprietary technology for the deployment of low cost development solutions for marginal fields. As part of the farm-in, MFDevCo will assist the joint venture partners in the carrying out of a detailed phased work programme. In March 2016, the Minister awarded a separate Lease Undertaking for both the Helvick and Dunmore oil discoveries

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

Subject to the award of a Petroleum Lease by the Minister, the next phase of the work programme would then involve the preparation and submission of a formal plan of development to the Minister. Subject to completion of the work programme in full and Ministerial approval of the plan of development, MFDevCo will earn in aggregate a 50.0% working interest in the Helvick and Dunmore discoveries.

Business Review – continued

Appraisal: Northern Porcupine Basin



FEL 2/04 – Spanish Point and Burren Prospects

FEL 2/04 was originally licenced in 2004 and is located in the Northern Porcupine Basin, c. 170 km off the west coast of Ireland. The licence is situated in c. 400 metre water depth and contains the Spanish Point and Burren gas condensate and oil discoveries, respectively.

In 2008, the Company entered into a staged farm-in arrangement with CEPIL in relation to both FEL 2/04 and FEL 4/08, with CEPIL assuming an initial 30% working interest in return for carrying the costs of a 3D seismic programme, which was subsequently acquired in 2009.

In 2011, Senergy completed a Competent Persons Report on the licence which resulted in estimated recoverable contingent resources of 97 MMBOE (2C) for the Spanish Point field. At this point, the partnership moved to the next stage of the licence with a commitment to drill an appraisal well on Spanish Point. Under the CEPIL farm-in agreement, CEPIL's cost exposure was capped for up to two wells (or well and potential side-track).

In May 2013, CEPIL entered into a farm in agreement with Cairn Energy plc whereby Cairn became operator and agreed to drill an appraisal/exploration well on Spanish Point. As a result, the revised working interests for FEL 2/04 and FEL 4/08 then changed to Cairn (38.0%), Providence (32.0%), CEPIL (26.0%) and Sosina (4.0%).

In July 2014, the Company announced that the planned Spanish Point appraisal well was delayed due to rig refurbishment issues with the selected rig. In March 2015, drilling was again deferred due to unforeseen changes to the make-up of the joint venture and the consequent delay to the securing of equipment and other necessary requirements.

In February 2015, the Company announced the acquisition of 100.0% of the issued share capital of CEPIL, effective from November 2014, thereby increasing the Company's interest to 58.0% in both FEL 2/04 and FEL 4/08, and to 43% in FEL 1/14, for a nominal consideration of US\$1 and a contingent payment of US\$5 million, payable in the event

that a Final Investment Decision (FID) is made for the Spanish Point gas condensate project. As a result of the acquisition, the Company secured the benefit of the partial carry on the well provided to CEPIL, pursuant to its farm-out agreement with Cairn entered into in May 2013. Under the terms of that farm-in, Cairn will fund 63.3% of future exploration and appraisal costs of CEPIL for up to two wells, subject to a cap, with the Company currently estimating that its cost exposure will amount to less than 43.0% for its 58.0% working interest.

In March 2015, drilling was again deferred due to changes to the make-up of the joint venture and the consequent delay to the securing of equipment and other necessary requirements.

In October 2015, the Company confirmed that it had commenced a farm-out process for part of its interest in FEL 2/04 and FEL 4/08 and that Cairn planned to commence operations for drilling during 2017, subject to Irish government approval. The farm-out process, which is ongoing, is focussed on the divestment of a 32.0%, non-operated working interest, with the objective of the Company retaining a 26.0% working interest.

Partner sanction for drilling was needed, which inter alia, required a funding commitment by all partners to be declared no later than the end of April 2016 to facilitate drilling activities in 2017. As partner sanction for 2017 drilling was not achieved by the end of April 2016, the proposed appraisal drilling programme will now not be achieved during 2017, and so Cairn has requested (on behalf of the joint venture) an extension to the term of FEL 2/04 (and the alignment of the phasing of FEL 4/08 with that of FEL 2/04) to allow drilling to take place at a later date.

New technical work has been carried out on the Spanish Point licences. Re-analysis of the original 35/8-2 discovery well data now supports the stacked reservoir contact scenario with prospective recoverable resources of up to 337 MMBOE (1,322 BCF & 117 MMBC), which is a 250% increase to the previously announced estimates (Senergy 2011 CPR). Updated well modelling indicated original 35/8-2 vertical well had an undamaged flow potential of c. 10,700 BOEPD (c. 500% flow rate increase over original 1981 well test, which had significant skin factor damage).

FEL 4/08 – Spanish Point North Prospects

FEL 4/08 lies adjacent to and north of FEL 2/04 and was originally awarded to the Company (80.0%) and partner, Sosina (20.0%) in 2008. Additional resource potential has been highlighted in a possible stratigraphically controlled Spanish Point field extension to the north, together with an overlying Lower Cretaceous pinch-out play of the sands which successfully tested oil in the nearby 35/8-1 Burren well.

FEL 1/14 – Ruadhan Prospect

LO 11/2 was awarded to CEPIL, Providence and Sosina in October 2011 as part of the 2011 Irish Atlantic Margin Round and lies adjacent to and south of FEL 2/04. In May 2013, Cairn farmed into the Licensing Option, as part of the Cairn farm in agreement, and assumed Operatorship.

In January 2014, LO 11/2 was converted into FEL 1/14 and a c. 900 km² 3D seismic survey was acquired over the acreage. The data processing of this survey has recently been finalised and interpretation has commenced with initial work indicating potential with the pre-Cretaceous ('Ruadhan') and Paleocene intervals. As part of the acquisition of CEPIL (as above), Providence increased its working interest in FEL 1/14 to 43.0%, with the balance of working interest being held by Cairn (38.0%), Chrysaor CNS Ltd (15.0%) and Sosina (4.0%).

Exploration: Southern Porcupine Basin



FEL 3/04 – Dunquin Project

FEL 3/04 was originally awarded to the Company (80.0%, Operator) and partner Sosina (20.0%) in 2004. The licence lies in the southern Porcupine Basin, c. 200 km off the south-west coast and in c. 1,500 metre water depth.

In 2006, the Company agreed a farm-in with ExxonMobil, whereby they assumed an 80.0% working interest in return for a pre-agreed investment programme. This transaction reduced the Company's working interest to 16.0% and Sosina's to 4.0%. In 2006, the partnership acquired c.1,500 line km of 2D seismic reflection profile data over Dunquin which confirmed c. 1.7 BBOE REC (P50) prospective resources potential in the two interpreted carbonate prospects.

In 2009, ENI Ireland B.V. farmed in for a 40.0% working interest, resulting in revised working interest of Providence (16.0%), ExxonMobil (40.0%), ENI (40.0%) and Sosina (4.0%). Separately, ExxonMobil assumed Operatorship and moved the partnership to the next phase of the licence by formally making a well commitment. In 2011, Repsol Exploración Irlanda S.A. farmed in for a 25.0% working interest, thereby changing the working interests to ExxonMobil (27.5%), ENI (27.5%), Repsol (25.0%), Providence (16.0%) and Sosina (4.0%). Finally, in 2013, Atlantic farmed into the licence resulting in final pre-drill working interests of ExxonMobil (25.5%), ENI (27.5%), Repsol (25.0%), Providence (16.0%), Atlantic (4.0%) and Sosina (2.0%).

Drilling operations on the Dunquin North exploration well, situated on the northern flank of a c. 700 km² intra-basinal ridge system, were completed in July 2013 having reached a final total depth of c. 5,000 metres MDBRT. The primary Lower Cretaceous Dunquin North target was encountered within the pre-drill depth prognosis and comprised a thick over-pressured carbonate reservoir system. The well was terminated having drilled a total thickness of c. 250 metres of massive porous carbonate reservoir. Preliminary well analysis indicated the reservoir to be water bearing, however, petrophysical log interpretation,

elevated gas levels, together with oil shows in sidewall cores over the upper section of the reservoir, suggested the presence of a residual oil column.

In 2014, the Company announced the results of the post well analysis from the Dunquin North exploration well which confirmed that the prospect contained at least a c. 44 metre residual oil column in a thick, over-pressured, high porosity carbonate reservoir system that was breached, with pre-breach oil STOIPP volumetrics of c. 1.2 BBOE, and with a current residual oil STOIPP of c. 600 MMBO.

An assessment was also carried out on the other exploration prospect contained in FEL 3/04, Dunquin South, which has identified un-risked prospective resources of hydrocarbons in place of 3.475 BBOE (Pmean), with a recoverable estimate of 1.389 BBOE (Pmean).

In July 2015, the Company announced that it had agreed to acquire Atlantic Petroleum's 4.0 % in FEL 3/04. Subject to approval by the Irish government and the fulfilment of the remaining terms and conditions under the farm-out agreement with Atlantic, the Company's equity in FEL 3/04 will increase from 16.0% to 20.0%.

In March 2016, the Company announced that the Dunquin North post-well technical studies are continuing, with a focus on the future potential of the adjacent Dunquin South prospect. Additional stacked potential is also being assessed in the underlying c.700 km² Dunquin Ridge, which the Board believes may be of pre-rift sedimentary origin. The Company's recent re-analysis of the 44/23-1 Dunquin North well data now suggest that the original hydrocarbon column was significantly greater than the previously reported 44 metres and may have covered the entire 250 metre drilled interval. This has significant read through implications for the Dunquin South prospect and the underlying Dunquin Ridge.

LO 16/27 – Avalon Prospect

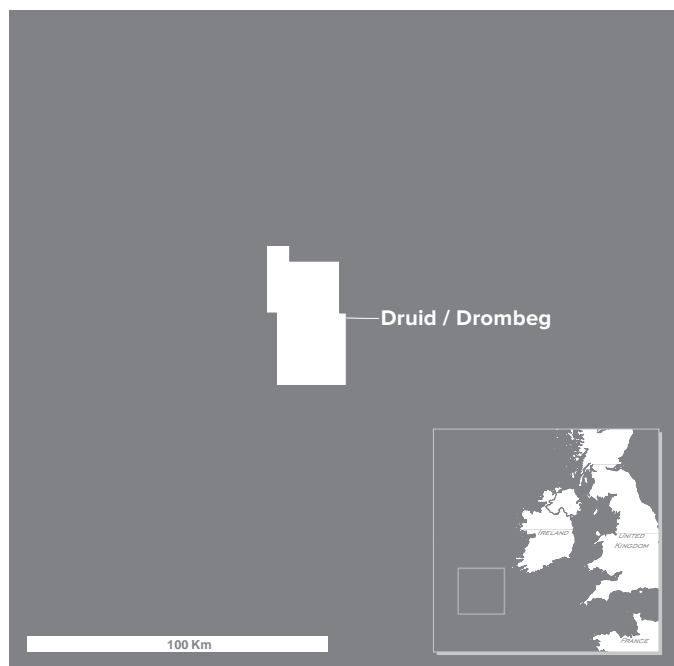
In June 2016, the Company (80.0%) and its partner Sosina (20.0%) were offered Licensing Option 16/27 over a 1,324 km² area, c. 150 km off the west coast of Ireland and situated in c. 1,300 metre water depth. The Licensing Option lies directly adjacent to and north of FEL 3/04 which contains the Dunquin North residual oil accumulation and the Dunquin South exploration prospect.

During regional interpretation and mapping of vintage 2D seismic reflection data, Providence identified an areally extensive (c. 550 km²) north-south orientated Paleocene basin-floor channel and fan system ('Avalon') within the axial part of the Porcupine Basin. The Avalon system, which is located c. 2,500 metres BML, is interpreted to be sourced from the north of the basin and shales out in a southerly distal direction. A structural flexure down to the north negates the requirement for sandstone pinch out in the proximal direction, greatly improving reservoir sealing potential. The presence of a thick sandstone interval is indicated by compactional drape morphologies which are imaged within parts of the system. The pre-existing Mesozoic structural grain appears to have exerted some control on deposition as evidenced by thickening of the system within pre-existing structural lows. Whilst limited seismic reflection gather data were available during the evaluation phase, the available data suggest the potential for a depth-conformant amplitude versus offset (AVO) anomaly similar to the nearby Druid prospect in FEL 2/14.

The main element of the agreed work programme during the 2-year term of LO 16/27 is the purchase, reprocessing and interpretation of existing 2D seismic reflection data.

Business Review – continued

Exploration: Southern Porcupine Basin



FEL 2/14 – Druid & Drombeg Prospects

FEL 2/14, which is located in the southern Porcupine Basin off the south west coast of Ireland, was awarded to the Company (80.0%) and partner Sosina (20.0%) in October 2011 as part of the 2011 Irish Atlantic Margin Licensing Round. In April 2014, LO 11/9 was converted into FEL 2/14 with the same working interests.

During the initial pre FEL 2/14 authorisation phase (LO 11/9, from 2011 through to 2013), the joint venture identified two large vertically stacked Paleocene (“Druid”) and Lower Cretaceous (“Drombeg”) fan systems with notable Class II amplitude versus offset (AVO) anomalies primarily from previously acquired 2D seismic data in 2008. The joint venture subsequently agreed to licence part of a multi-client 3D seismic survey over the area. This 3D survey was acquired by Polarcus in the summer of 2014 and was subsequently processed by ION Geophysical in 2014/15.

Having completed the processing of the 3D data, the Company entered into an exploration collaboration agreement with Schlumberger in respect of the southern Porcupine and Goban Spur Basins. Over a 6-month period, a multi-disciplinary team of 30 technical professionals from Providence/Sosina and Schlumberger worked on this project focusing on the primary technical disciplines of Geology, Geophysics, Geomechanics and Petroleum Systems Modelling. With thousands of man-hours involved, this project was designed to confirm prospective resource potential as well as helping to mitigate risk at both the basin and prospect levels.

In April 2016, the first results of the Collaborative Project were announced which confirmed the significant resource potential of Druid and Drombeg, with multi-domain analysis confirming that the 3D seismic responses from the Druid and Drombeg prospects are consistent with the presence of two large vertically stacked stratigraphically trapped oil accumulations. The results of the study confirmed total cumulative in-place un-risked prospective resources of c. 5.095 BBO (PMean) for Druid and Drombeg.

Druid

- Two fans located c. 1,750 m BML and structurally up-dip from a potential significant fluid escape feature from the underlying pre-Cretaceous Diablo Ridge
- Cumulative in-place un-risked prospective resources of 3.180 BBO (PMean)
 - Fan 1 – 984 MMBO (Pmean)
 - Fan 2 – 2,196 MMBO (Pmean)
- Pre-stack seismic inversion and regional rock physics analysis shows Druid is consistent with a highly porous (30%) and high net-gross, light oil-filled sandstone reservoir system up to 85 metres thick
- A depth conformant Class II AVO anomaly is present and synthetic forward modelling of an oil-water contact correlates with the observed seismic response
- Spectral decomposition, seismic compactional drape and mounding are reflective of a large sand-rich submarine fan system with no significant internal faulting and clear demonstration of an up-dip trap mechanism
- Geomechanical analysis using regional well and high resolution seismic velocity data indicates that Druid is normally pressured and the top seal is intact

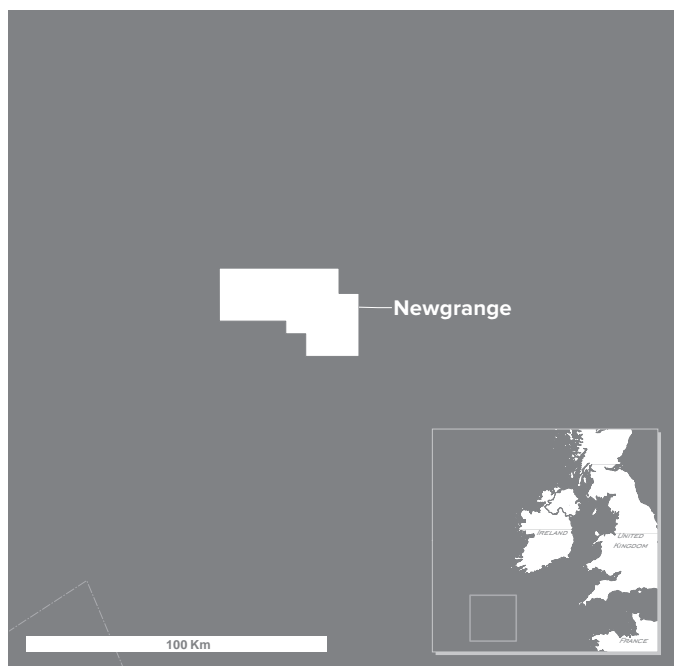
Drombeg

- Located c. 2,750 m BML and structurally up-dip from a potential significant fluid escape feature from the underlying pre-Cretaceous Diablo Ridge
- In-place un-risked prospective resource of 1.915 BBO (Pmean)
- Pre-stack seismic inversion and regional rock physics analysis shows Drombeg is consistent with a highly porous (20%), light oil-filled sandstone reservoir system up to 45 metres thick
- A depth conformant Class II AVO anomaly is present and spectral decomposition is reflective of a large sand-rich submarine fan system with no significant internal faulting, and supports an up-dip trap mechanism
- Geomechanical analysis using regional well and high resolution seismic velocity data indicates that Drombeg is over-pressured with an intact top seal

Noting the present competitive market environment for drilling and service costs, and subject to the successful completion of the Placing Offer and the Open Offer, the Company proposes to drill an exploration well on the Druid prospect in the summer of 2017, which will allow it to assess the cumulative in-place un-risked prospective resources of 3.180 BBO (Pmean).

The proposed drilling of the Druid exploration prospect in 2017, which is subject to equipment availability, regulatory approvals and joint venture partner funding being in place, is estimated to cost gross c.US\$46 million. It may also be open to the Company to deepen the proposed Druid exploration well to drill the underlying Drombeg exploration prospect, with estimated in-place un-risked prospective resources of 1.915 BBO (Pmean). The latest internal gross cost estimate for a dual objective Druid/Drombeg exploration well is gross c.US\$70 million.

Exploration: Goban Spur Basin



In 2014, a non-exclusive multi-client 2D seismic survey was acquired over Newgrange and the surrounding area, of which the Company licenced c. 2,500 line km of data. Geopressure analysis from these newly acquired 2D seismic data indicates the likely presence of top-seal at Newgrange. Pre-stack seismic inversion and rock physics analysis showed low acoustic impedance, indicative of good quality reservoir within the Lower Cretaceous section. Mapping of these newly acquired 2D seismic data indicated the pre-rift Base Cretaceous Newgrange structural closure to be much larger than previously thought covering a total area of c. 1,800 km² with c. 1,000 km² within the Company's licenced area. The Irish government has recently offered awards of new Licensing Options in the nearby southern Porcupine/Goban Spur area – notable licensees include ExxonMobil, Statoil, Nexen (CNOOC), Woodside & ENI (in conjunction with BP).

The Schlumberger exploration collaboration project is currently carrying out an evaluation of Newgrange and further details will be released when available.

FEL 6/14 – Newgrange Prospect

FEL 6/14, located in the Goban Spur Basin, some 260 km off the south-west coast of Ireland, was originally awarded to the Company (80.0%) and its partner Sosina (20.0%) in October 2011 as LO 11/11 during the 2011 Irish Atlantic Margin Round. In April 2014, LO 11/11 was converted into FEL 6/14 with the same working interests.

The Newgrange prospect is a similar Lower Cretaceous carbonate play-type to the recently drilled Dunquin North residual oil accumulation, with best estimate recoverable prospective resources of c. 1.126 BOE covering an area of c. 1,000 km². Subsurface studies have also highlighted potential underlying clastic exploration prospectivity within the Jurassic interval. Seismic interpretation of 2D reflection profile data have revealed the presence of two large stacked four-way structural closures at both Base Cenozoic (Top Cretaceous) and Base Cretaceous levels. The Newgrange prospect is located in c. 1,000 metre water depth. However, it is notable that the crest of the Cretaceous closure is just c. 500 metres below the seabed which means that this prospect should be particularly cost effective to drill. The previously drilled 62/7-1 well, which was located c. 30 km from the Newgrange prospect and was drilled down-structure, encountered hydrocarbon shows in sands of Lower Jurassic age indicating the presence of an active petroleum system.

Business Review – continued

Exploration: Kish Bank, St George's Channel and South Celtic Sea Basins



LO 13/4 – Silverback Prospect

In December 2013, the Company (100.0%) was offered a new Licensing Option situated in c. 100 metres of water, c. 130 km off the south coast of Ireland and covers nine offshore blocks totalling a c. 1,530 km² area. Seismic interpretation and mapping of reprocessed 2D seismic reflection profile data has confirmed the presence of a large Mesozoic structural closure within LO 13/4. The closure as mapped at the top of the primary Lower Triassic Sherwood Sandstone Group level extends over a c. 170 km² area with the crest situated at a depth of c. 1,500 metres.

Volumetric modelling of this primary Silverback reservoir target indicates an initial un-risked Pmean STOIIIP of c. 1.36 BBO. The Company was granted an 18-month extension to the term of LO 13/4 which expires in December 2016 and can be converted to a Standard Exploration Licence if the Company elects to do so.

SEL 2/11 – Kish Bank Prospect

Licensing Option (LO) 08/2 was originally awarded to the Company (50.0%) and Star PETRONAS (50.0%) in 2008, with the Company as Operator. The area is located in the Kish Bank Basin, offshore Dublin, which is a Mesozoic basin bearing many geological similarities with the adjacent and prolific East Irish Sea Basin, offshore UK.

In December 2011, LO 08/2 was converted into SEL 2/11 with the same working interests and an exploration well commitment was made by the JV partners. In January 2012, a Foreshore Licence application was made to carry out temporary seismic and exploration drilling works on the Kish Bank Oil Prospect located approximately c. 8 kilometres offshore. This Foreshore Licence was granted to the Company in October 2012.

In February 2013, the Company decided to voluntarily surrender the Foreshore Licence, following discussions with the Irish government, when it became clear that there had been a transposition error in relation to the EIA Directive. In 2014, the transposition error was finally corrected.

In January 2016, the Company assumed a 100.0% working interest in SEL 2/11 and subsequently, the Company has sought a further time extension from the Irish government so that the Company can advance the requisite permitting process for the drilling of an exploration well. The Lower Triassic Sherwood Sandstone Kish Bank Oil Prospect has estimated un-risked recoverable prospective resources of c. 210 MMBO.

SEL 1/07 – Dragon Prospect

SEL 1/07 was awarded to the Company in February 2007 (100.0%), having previously being held under a Licensing Option authorisation. The licence is situated on the Irish/UK median line in the St George's Channel. Having relinquished the adjacent UK licence (P 1930) due to limited resource potential, based on newly reprocessed PSDM 3D seismic data, the Company is currently discussing the future status of the Irish licensing authorization with the Irish regulator.

Our Governance — Board of Directors

James S.D. McCarthy M.B.A. Chairman

James McCarthy was appointed as a Non-Executive Director of the Company in May 2005 and was appointed chairman of the board on the retirement of Dr. Brian Hillery on 26 May 2015. Mr McCarthy holds a Bachelor Degree in Civil Law, an MBA from the University of Pittsburgh and is a qualified solicitor. He is Chief Executive of Nissan Ireland and a Director of Corporate Finance Ireland Limited, Windsor Motors and Rockall Technologies Limited and a number of other companies. Mr McCarthy is a former Director of Arcon International Resources P.I.c.

Tony O'Reilly B.A. Chief Executive

Tony O'Reilly has been Chief Executive of Providence Resources P.I.c. since 2005, having founded the Company in 1997 and he has served as a Director since its incorporation. He has previously worked in mergers and acquisitions at Dillon Read and in corporate finance at Coopers and Lybrand, advising natural resource companies. He served as Chairman of Arcon International Resources P.I.c. (having been Chief Executive from 1996 to 2000) until April 2005 when Arcon merged with Lundin Mining Corporation.

Dr. John O'Sullivan B.Sc., M.Sc., MTM, FGS, Ph.D. Technical Director

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. 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.

Lex Gamble B.A., M.B.A. Non-Executive Director

Lex Gamble was appointed as a Non-Executive Director of the Company in August, 2005. Mr. Gamble holds a Bachelor of Arts Degree from the University of Washington, and a Master's Degree from Harvard Business School. He is a Director of Cardiac Insights Inc. and a former Director of Harris Private Bank NA, North-western Trust Co., Keystone Capital Corp., General Nutrition Corp. and Ashford Castle. He has been an investment banker for over 35 years serving as a Managing Director of Smith Barney, Morgan Grenfell and Kidder Peabody. He has provided strategic advice to more than 200 U.S. and international companies, including several in the FTSE 100 and Fortune 500.

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

Philip Nolan became a Non-Executive Director of the Company in May 2004. Dr. Nolan was CEO of eircom Plc from 2002 to 2006. He is currently non-executive chairman of J Laing PLC, the Ulster Bank Group and Affinity Water. He is a non-executive director of EnQuest PLC. Dr. Nolan, graduated from Queen's University in Belfast with a B.Sc. and a Ph.D. in Geology and has an M.B.A. from the London Business School.

Philip O'Quigley B.Comm., FCA Non-Executive Director

Philip O'Quigley was Finance Director of Providence Resources from June 2008 until his appointment as Chief Executive Officer of Falcon Oil & Gas in May 2012. Philip continues to serve the Company in his capacity as Non-Executive Director. Philip has over 20 years' experience in finance positions in the oil and gas industry. His career spans a number of London and Dublin listed resources companies. He is the chairperson of the Onshore Petroleum Association of South Africa. Philip is a fellow of the Institute of Chartered Accountants in Ireland and qualified as a Chartered Accountant with Ernst & Young.

Our Governance — Directors' Report

The Directors submit their annual report together with the audited financial statements of the Company and its subsidiaries ("Providence" or the "Group") for the year ended 31 December 2015.

Principal Activities, Business Review and Future Developments

Information with respect to the Group's principal activities and the review of the business and future developments as required by the Section 327 of the Companies Act 2014 is contained in the Chairman's and Chief Executive's Statement and the Business Review on pages 3 to 14. During the period under review, the principal focus of management has been on the Group's hydrocarbon interests offshore Ireland.

Results for the Year and State of Affairs at 31 December 2015

The Consolidated Income Statement for the year ended 31 December 2015 and the Consolidated Statement of Financial Position at that date are set out on pages 23 to 24. The loss for the year amounted to €24.137 million and net assets at 31 December 2015 were €68.942 million. No dividends or transfers to reserves are recommended by the Directors.

Important Events since the Year End

In a judgment handed down on 13 April 2016, the Court of Appeal granted Transocean's appeal which specifically related to whether Providence was entitled to set off certain spread costs against Transocean's claim. On 12 April 2016 the Company, following consultation with its advisors, requested the formal temporary suspension of its shares from the AIM and ESM markets.

On 22 April 2016, the Company provided a technical update on the Druid and Drombeg exploration prospects arising from the Schlumberger exploration collaboration project.

On 21 June 2016, the Company announced its intention to do a Placing and Open Offer to raise US\$68.4 million net and up to €4.839 million before expenses, respectively.

On 22 June, 2016, the temporary suspension of the Company's share was lifted and the Company's shares resumed trading on the AIM and ESM markets.

On June 23, 2016, the Company announced that it had been offered Licensing Option 16/27 (Avalon) in the Porcupine Basin.

Details of the movement on outstanding options, and those exercised during the year are as follows (correct up until 28 June 2016):

Directors	At 31 December 2014	At 31 December 2015	Price (Euro)	Expiry Date
James SD McCarthy	35,000	35,000	6.13	July 2019
Tony O'Reilly	70,000	70,000	2.95	December 2017
	100,000	100,000	6.13	July 2019
Dr. John O'Sullivan	70,000	70,000	2.95	December 2017
	100,000	100,000	6.13	July 2019
Dr. Philip Nolan	25,000	25,000	6.13	July 2019
Lex Gamble	25,000	25,000	6.13	July 2019
Philip O'Quigley	150,000	150,000	3.80	June 2016
	70,000	70,000	2.95	December 2017
	25,000	25,000	6.13	July 2019
Secretary				
Criona Ryan	15,000	15,000	6.13	July 2019
Michael Graham ¹	25,000	25,000	3.80	June 2016
	40,000	40,000	2.95	December 2017
	25,000	25,000	6.13	July 2019

¹ Michael Graham retired as Company Secretary on 1 March 2016

Directors

Dr. Brian Hillery retired from the board on 26 May 2015. Mr. James McCarthy was appointed Chairman with effect from 26 May 2015.

In May 2015, a Nomination Committee was established and Dr. Phil Nolan was appointed Senior Independent Director.

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

Mr. Tony O'Reilly, Chief Executive, has a service contract, effective from May 2015, with the Company in respect of services outside of the Republic of Ireland through a company beneficially owned by him, Kildare Consulting Limited. The above mentioned contract is of two years duration and is subject to one year's notice period. The emoluments and fees payable under the above mentioned contracts amounted to €448,500 for 2015 (see Note 8 and Note 25 (Related Party Transactions)).

Other than the above there have been no contracts or arrangements during the financial year in which a Director of the Company was materially interested and which was significant in relation to the Company's business.

Secretary

Mr. Michael Graham retired as Company Secretary and Ms. Criona Ryan was appointed Company Secretary with effect from 1 March 2016.

Directors' Shareholdings and Other Interests

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

Directors	31 December 2014	31 December 2015	28 June 2016
James S. D. McCarthy	10,000	39,411	39,411
Tony O'Reilly	112,470	242,470	242,470
Dr. John O'Sullivan	30,648	61,154	61,154
Dr. Philip Nolan	30,000	36,818	36,818
Lex Gamble	100,000	200,000	200,000
Philip O'Quigley	5,000	6,136	6,136
Michael Graham ¹	15,519	20,000	20,000

Based on the closing share price on 31 December 2015, no options over shares were capable of being exercised, as the share price was below the exercise price. There were no options over shares granted during the year 2015. The closing market price of the ordinary shares at 31 December 2015 was €0.21 and the range during the financial year was €0.18 to €1.14.

Special Business

1) That, in substitution for any existing authority, the Directors be and they are hereby empowered pursuant to Section 1022 and Section 1023(3) of the Companies Act 2014 to allot equity securities (within the meaning of Section 1023 of the Companies Act 2014) for cash as if the said Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power being limited to:

- (a) the allotment of equity securities in connection with or pursuant to any offer of equity securities open for a period fixed by the Directors, by way of rights issue, open offer or otherwise (an "Offering") to the holders of ordinary shares and/or any other persons entitled to participate therein (including without limitation any holders of options under the Company's share option scheme(s) for the time being) in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the number of ordinary shares which such other persons are for the purposes of such Offering deemed to hold) on a record date fixed by the Directors (whether before or after the date of this meeting) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements or otherwise howsoever;
- (b) pursuant to the terms of any scheme for Directors and/or employees etc. of the Company and/or its subsidiaries; and
- (c) the allotment of equity securities up to a nominal aggregate amount equal to: (i) in the event that Admission (as defined in the Company's Annual Report dated 28 June 2016) has, as at the date of the AGM, occurred €6,195,196.40 (representing approximately 10% of the Enlarged Share Capital (as defined in the Company's Annual Report dated 28 June 2016); or otherwise (ii) €1,400,766, (representing approximately 10% of the issued share capital of the Company as at the close of business on 27 June 2016),

provided in each case the power shall, unless revoked or renewed by special resolution or the articles of association of the Company, expire on the earlier of fifteen months from the date of passing this Resolution and the conclusion of the next annual general meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or issued after such expiry and the Directors may allot equity securities (as defined by the said Section 1023) in pursuance of such offer or agreement as if the power conferred hereby had not expired.

2) A proposal to allow for the amendment of the Memorandum and Articles of Association of the Company to reflect the new statutory context brought about by the Irish Companies Act 2014 which became effective on 1 June 2015. Please see the Appendix at pages 53 to 55 for a more detailed explanation of the proposed amendments to the Memorandum and Articles of Association. Also a copy of the Company's proposed new Memorandum and Articles of Association together with a comparison against the existing Memorandum and Articles of Association, are available on the Company's website (www.providenceresources.com) and at its registered office.

The Directors are of the opinion that the above proposals are in the best interest of shareholders and unanimously recommend to you to vote in favour of all resolutions as they intend to do in respect of their own beneficial holdings.

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

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and the Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS101'), issued by the Financial Reporting Council in the UK and promulgated by the Institute of Chartered Accountants in Ireland.

Under company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's profit or loss for that year. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU and as regards the Company, comply with FRS101 together with the requirements of the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Group has two significant liabilities now falling due for payment being the Facility and amounts owing to Transocean arising from a recent order by the Court of Appeal in England and Wales. As of the date of this report, 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 the EGM on 14 July 2016. The Company also separately offered all

Our Governance — Directors' Report — continued

qualifying shareholders the opportunity to participate in an Open Offer to raise up to a further €4,839,013 (before expenses), by subscribing for Open Offer Shares on the following basis of 1 Open Offer Share at €0.152 per Open Offer Share for every 4.4 Ordinary Shares.

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.

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.

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 20.0% 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.

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 in line with commitments and current expectations.

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 ratification 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.

Corporate Governance

The Company is committed to high standards of corporate governance. Although the Company, as an ESM and AIM quoted Company, is not required to comply with the Revised Combined Code ("The Code") on Corporate Governance, the Directors support high standards of corporate governance and, in so far as is practical given the Company's size, have implemented the following corporate governance provisions for the year ended 31 December 2015.

The Board

The Board is made up of two executive and four Non-Executive Directors. Biographies of each of the Directors are set out on page 15.

All the Directors bring independent judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experience in the industry. The Board agrees a schedule of regular meetings to be held in each calendar year and also meets on other occasions as necessary. Meetings are held at the head office in Dublin. The Board met formally on 22 occasions during 2015. An agenda and supporting documentation was circulated in advance of each meeting.

There is an agreed list of matters which the Board has formally reserved to itself for decision, such as approval of the Group's commercial strategy, trading and capital budgets, financial statements, Board membership, acquisitions and disposals, major capital expenditure, risk management and treasury policies. Responsibility for certain matters is delegated to Board Committees.

There is an agreed procedure for Directors to take independent legal advice. The Company Secretary is responsible for ensuring that Board procedures are followed, and all Directors have direct access to the Company Secretary. Mr. Michael Graham retired as Company Secretary and Ms. Criona Ryan was appointed Company Secretary with effect from 1 March 2016.

All Directors receive regular Group management financial statements and reports and full Board papers are sent to each Director in sufficient time before Board meetings, and any further supporting papers and information are readily available to all Directors on request. The Board papers include the minutes of all committees of the Board which have been held since the previous Board meeting, and, the chairman of each committee is available to give a report on the committee's proceedings at Board meetings if appropriate.

The Board has a process whereby each year every Director will meet the Chairman to review the conduct of Board meetings and the general corporate governance of the Group. The role of the Chairman (Mr. James McCarthy) is Non-Executive. The Non-Executive Directors are independent of management and have no material interest or other relationship with the Group. Dr. Phil Nolan acts as the Senior Independent Director.

Each year, one third of the Directors retire from the board by rotation and every Director is subject to this rule. Effectively, therefore, each Director will retire by rotation within each three-year period.

Board Committees

The Board has implemented an effective committee structure to assist in the discharge of its responsibilities. The committees and their members are listed inside the back cover of this report. All committees of the Board have written terms of reference dealing with their authority and duties. Membership of the Audit and Remuneration Committees is comprised exclusively of Non-Executive Directors. The Company Secretary acts as secretary to each of these committees.

Audit Committee

The Audit Committee reviews the accounting principles, policies and practices adopted in the preparation of the interim and annual financial statements and discusses with the Group's Auditors the results and scope of the audit. It also reviews the scope and performance of the Group's internal finance function and the effectiveness and independence of the external Auditors. The external Auditors are invited to attend the Audit Committee meetings, and the Chief Financial Officer also attends. The external auditors have the opportunity to meet with

the members of the Audit Committee alone at least once a year. Mr. Lex Gamble is Chairman of the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises four Non-Executive Directors and is chaired by Mr Philip O'Quigley. Emoluments of Executive Directors and senior management are determined by the Remuneration Committee. In the course of each financial year the Remuneration Committee determines basic salaries as well as the parameters for any possible bonus payments.

The Remuneration Committee applies the same philosophy in determining Executive Directors' remuneration as is applied in respect of all employees. The underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. The Remuneration Committee is mindful of the need to ensure that, in a competitive environment, the Group can attract, retain and motivate executives who can perform to the highest levels of expectation. Annual bonuses, if any, are determined by the Remuneration Committee on the basis of objective assessments based on the Group's performance during the year in terms of key financial indicators, as well as a qualitative assessment of the individual's performance.

Share option schemes were introduced in August 1997 (expired August 2007), May 2005 (expired October 2015) and June 2009 from which new share options may be offered to employees, Directors and consultants. Options are recommended at a level to attract retain and motivate participants in the competitive environment in which the Group operates. There have been no changes in this policy since the adoption of the first scheme in August 1997. The 1997 and 2005 Scheme have both now expired and no new options may be granted from these schemes. The Remuneration Committee reviews and assesses proposals to grant share options to participants under the share option scheme. Participation is at the discretion of Directors for eligible participants.

Details of Directors' remuneration for the current period are set out in Note 8 to the financial statements.

Nomination Committee

The Nomination Committee comprises the four Non-Executive Directors. The Nomination Committee, which is chaired by Dr. Phil Nolan, formally agrees criteria for new non-executive Director appointments, including experience of the industry in which the Group operates and professional background.

Shareholders

There is regular dialogue with institutional shareholders and presentations are made at the time of the release of the annual and interim results. The Company encourages communication with private shareholders throughout the year and welcomes their participation at general meetings. The Company's website is www.providenceresources.com. This website is regularly updated. All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and Accounts. The chairmen of the Board's committees will also be available at the Annual General Meeting. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views. Notice of the Annual General Meeting together with the Annual Report and accounts is sent to shareholders in accordance with the Articles of Association of the Company and details of the proxy votes for and against each resolution are announced after the result of the hand votes.

Our Governance — Directors' Report — continued

Internal Control

The Directors have overall responsibility for the Group's system of internal control to safeguard shareholders' investments and the Group assets and have delegated responsibility for the implementation of this system to executive management. This system includes financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records. Following the publication of the Turnbull Report, the Board established a process of compliance which involved an expansion of the Board's responsibility to maintain, review and report on all internal controls, including financial, operational and compliance risk management. Among the processes applied in reviewing the effectiveness of the system of internal controls are the following: Budgets are prepared for approval by executive management and inclusion in a Group budget approved by the Board. Expenditure and income are regularly compared to previously approved budgets. The Board establishes treasury and commodity risk policies as appropriate, for implementation by executive management. All commitments for expenditure and payments are compared to previously approved budgets and are subject to approval by personnel designated by the Board of Directors or by the Board of subsidiary companies. Regular management meetings take place to review financial and operational activities. Cash flow forecasting is performed on an ongoing basis to ensure efficient use of cash resources. Regular financial results are submitted to and reviewed by the Board of Directors.

The Directors, through the Audit Committee, review the effectiveness of the Group's system of internal financial control.

A review of the effectiveness of the system of internal control is carried out annually, through the annual audit process. The Board has considered the requirement for an internal audit function. Based on the scale of the Group's operations and close involvement of the Board, the Directors have concluded that an internal audit function is not currently required.

Risk Management

Currency Risk Management

The Board reviews its annual Euro, Sterling and US dollar requirements by reference to bank forecasts and prevailing exchange rates and management is authorised to achieve best available rates in respect of forecast Euro requirements.

Commodity Risk Management

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

General Industry Risk

The Group's business may be affected by the general risks associated with all companies in the oil and gas industry. These risks (the list of which is not exhaustive) include: general economic activity, the world oil and gas prices, the marketability of the hydrocarbons produced, action taken by other oil-producing nations and the extent of governmental regulation and taxation.

All drilling to establish productive hydrocarbon reserves is inherently speculative and, therefore, a considerable amount of professional judgement is involved in the selection of any prospect for drilling. In addition, even when drilling successfully encounters oil and gas and a well is completed as a producing oil or gas well, unforeseeable operating problems or climatic conditions may arise which render it uneconomical to produce such oil and natural gas.

Estimates of potential reserves include a substantial proportion which are undeveloped. These reserves require further capital expenditure in order to bring them into production. No guarantee can be given as to the success of drilling programmes in which the Group has interests. The Group can operate in different political jurisdictions where there could be risks pertaining to local regulations, war or nationalisation of reserves.

Substantial Shareholdings

So far as the Board is aware, no person or company, other than those mentioned below, held 3% or more of the Ordinary share capital of the Company at June 28, 2016.

River & Mercantile Asset Management LLP	8.14%
Henderson Global Investors Limited	7.99%
Merseyside Pension Fund	7.20%
Harrington Global opportunities S.A.R.L.	5.72%
Sanlam FOUR Capital Partners Limited	5.43%
Standard Life Investments	4.64%
Pageant Holding Limited	4.22%
Artemis Investment Management	3.49%
Blackrock	3.39%

Political Donations

There were no political donations during the year (2014 Nil).

Books and Accounting Records

The Directors are responsible for ensuring adequate accounting records, as outlined in Section 281 of the Companies Act 2014, are kept by the Company. The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to secure compliance with these requirements. These books and accounting records are maintained at the Company's business address, Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland.

Auditors

KPMG have indicated their willingness to continue in office in accordance with Section 383 (2) of the Companies Act 2014. Shareholders will be asked to authorise the Directors to fix their remuneration.

On behalf of the Directors

James McCarthy
Chairman

Tony O'Reilly
Chief Executive

28 June 2016

Independent auditor's report to the members of Providence Resources P.l.c.

We have audited the Group and Company financial statements ("financial statements") of Providence Resources Plc for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as regards the Company financial statements, as applied in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101") and the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2015 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Acts 2014.

2 Our opinion on the financial statements is accompanied by an emphasis of matter – going concern

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the directors' disclosures made in Note 1 – going concern, concerning the Group and Company's ability to continue as a going concern. As disclosed by the Directors the Group and Company have two significant liabilities which now fall due for payment. The Directors have prepared cash flow assumptions through to 31 December 2017 which indicate that the Group and Company will be in a position to settle these liabilities and other commitments as they fall due for payment and accordingly considered it appropriate to prepare the financial statements on the going concern basis. The critical assumption in the Group and Company's cash flow forecasts is the receipt of net proceeds of US\$68.4 million from the conditional equity placing which was announced by the Board of Directors on 21 June 2016 and is due to be voted on by the shareholders at an Extraordinary General Meeting scheduled for 14 July 2016. The Group and Company's ability to settle its liabilities, which is dependent on the completion of the equity placing, indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Group and Company to continue as a going concern. The consolidated and Company financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

3 Our conclusions on other matters on which we are required to report by the Act are set out below

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

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

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

4 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of Providence Resources P.L.C. – continued

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conall O'Halloran

for and on behalf of
KPMG

Chartered Accountants, Statutory Audit Firm

1 Stokes Place

St. Stephen's Green

Dublin 2

D02 DE03

28 June 2016

Consolidated Income Statement

for the year ended 31 December 2015

	Note	2015 €'000	2014 €000
Continuing operations			
Administration and legal expenses	3	(6,437)	(6,119)
Pre-licence expenditure		(856)	(245)
Impairment of exploration and evaluation assets	11	(5,787)	(99)
Operating loss	2,9	(13,080)	(6,463)
Finance income	4	34	39
Finance expense	5	(11,091)	(5,065)
Loss before income tax		(24,137)	(11,489)
Income tax expense	6	—	—
Loss for the financial year		(24,137)	(11,489)
Loss per share (cent) – total			
Basic and diluted loss per share	10	(19.57)	(17.77)

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

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	Note	2015 €'000	2014 €000
Loss for the financial year		(24,137)	(11,489)
<i>OCI items that can be reclassified into profit or loss</i>			
Foreign exchange translation differences	5	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 year is entirely attributable to equity holders of the company.

Consolidated statement of financial position

as at 31 December 2015

	Note	2015 €'000	2014 €'000
Assets			
Exploration and evaluation assets	11	98,211	89,733
Property, plant and equipment	12	168	31
Intangible assets	13	296	—
Total non-current assets		98,675	89,764
Trade and other receivables	14	2,174	1,887
Cash and cash equivalents	15	6,518	5,256
Restricted cash	15	—	3,296
Total current assets		8,692	10,439
Total assets		107,367	100,203
Equity			
Share capital	16	25,694	18,151
Capital conversion reserve fund		623	623
Share premium	16	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	19	7,424	6,034
Total non-current liabilities		7,424	6,034
Loans and borrowings	18	18,289	19,348
Trade and other payables	21	12,712	13,231
Total current liabilities		31,001	32,579
Total liabilities		38,425	38,613
Total equity and liabilities		107,367	100,203

On behalf of the board

James McCarthy
Chairman

Tony O'Reilly
Chief Executive

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital €'000	Capital reserve fund €'000	Share premium €'000	Foreign Currency Translation Reserve €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
At 1 January 2015	18,151	623	210,230	4,643	4,282	(176,339)	61,590
<i>Total comprehensive income</i>							
Loss for financial year	—	—	—	—	—	(24,137)	(24,137)
Currency translation	—	—	—	7,178	—	—	7,178
Total comprehensive income	—	—	—	7,178	—	(24,137)	(16,959)
<i>Transactions with owners, recorded directly in equity</i>							
Share options lapsed in year	—	—	—	—	(696)	696	—
Shares issued in year (Note 16)	7,543	—	16,768	—	—	—	24,311
At 31 December 2015	25,694	623	226,998	11,821	3,586	(199,780)	68,942

	Share capital €'000	Capital 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
<i>Total comprehensive income</i>							
Loss for financial year	—	—	—	—	—	(11,489)	(11,489)
Currency translation	—	—	—	2,257	—	—	2,257
Total comprehensive income	—	—	—	2,257	—	(11,489)	(9,232)
<i>Transactions with owners, recorded directly in equity</i>							
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

Consolidated statement of cash flows

for the year ended 31 December 2015

	2015 €'000	2014 €'000
Cash flows from operating activities		
Loss after tax for the 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)
<i>Net cash outflow from operating activities</i>	(14,938)	(9,988)
<i>Cash flows from investing activities:</i>		
Interest received	34	39
Acquisition of exploration and evaluation assets	(7,746)	(8,221)
Acquisition of property, plant and equipment	(484)	(14)
Movement in restricted cash	3,296	(3,296)
<i>Net cash used in investing activities</i>	(4,900)	(11,492)
<i>Cash flows from financing activities:</i>		
Proceeds from issue of share capital	25,754	—
Issued costs	(1,443)	—
Repayment of loans and borrowings	(3,671)	—
Proceeds from drawdown of loans and borrowings	—	16,699
<i>Net cash from financing activities</i>	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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2015

1 Accounting policies

Reporting entity

Providence Resources Plc (the “**Company**”) is a company domiciled in Ireland. The Consolidated Financial Statements of the company for the year ended 31 December 2015 are comprised of the financial statements of the company and its subsidiaries, together referred to as the “**Group**”.

Basis of preparation

The Consolidated Financial Statements are presented in euro, rounded to the nearest thousand (€'000) except where otherwise indicated. The euro is the functional currency of the parent company. The Consolidated Financial Statements are prepared under the historical cost basis except for share options and warrants, both of which are measured at grant date fair value, and derivative financial instruments which are measured at fair value at each reporting date.

The preparation of financial statements requires management to use judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Details of critical judgements are disclosed in the accounting policies.

The financial statements were authorised for issue by the Board of Directors on 28 June 2016.

Going concern

The Group has two significant liabilities now falling due for payment being the loan facility due to Melody and amounts owing to Transocean arising from a recent order by the Court of Appeal of England and Wales. As of the date of approval of these financial statements, 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 the EGM on 14 July 2016.

On 21 June 2016, the Company announced that it had conditionally raised approximately US\$76.6 million (including expenses) through the proposed Placing of 399.670 million shares to institutional and other investors at a price of £0.12 per share and the issuance of 9.838 million new ordinary shares to Melody and the issuance of 37.998 million new ordinary shares to Cenkos (as payment of their fee for arranging the equity capital raise.)

The Company also separately offered all qualifying shareholders the opportunity to participate in an Open Offer to raise up to a further €4,839,013 (before expenses), by subscribing for Open Offer Shares on the following basis of 1 Open Offer Share at €0.152 per Open Offer Share for every 4.4 Ordinary Shares.

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.

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.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

1 Accounting policies continued

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 20.0% interest share of all costs associated with the litigation

Assuming the successful completion of the Placing Offer and the 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.

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 ratification 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 Company's ability to continue as a going concern. The Group and the 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 Company was unable to continue as a going concern.

Statement of compliance

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

Recent accounting pronouncements

The IASB have issued the following standards, policies, interpretations and amendments which were effective for the Group for the first time in the year ended 31 December 2015:

- Annual Improvements to IFRSs 2011-2013 cycle

The adoption of the above and interpretations and amendments did not have a significant impact on the Group's Consolidated Financial Statements.

New IFRSs and amendments not yet EU endorsed

- IFRS 15, 'Revenue from Contracts with Customers' (effective for the Group's 2018 Consolidated Financial Statements)
- IFRS 9, 'Financial Instruments' (effective for the Group's 2018 Consolidated Financial Statements)
- IFRS 16 'Leases' (effective for the Group's 2019 Consolidated Financial Statements)

The Directors do not believe that any of the above standards will have a significant impact on Group reporting. There are other amendments which have been considered but are not likely to have a significant impact on the Group's accounting policies.

The following are amendments to existing standards and interpretations that are effective for the Group's financial year from 1 January 2016:

- Amendments to IAS 27: Equity method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative

1 Accounting policies continued

- Annual improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation
- Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations
- Amendments to IAS 16 and IAS 41 Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

Basis of consolidation

The Consolidated Financial Statements include the financial statements of Providence Resources Plc and its subsidiaries.

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to or has the right to variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Jointly controlled operations

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

Judgements and estimates

Preparation of financial statements pursuant to EU IFRS requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses recognised both within the income statement and the statement of comprehensive income together with the valuation of the assets and liabilities in the statement of financial position. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation. It should be noted that the impact of valuation in some assumptions and estimates can have a material impact on the reported results. The following are key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies.

Exploration and evaluation assets

The carrying value of exploration and evaluation assets was €98.2 million (2014: 89.7 million) at 31 December 2015. The Directors carried out a review, in accordance with IFRS 6 "Exploration for and evaluation of mineral interests", of the carrying value of these assets and are satisfied that these are recoverable, acknowledging however that their recoverability is dependent on future successful exploration efforts.

Decommissioning

The decommissioning provision amounts to €7.4 million (2014: €6.0 million) and represents management's best estimate of the costs involved in decommissioning the various exploration licence areas to return them to their original condition. These estimates include certain management assumptions with regard to future costs, inflation rates and discount rates.

Going concern

Refer to page 27 for further details

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

(ii) Share based payment transactions

The company's "2005 scheme" and "2009 scheme" are equity-settled share based payment arrangements with non-market performance conditions which fall within the scope of and are accounted for under the provisions of IFRS 2 – Share Based Payment. Accordingly, the grant date fair value of the options granted under these schemes is recognised as a personnel expense with a corresponding increase in the "Share based payment reserve", within equity, over the vesting period. The fair value of these options is measured using an appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting

Finance income and expenses

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

Finance expenses comprise interest or finance expense on borrowings, unwinding of any discount on provisions, and foreign exchange movements in the retranslation of non-euro denominated liabilities. Borrowing costs are recognised in profit or loss using the effective interest method.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

1 Accounting policies continued

Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

Income tax expense

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they are unlikely to reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities on a net basis or their tax assets and liabilities will be settled simultaneously.

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

Earnings per share

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

Exploration and evaluation assets and development and production assets

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

(i) Exploration and evaluation assets

Expenditure incurred prior to obtaining the legal rights to explore an area is written off to the income statement. Expenditures incurred on the acquisition of a licence interest are initially capitalised on a licence by licence basis considering the degree to which the expenditure can be associated with finding specific reserves. Exploration and evaluation expenditure incurred in the process of determining exploration targets within licensed areas is also capitalised. No value is attributed to exploration licenses granted. These expenditures are held undepleted within the exploration licence asset until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

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

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

1 Accounting policies continued

(ii) Development and production oil and gas assets

Following appraisal of successful exploration wells and the establishment of commercial reserves, the related capitalised exploration and evaluation expenditures are reclassified as development and production assets.

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

(iii) Depletion

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

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

(iv) Cash calls

The Group has shared interests in a number of licence areas. In cases where the Group acts as operator of these licence areas, requests for cash from other partners, known as cash calls, are made in accordance with agreed budgets. These cash call amounts are recognised as a credit to evaluation, exploration, development and production assets where appropriate to ensure that costs capitalised reflect the Group's interest only.

(v) Impairment

Exploration and evaluation assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances, the exploration and evaluation asset is allocated to development and production assets within the same cash generating unit and tested for impairment. Any such impairment arising is recognised in the income statement for the period. Where there are no development and production assets, the impaired costs of exploration and evaluation are charged immediately to the income statement.

(vi) Decommissioning costs and provisions

Provision is made for the decommissioning of oil and gas wells and other oilfield facilities. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recorded and this calculation is reassessed at each reporting date. The unwinding of the discount is reflected as a finance cost in the income statement over the expected remaining life of the well. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset. The decommissioning provision is reviewed annually.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognised on a straight line basis over the estimated useful lives of the related assets.

The estimated useful lives for the current and comparative periods are as follows:

- furniture and equipment 3-10 years

Intangible Assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Amortisation is recognised on a straight line basis over the estimated useful lives of the related assets.

The estimated useful lives for the current and comparative periods are as follows:

- capitalised software 3 years

Leased assets

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any estimated shortfall in receipt. An estimate of any shortfall in receipt is made when there is objective evidence that a loss has been incurred. Bad debts are written off when identified.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

1 Accounting policies continued

Trade and other payables

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not carried at fair value through the income statement, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost.

A financial instrument is recognised where the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2 Operating segments

Operating segment information is presented in the Consolidated Financial Statements in respect of the Group's geographical segments which represent the financial basis by which the Group manages its business. The Group has 2 principal reportable segments as follows:

- UK exploration assets: oil and gas exploration assets in the UK
- Republic of Ireland exploration assets: oil and gas exploration assets in the Republic of Ireland

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment result and total asset value as included in the internal management reports that are reviewed by the Group's board of Directors, who are determined to be the chief operating decision maker (CODM), which management believe is the most relevant information when evaluating the results of certain segments relative to other entities that operate within that industry. There are no significant inter segment transactions.

Segment revenue

The group generated no revenues during the period.

	2015 €'000	2014 €'000
Segment net loss for the year		
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)
	2015 €'000	2014 €'000
Segment assets		
Republic of Ireland – exploration assets	100,710	89,908
UK – exploration assets	73	1,799
US assets	32	30
Group assets	6,552	8,466
Total assets	107,367	100,203
	2015 €'000	2014 €'000
Segment liabilities		
Republic of Ireland – exploration assets	(19,634)	(16,176)
UK – exploration assets	(14)	(37)
US – liabilities	–	–
Group liabilities*	(18,777)	(22,400)
Total liabilities	(38,425)	(38,613)

* Relates primarily to the group's loan facility.

2 Operating segments continued

Capital expenditure

UK – exploration assets	103	417
	103	417
Republic of Ireland – exploration assets, net of cash calls	7,643	7,804
– property, plant and equipment and intangible assets	484	14
Total capital expenditure, net of cash calls	8,230	8,235
Impairment charge		
UK – exploration assets	1,841	2
Republic of Ireland – exploration assets	3,946	97
	5,787	99

3 Administration expenses

	2015 €'000	2014 €'000
Corporate, exploration and development expenses	3,783	4,593
Legal expenses	2,127	2,804
Foreign exchange differences	1,550	511
Total administration expenses for the year	7,460	7,908
Capitalised in Exploration and Evaluation assets (Note 11)	(1,023)	(1,789)
Total charged to the income statement	6,437	6,119

4 Finance income

	2015 €'000	2014 €'000
Bank deposit interest income	34	39

5 Finance expense

	2015 €'000	2014 €'000
<i>Recognised in income statement:</i>		
Amortisation of arrangement fees and other amounts	2,861	516
Unwind of discount on decommissioning provision (Note 19)	1,390	929
Interest charge	2,367	1,467
Foreign exchange loss on revaluation of loan, net	2,332	2,153
Interest charge on legal settlement (Note 21 and Note 26)	2,141	–
Total finance expense recognised in income statement	11,091	5,065
	€'000	€'000
<i>Recognised in other comprehensive income:</i>		
Foreign currency differences on foreign operations	7,178	2,257

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

6 Income tax result

	2015 €'000	2014 €'000
<i>Current tax expense</i>		
Current year	—	—
Adjustment for prior years	—	—
<i>Deferred tax result/charge</i>		
Origination and reversal of temporary differences	—	—
Effect of change in tax rates	—	—
Adjustment in respect of prior year	—	—
Total income tax result for year	—	—

A reconciliation of the expected tax benefit computed by applying the standard Irish tax rate to the loss before tax to the actual tax result is as follows:

	2015 €'000	2014 €'000
Loss before tax	(24,137)	(11,489)
Irish standard tax rate	12.5%	12.5%
Tax credit at the Irish standard rate	(3,017)	(1,436)
Expenses not deductible for tax purposes	2,396	1,254
Losses unutilised	—	65
Other timing differences	628	116
Effect of different tax rates in foreign jurisdictions	(7)	1
Adjustment in respect of prior periods	—	—
Tax result for the year	—	—

7 Employee expenses and numbers

	2015 €'000	2014 €'000
Wages and salaries	1,693	1,823
Social welfare costs	180	189
Defined contribution pension costs	196	208
Share-based payment expense (Note 22)	—	—
	2,069	2,220

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

	2015 €'000	2014 €'000
Wages and salaries	756	772
Share-based payment expense	—	—

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

	2015 Number	2014 Number
Exploration, evaluation, production and development	7	8
Corporate management and administration	7	7
	14	15

The Group contributes to an externally funded defined contribution scheme to satisfy the pension arrangements in respect of certain management personnel.

The total pension cost charged for the year was €196,000 (2014: €208,000).

8 Directors' remuneration and transactions with key management personnel

Directors' emoluments are analysed as follows:

	Salaries & other emoluments		Fees		Share based payments		Total	
	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000
Executive								
Tony O'Reilly	494	516	—	—	—	—	494	516
John O'Sullivan ¹	373	373	—	—	—	—	373	373
Sub-total	867	889	—	—	—	—	867	889
Non-Executive								
Brian Hillery ²	—	—	31	80	—	—	31	80
Lex Gamble ³	—	—	102	65	—	—	102	65
James McCarthy ⁴	—	—	65	45	—	—	65	45
Philip Nolan	—	—	45	45	—	—	45	45
Philip O'Quigley	—	—	45	45	—	—	45	45
Sub-total	—	—	288	280	—	—	288	280
Total	867	889	288	280	—	—	1,155	1,169

¹ John O'Sullivan emoluments include pension contributions of €48,000 for 2015 (2014: €48,000).

² Brian Hillery retired as Chairman on 26 May 2015.

³ Lex Gamble's standard Directors' fees are €45,000. His fee income disclosed above also includes travel expenses which have been grossed up for Irish tax purposes.

⁴ James McCarthy was appointed Chairman on 26 May 2015.

- (a) Directors' remuneration is fixed by the Remuneration Committee of the Board which is comprised solely of non-executive Directors of the company.
- (b) The share based payments cost represent the non-cash expense attributable to the relevant options held by each director. In 2015, there were no share based payments (2014: nil). Other than the share option schemes (Note 22), the group did not have any long term incentive scheme in place for Directors. However, the remuneration committee is in the process of developing a long term incentive plan for the executive directors.
- (c) The emoluments of Mr. Tony O'Reilly include payments made to Kildare Consulting Limited under the terms of his employment contract (Note 25).

There were no loans outstanding to any director at any time during the year. Details of the Directors' interests in shares and share options are set out on page 16.

8 Directors' remuneration and transactions with key management personnel continued

Transactions with key management personnel comprising Directors and other senior management

Key management personnel compensation was as follows:

	2015 €'000	2014 €'000
<i>Wages, salaries and fees:</i>		
Executive Directors	819	841
Non-executive Directors	288	280
Other key management salaries	403	467
	1,510	1,588
Social welfare costs	86	90
Defined contribution pension costs	111	121
Share-based payment expense	—	—
	1,707	1,799

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

9 Statutory and other information

	2015 €'000	2014 €'000
Auditor's remuneration		
Audit	42	42
Other assurance services, being audit of subsidiary entities	21	38
Taxation services	10	10
Operating lease rentals on property	232	223
Depreciation on property, plant and equipment	34	18
Amortisation of intangible assets	17	—
Impairment of evaluation and exploration assets	5,787	99
Pre-licence exploration expenditure	856	245
Directors' emoluments		
Fees	288	280
Salaries and other emoluments	867	889
Share-based payments	—	—

10 Earnings per share

Earnings per share are calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Total €'000	Total €'000
Loss attributable to equity holders of the company	(24,137)	(11,489)

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

	2015	2014
In issue at beginning of year ('000s)	64,649	64,649
Adjustments for shares issued in year ('000's)	58,689	—
Weighted average number of ordinary shares ('000s)	123,338	64,649

	Total €cent	Total €cent
Basic and diluted (loss)/profit Per Share (cent)	(19.57)	(17.77)

There is no difference between the basic loss per ordinary share and the diluted loss per ordinary share for the current year as all potentially dilutive ordinary shares outstanding are anti-dilutive in relation to continuing operations. There were 1,198,000 (2014: 1,428,000) anti-dilutive share options in issue at 31 December 2015.

11 Exploration and evaluation assets

	Republic of Ireland €'000	UK €'000	Total €'000
Cost and net book value			
At 1 January 2014	78,948	1,141	80,089
Additions	6,815	367	7,182
Cash calls received in year	(750)	—	(750)
Administration expenses	1,739	50	1,789
Impairment charge	(97)	(2)	(99)
Foreign exchange translation	1,440	82	1,522
At 31 December 2014	88,095	1,638	89,733
Additions	6,805	84	6,889
Cash calls received in year	(166)	—	(166)
Administration expenses (Note 3)	1,004	19	1,023
Impairment charge	(3,946)	(1,841)	(5,787)
Foreign exchange translation	6,419	100	6,519
At 31 December 2015	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.

11 Exploration and evaluation assets continued

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.

12 Property, plant and equipment

	Furniture & equipment €'000
Cost	
At 1 January 2014	479
Additions in year	14
At 31 December 2014	493
Additions in year	171
At 31 December 2015	664
Depreciation	
At 1 January 2014	444
Charge for year	18
At 31 December 2014	462
Charge for year	34
At 31 December 2015	496
Net book value	
At 31 December 2015	168
At 31 December 2014	31

13 Intangible assets

	Capitalised Software €'000
Cost	
At 31 December 2014	—
Additions in year	313
At 31 December 2015	313
Amortisation	
At 31 December 2014	—
Charge for year	17
At 31 December 2015	17
Carrying value	
At 31 December 2015	296
At 31 December 2014	—

14 Trade and other receivables

	2015 €'000	2014 €'000
VAT recoverable	36	54
Prepayments	80	86
Amounts due from joint operation partners	2,058	1,747
	2,174	1,887

15 Cash and cash equivalents

	2015 €'000	2014 €'000
Cash held in bank accounts (a)	6,518	8,552
Less: Restricted bank balances (b)	—	(3,296)
Cash and cash equivalents	6,518	5,256

(a) Included in the cash and cash equivalents balance are amounts totaling €0.4 million (2014: €0.6million) held on behalf of partners in jointly controlled operations.

(b) At 31 December 2014, the restricted cash balance related to cash deposits required to comply with the terms of the group's facilities arrangements. The facility was repaid during the year.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

16 Share capital and share premium

	Number (<small>'000</small>)	€'000
Authorised		
Deferred shares of €0.011 each (a)	1,062,442	11,687
Ordinary shares of €0.10 each	223,131	22,313

- (a) The deferred shares do not entitle the shareholder to receive a dividend or other distribution, do not entitle the shareholder to receive notice of or vote at any general meeting of the company, and do not entitle the shareholder to any proceeds on a return of capital or winding up of the company.

On 20 March 2015 the company increased its authorised share capital by 100,000,000 ordinary shares of 0.10c each.

Issued:

	Total number <small>000's</small>	Share capital €'000	Share premium €'000
Deferred shares of €0.011 each	1,062,442	11,687	5,691
Ordinary shares of €0.10 each	64,649	6,464	204,539
At 1 January 2015	64,649	18,151	210,230
Shares issued during the year	75,427	7,543	16,768
At 31 December 2015	140,076	25,694	226,998

On 23 March 2015 the Company issued 75,427,000 ordinary shares of nominal value 0.10 cent at a premium of 0.24c per share. The Company raised gross proceeds of €25.6m. Share issue costs of €1.4m were charged against the gross share premium of €18.2 million.

17 Reserves

The statement of changes in equity outlines the movement in reserves during the year. The reserves included within that statement are further explained below:

- (a) The currency translation reserve comprises all foreign exchange differences from 1 January 2006, arising from the translation of the net assets of the Group's non-euro denominated operations, including translation of the profits of such operations from the average exchange rate to the rate at the reporting date.
- (b) The share based payment reserve comprises the fair value of all share options which have been charged over the vesting period, net of amounts relating to share options forfeited, exercised or lapsed during the year, which are reclassified to retained earnings.

18 Loans and borrowings

	Melody Bank loan facility €'000	Melody Bank loan fees €'000	Total €'000
At 1 January 2014	—	—	—
Drawn down in year	17,572	(873)	16,699
Charged to income statement	—	496	496
Foreign exchange differences	2,155	(2)	2,153
At 31 December 2014	19,727	(379)	19,348
31 December 2014	19,727	(379)	19,348
Drawdown in year	1,519	(4,125)	(2,606)
Charged to income statement (Note 5)	—	2,861	2,861
Repaid in year	(3,646)	—	(3,646)
Foreign exchange	2,332	—	2,332
At 31 December 2015	19,932	(1,643)	18,289

Under the Facility, Melody has security over all of the Group's assets by way of the floating charge.

During the year the company refinanced its loan facilities with Melody. The Facility is for an amount of US\$21.7m. Arrangement fees on the previous facility were fully expensed to the income statement. The arrangement fees arising on the new facility are amortised to the income statement over the period of the loan. The interest rate on the loan is 10%.

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.

18 Loans and borrowings continued

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) 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.

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.

19 Decommissioning provisions

	2015 €'000	2014 €'000
At beginning of year	6,034	5,105
Unwind of discount – continuing operations (Note 5)	603	929
Foreign exchange differences	787	—
At end of year	7,424	6,034

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2016 and 2022. The provision for decommissioning is reviewed annually. The provision has been calculated assuming industry established oilfield decommissioning techniques and technology at current prices and is discounted at 10% per annum, reflecting the associated risk profile.

20 Deferred taxation

The group is not carrying a deferred tax asset of €24.5 million (2014: €23.3 million) which mainly relates to unutilised tax losses available to carry forward, all of which arose in Ireland, on the basis that it is not probable that the group will have taxable profits available in future periods against which this asset could be utilised.

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

	2015 €'000	2014 €'000
One year	1,977	505
Two years	375	1,977
Three years	193	376
Four years	157	193
Five years	197	157
More than five years	192,845	177,955
Total	195,744	181,163

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

21 Trade and other payables

	2015 €'000	2014 €'000
Capital expenditure payable	6,220	11,099
Accruals	5,668	661
Other payables	824	1,471
	12,712	13,231

Refer to Note 26 for details on the legal case with Transocean.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

22 Share schemes and warrants

The Group operates employee share schemes as follows:

2005 Scheme

All remaining outstanding options under the 2005 scheme expired during the year.

2009 Scheme

In 2009, the Directors adopted a share option scheme which also contains share growth performance criteria. The option price is the market price immediately preceding the date of grant. The "2009 scheme" operates as an equity-settled share option scheme and the options are granted subject to the following conditions:

- (i) 50% of total options granted are exercisable after one year from the date of grant provided that the market price of the company's shares has increased by a minimum of 25% and has maintained such increase over a period of three months prior to the exercise of any option.
- (ii) The remaining 50% of the total options granted are exercisable after a further year has elapsed provided the market price of the company's shares has increased by a minimum of 50% from date of grant and has maintained such increase over a period of three months prior to the exercise of any option.

No options were granted during 2015 or 2014 under this scheme. At 31 December 2015, options over 1.198 million (2014: 1.358 million) shares remained outstanding at subscription prices ranging from €2.95 to €6.13. These options expire at varying dates up to July 2019.

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

For the year ended 31 December 2015

	2005 scheme		2009 scheme	
	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €
At 1 January 2015	70	8.15	1,358	4.06
Granted during year	—	—	—	—
Expired during year	(70)	(8.15)	(160)	(4.23)
Exercised during year	—	—	—	—
At 31 December 2015	—	—	1,198	4.49
Of which exercisable at year end	—	—	—	—

The total number of options outstanding at 31 December 2015 was 1,198,750 at exercise prices ranging from €1.27 to €6.13.

22 Share schemes and warrants continued

For the year ended 31 December 2014

	1997 scheme		2005 scheme		2009 scheme	
	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €	No of share options 000's	Weighted average exercise price €
At 1 January 2014	142	4.18	372	70	1,483	4.62
Granted during year	—	—	—	—	—	—
Expired during year	(142)	(4.18)	(302)	(6.75)	(125)	(6.13)
Exercised during year *	—	—	—	—	—	—
At 31 December 2014	—	—	70	8.15	1,358	4.06
Of which exercisable at year end	—	—	—	—	—	—

The total number of options outstanding at 31 December 2014 were 1,398,750. These had exercise prices ranging from €1.27 to €9.79.

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

The charge in respect of the Group's 2005 and 2009 share based schemes was Nil (2014: Nil):

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

23 Financial instruments

Financial risk management objectives, policies and processes

The Group has exposure to the following risks from its use of financial instruments:

- (a) Interest rate risk
- (b) Foreign currency risk
- (c) Liquidity risk
- (d) Credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and framework in relation to the risks faced.

(a) Interest rate risk

The Group currently finances its operations through a mixture of shareholders' funds, bank deposits and bank debt. Short term cash funds are generally invested in short term interest bearing bank deposits. The Group did not enter into any hedging transactions with respect to interest rate risk; however, the requirement for such instruments is kept under ongoing review.

The interest rate profile of these interest bearing financial instruments was as follows:

	2015 €'000	2014 €'000
Variable rate instruments		
Financial assets – cash and cash equivalents	6,518	5,256
Financial assets – restricted cash	—	3,296
Fixed rate instruments		
Financial liabilities – loans and borrowings	19,932	19,727

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ('bps') in interest rates at 31 December 2015 and 31 December 2014 would have increased/(decreased) the reported loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit		OCI	
	100 bps increase €'000	100 bps decrease €'000	100 bps increase €'000	100 bps decrease €'000
31 December 2015				
Variable rate instruments	25	(10)	—	—
31 December 2014				
Variable rate instruments	63	(7)	—	—

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2015

23 Financial instruments continued

(b) Foreign currency risk

The Group is exposed to currency risk on purchases, loans and bank deposits that are denominated in a currency other than the functional currency of the entities of the Group.

It is Group policy to ensure that foreign currency risk is managed wherever possible by matching foreign currency income and expenditure. During the years ended 31 December 2015 and 2014 the Group did not utilise either foreign currency forward contracts or derivatives to manage foreign currency risk on future net cash flows.

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

	31 December 2015					31 December 2014				
	Euro €'000	GBP €'000	USD €'000	Not at risk EUR €'000	Total €'000	Euro €'000	GBP €'000	USD €'000	Not at risk EUR €'000	Total €'000
VAT recoverable	—	—	—	36	36	—	—	—	54	54
Other debtors	—	4	1	2,133	2,138	—	551	447	835	1,833
Cash and cash equivalents	44	1,266	3,438	1,770	6,518	105	468	3,608	1,075	5,256
Restricted cash	—	—	—	—	—	—	—	3,296	—	3,296
Loans & borrowings	—	—	(19,932)	—	(19,932)	—	—	(19,727)	—	(19,727)
Trade and other payables	—	(53)	(10,628)	(2,031)	(12,712)	—	(3,498)	(9,555)	(178)	(13,231)
Total exposure	44	1,217	(27,121)	1,908	(23,952)	105	(2,479)	(21,931)	1,786	(22,519)

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

	Average rate		Spot rate	
	2015	2014	2015	2014
1 GBP	0.7242	0.8031	0.7340	0.7789
1 USD	1.1046	1.3211	1.0887	1.2141

Sensitivity analysis

A 10% strengthening and weakening of the euro against the following currencies, based on outstanding financial assets and liabilities at 31 December 2015 and 31 December 2014 would have increased/(decreased) the reported loss and equity by the amounts below as a consequence of the retranslation of foreign currency denominated financial assets and liabilities at those dates. It is assumed that all other variables, especially interest rates, remain constant in the analysis.

	Profit/(loss)		Equity	
	10% increase €'000	10% decrease €'000	10% increase €'000	10% decrease €'000
31 December 2015				
GBP	(395)	395	516	(631)
USD	2,986	(2,986)	(120)	147
31 December 2014				
GBP	238	(238)	69	(151)
USD	1,908	(1,908)	(84)	185

(c) Liquidity risk

Liquidity is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and adverse conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by regularly monitoring cash flow projections and rolling forecasts of expected cash flows against actual cash flows. The nature of the Group's exploration and appraisal activities can result in significant differences between expected and actual cash flows.

23 Financial instruments continued

Consequently a conservative approach to cash forecasting is taken and appropriate contingency planning is put in place to ensure that the Group can discharge its financial obligations as they fall due.

Contractual maturities of financial liabilities as at 31 December 2015 were as follows:

Item	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Loan	19,932	20,723	20,723	—	—	—
Trade and other payables	12,712	12,712	12,712	—	—	—
Total	32,644	33,435	33,435	—	—	—

Contractual maturities of financial liabilities as at 31 December 2014 were as follows:

Item	Carrying amount €'000	Contractual cash flows €'000	6 months or less €'000	6 – 12 months €'000	1 – 2 years €'000	2 – 5 years €'000
Loan	19,727	20,880	20,880	—	—	—
Trade and other payables	13,231	13,231	13,231	—	—	—
Total	32,958	34,111	34,111	—	—	—

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a cash deposit is not recovered. Group deposits are placed only with banks with appropriate credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

	2015 €'000	2014 €'000
Cash and cash equivalents	6,518	5,256
Restricted cash	—	3,296
VAT recoverable	36	54
Other receivables	2,138	1,833
Maximum exposure to credit risk	8,692	10,439

(e) Fair values versus carrying amounts

Due to the short term nature of all of the Group's financial assets and liabilities at 31 December 2015, the fair value equals the carrying amount in each case.

(f) Capital management

The Group has historically funded its activities through a combination of share rights issues and placing and bank borrowings. The Group's capital structure is kept under review by the Board and it is committed to capital discipline and continues to maintain flexibility for future growth, both organic and through acquisitions. The Board considers capital to comprise shareholders' equity and long term borrowings and endeavours to ensure an appropriate mix of equity and debt is maintained.

24 Commitments and contingencies

(a) Exploration and evaluation activities

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

(b) Operating leases

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

	€'000
<i>Payable:</i>	
Within one year	79
Between two and five years	—
After five years	—
Total operating lease commitments	79

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for the year ended 31 December 2015

24 Commitments and contingencies continued

(c) Contingencies

From time to time and as described in more detail in Note 26, the Group is involved in other claims and legal actions which arise in the normal course of business. Based on information currently available to the Group, and legal advice, the Directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the Group is adequately positioned to deal with the outcome of any such litigation.

Under the terms of the CEPIL acquisition agreement the group is required to make a payment of US\$5 million to the former shareholders of CEPIL if a final investment decision is made to develop the Spanish Point asset. No provision has been recognised in the financial statements at this stage as the asset is still at an exploration and evaluation stage and the final investment decision has not yet been taken.

25 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 May 2015. The amount paid under the contract in the year ended 31 December 2015 was €448,500 (2014: €446,775). The contract is of two years duration and is subject to one year's notice period.

26 Post balance sheet events

Equity Capital Raise

The Company announced a conditional equity capital raise with net proceeds of c.US\$68.4 million (€60.5 million) which will be voted on by shareholders at the EGM on 14 July 2016.

On 21 June 2016, the Company announced that it had conditionally raised approximately US\$76.6 million (including expenses) through the proposed Placing of 399.670 million shares to institutional and other investors at a price of £0.12 per share and the issuance of 9.838 million new ordinary shares to Melody and the issuance of 37.998 million new ordinary shares to Cenkos (as payment of their fee for arranging the equity capital raise.)

The Company also separately offered all qualifying shareholders the opportunity to participate in an Open Offer to raise up to a further €4,839,013 (before expenses), by subscribing for Open Offer Shares on the following basis of 1 Open Offer Share at €0.152 per Open Offer Share for every 4.4 Ordinary Shares.

Transocean Litigation

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 drilling 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 Judgment, by Order of Her Majesty's Court of Appeal of England and Wales made on 13 April 2016, 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 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 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.

The two main matters which arise out of the 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. Part 36.14 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.

26 Post balance sheet events continued

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 Order, the Company and Transocean reached agreement whereby the Company agreed to make a payment of (gross) US\$2 million to Transocean (in part satisfaction of the Order) payment of which has now been made. By way of 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 joint venture partner in Barryroe, is also liable for its 20.0% 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.

Until Transocean is paid in full or if Transocean reasonably concludes before then that the Company will be unable to pay in full the sums due to it on or before the 18 July 2016, Transocean is entitled, upon no less than 24 hours' notice to the Company, to take such action as Transocean considers necessary to protect its interests.

The Company confirms that it has sought leave to appeal the Appeal Judgment to the Supreme Court in the UK. A decision on the grant of such leave to appeal is expected to take between nine months and one year to be reached and further announcements will be made in this regard in due course.

27 Approval of financial statements

The financial statements were approved by the Board of Directors on 28 June 2016.

Company balance sheet

as at 31 December 2015

	Note	2015 €'000	2014 €'000
Fixed assets			
Oil and gas interests	2	34,722	35,866
Tangible assets	3	168	31
Financial assets	4	2	2
Intangible assets	5	296	—
		35,188	35,899
Current assets			
Debtors	6	63,732	97,898
Cash at bank and in hand		6,413	8,225
		70,145	106,123
Creditors: amounts falling due within one year	7	(30,389)	(31,784)
Net current assets		39,756	74,339
Total assets less current liabilities		74,944	110,238
Provision for liabilities	8	(6,084)	(4,945)
Net assets		68,860	105,293
Capital and reserves			
Called up share capital	9	25,694	18,151
Share premium	9	226,998	210,230
Capital conversion reserve	10	623	623
Share based payment reserve	10	3,586	4,282
Profit and loss account	10	(188,041)	(127,993)
Shareholders' funds – equity		68,860	105,293

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

On behalf of the board

James McCarthy
Chairman

Tony O'Reilly
Chief Executive

Statement of changes in Company equity

as at 31 December 2015

	Share capital €'000	Capital reserve fund €'000	Share premium €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
At 1 January 2015	18,151	623	210,230	4,282	(127,993)	105,293
<i>Total comprehensive income</i>						
Loss for financial year	—	—	—	—	(60,744)	(60,744)
Total comprehensive income	—	—	—	—	(60,744)	(60,744)
<i>Transactions with owners, recorded directly in equity</i>						
Share options lapsed in year	—	—	—	(696)	696	—
Shares issued in year (Note 9)	7,543	—	16,768	—	—	24,311
At 31 December 2015	25,694	623	226,998	3,586	(188,041)	68,860

	Share capital €'000	Capital reserve fund €'000	Share premium €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
At 1 January 2014	18,151	623	210,230	5,382	(123,073)	111,313
<i>Total comprehensive income</i>						
Loss for financial year	—	—	—	—	(6,020)	(6,020)
Total comprehensive income	—	—	—	—	(6,020)	(6,020)
<i>Transactions with owners, recorded directly in equity</i>						
Share options lapsed in year	—	—	—	(1,100)	1,100	—
At 31 December 2014	18,151	623	210,230	4,282	(127,993)	105,293

Notes to the Company financial statements

for the year ended 31 December 2015

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements the company has adopted FRS 101 for the first time.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The accounting policies set out in this note have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the company's date of transition).

The company noted no differences in its preparation of the comparative information presented in these financial statements for the year ended 31 December 2015. In preparing its FRS 101 balance sheet as at 1 January 2014 and 31 December 2014, the company made no adjustments to the amounts reported previously under Irish GAAP. In preparing its FRS 101 profit and loss account for the year ended 31 December 2014, the company made no adjustments to the amounts reported previously under Irish GAAP.

In these financial statements, the company has adopted certain disclosure exemptions available under FRS 101. These include:

- a cash flow statement and related notes;
- disclosures in respect of the compensation of key management personnel;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- certain comparative information;
- the effects of new but not yet effective IFRSs; and
- an additional balance sheet for the beginning of the earliest comparative period following transition.

As the Consolidated Financial Statements of Providence Resources Plc include the equivalent disclosures, the company has also taken the exemption under FRS 101 available in respect of the following:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*; and
- Certain disclosures required by IAS 36 *Impairment of Assets*.

These financial statements are presented in Euro, being the functional currency of the company. All financial information presented in Euro has been rounded to the nearest thousand, except where otherwise stated.

The accounting policies applied in the Company only financial statements are consistent with the Group accounting policies as set out on pages 27 to 32.

Going concern

Refer to basis of preparation of Consolidated Financial Statements information on the going concern on the Group and Company on page 27.

Use of estimates and judgements

In preparing these financial statements management has made judgements, estimates and assumptions that affect application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. There are no significant judgements in these financial statements.

Notes to the Company financial statements continued

for the year ended 31 December 2015

2 Oil and gas interests – exploration expenditure

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

	Ireland 2015
Cost	
At 1 January 2015	35,866
Exploration and appraisal expenditure	2,120
Cash call received in year	(166)
Impairment charge	(3,882)
Administration expenses	784
At 31 December 2015	34,722

The exploration and evaluation asset balance at 31 December 2015 primarily relates to Dunquin (€13.1 million), and Spanish Point (€12.1 million) and Druid/Drombeg (€5.7 million) and Newgrange (€1.4 million) license areas. The remaining €2.4 million relates to other license areas held by the Company 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 €3.9 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.

Net spend on exploration and evaluation assets during the year amounted to €2.7 million, with the majority of spend relating to the Druid/Drombeg (€0.2 million), Dunquin (€0.5 million), Celtic Sea Assets (€0.4 million) and the Spanish Point license areas FEL 2/04, FEL 1/14 and FEL 4/08 in the Porcupine basin (€1.6 million).

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that no additional impairment charge is required at 31 December 2015. The Directors recognise that the future realisation of these exploration and evaluation assets is dependent on future successful exploration and appraisal activities and the subsequent economic production of hydrocarbon reserves. They have reviewed current and prospective plans for each of the licence areas and are satisfied that future exploration and evaluation activities are appropriate in light of the carrying value of these assets.

3 Tangible fixed assets

	Furniture & equipment €'000
Cost	
At 1 January 2015	448
Additions in year	171
At 31 December 2015	619
Depreciation	
At 1 January 2015	417
Charge for year	34
At 31 December 2015	451
Net book value	
At 31 December 2015	168
At 31 December 2014	31

4 Financial fixed assets

	2015 €'000
Investments in subsidiaries at start and end of year	2

Notes to the Company financial statements continued

for the year ended 31 December 2015

4 Financial fixed assets continued

At 31 December 2015, the company had the following principal subsidiaries, all of which are wholly owned:

Name	Registered Office/Country of Incorporation	Activity	Interest in Ordinary Share Capital
Providence Resources UK Limited	5th Floor, 6 St. Andrews Street, London, EC4A 3AE, UK	Oil and gas exploration and production	100%
Providence Resources (NI) Limited	C/O Geo.I. Maclaine Solicitors, Imperial Buildings, 72 High Street, Belfast, BT1 2BE	Oil and gas exploration and production	100%
Providence Resources (International) Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
P.R. UK Holdings Limited	5 Jubilee Place, London SW3 3TD, UK	Holding company	100%
Providence Resources (GOM No. 2) LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Oil and gas exploration and production	100%
Providence Resources (Holdings USA) LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Holding company	100%
Providence Resources (Gulf) Limited	Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland	Holding company	100%
Exola Limited	Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland	Oil and Gas exploration	100%
Providence Resources (US) Holdings Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Eirgas Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Chrysaor E & P Ireland Limited	Airfield House, Airfield Park, Donnybrook, Dublin D04 CP49, Republic of Ireland	Oil and Gas exploration	100%

5 Intangible assets

	Software
Cost	
At 31 December 2014	—
Additions in year	313
At 31 December 2015	313
Amortisation	
At 31 December 2014	—
Charge for year	17
At 31 December 2015	17
Carrying value	
At 31 December 2015	296
At 31 December 2014	—

6 Debtors

	2015 €'000	2014 €'000
VAT	28	48
Prepayments	80	83
Amounts due from subsidiaries	62,812	97,241
Amounts due from joint operation partners	812	526
	63,732	97,898

All of the above amounts fall due within one year.

The recoverability of amounts due from subsidiaries is largely dependent on the future cash flows generated from the exploration and evaluation assets owned by those entities. During the current year the Directors recorded an impairment provision of c.€49 million against the carrying value of intercompany receivables. The Directors are satisfied that the subsidiaries will generate sufficient cash flows from these assets to repay the amounts, net of the impairment provision, to the parent company.

7 Creditors: amounts falling due within one year

	2015 €'000	2014 €'000
Trade creditors	6,592	11,883
Accruals	5,484	553
Other creditors	24	—
Amounts owed to subsidiaries (a)	—	—
Bank loan (b)	18,289	19,348
	30,389	31,784

Refer to Note 21 of Consolidated Financial Statements for further details on amounts included within trade creditors.

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

(b) Refer to Note 18 of the Consolidated Financial Statements for further details on the company's bank loan.

8 Provision for liabilities – Decommissioning

	2014 €'000	2013 €'000
At 1 January	4,945	5,105
Unwind of discount	495	830
Disposal to subsidiary	—	(990)
Foreign exchange differences	644	—
Balance at 31 December	6,084	4,945

Decommissioning costs are expected to be incurred over the remaining lives of the fields, which are estimated to be between 2015 and 2022. The provision for decommissioning is reviewed annually. The provision has been calculated assuming industry established oilfield decommissioning techniques and technology at current prices and is discounted at 10% per annum, reflecting the associated risk profile.

9 Share capital and share premium

See Note 16 to the Group financial statements.

10 Commitments and contingencies

(a) Exploration and evaluation activities

The company has capital commitments of approximately €2.4 million to contribute to its share of costs of exploration and, evaluation activities during 2016.

(b) Operating leases Annual commitments exist under non-cancellable property leases expiring as follows:

	2015 €'000	2014 €'000
Within one year	79	1
Between two and five years	—	163
Total	79	164

(c) Contingencies

From time to time, and as described in more detail in Note 26 to the Consolidated Financial Statements, the company is involved in other claims and legal actions which arise in the normal course of business. Based on information currently available to the company, and legal advice, the Directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the company is adequately positioned to deal with the outcome of any such litigation

Under the terms of the CEPIL acquisition agreement, the company is required to make a payment of US\$5 million to former shareholders of CEPIL if a final investment decision is made to develop the Spanish Point asset. No provision has been recognised in the financial statements at this stage as the asset is still at exploration and evaluation stage and the final investment decision has not yet been taken.

11 Statutory information

Under the provisions of Section 304 of the Companies Act 2014, the parent company is not presenting a separate profit and loss account. A loss of €60,744,000 (2014: €6,020,000) for the financial year ended 31 December 2015 has been dealt with in the separate profit and loss account of the company.

	2014 €'000	2013 €'000
Auditor's remuneration	42	42

During the year the company employed 14 people (2014: 15 people) and incurred payroll costs of €1.9 million (2014: €1.9 million).

The Group contributes to an externally administered defined contribution pension scheme to satisfy the pension arrangements in respect of certain management personnel. The pension cost charged for the year was €196,000 (2014: €208,000).

Notes to the Company financial statements continued

for the year ended 31 December 2015

12 Related party transactions

Mr Tony O'Reilly has, through Kildare Consulting Limited, a company beneficially owned by him, a contract for the provision of service to the company outside the Republic of Ireland effective 1 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.

13 Post balance sheet events

Refer to Note 26 of the Consolidated Financial Statements for information on post balance sheet events.

14 Approval of financial statements

The financial statements were approved by the Board of Directors on 28 June 2016 .

Appendix

Explanation of proposed amendments to the Memorandum and Articles of Association

1. Introduction

Substantially all of the provisions of the Irish Companies Act 2014 (the "Act") became effective on 1 June 2015. The Act has consolidated the previous Irish Companies Acts and many of the related statutory instruments into a single statute and has introduced significant reforms to Irish company law.

Instead of providing, as the previous Irish Companies Acts had, for a model set of articles of association that apply unless otherwise provided for, the Act includes optional statutory provisions that apply to regulate a company unless its articles of association provide otherwise.

The purpose of the Resolutions is to make amendments to the Memorandum of Association of the Company and to adopt revised Articles of Association for the Company to reflect the new statutory context. If these resolutions are passed, this will ensure that the changes to Irish company law will not have an unintended effect on the Company's Memorandum and Articles of Association by altering how the provisions in the Memorandum and Articles of Association are to be applied. It is also proposed to use this opportunity to make some small "housekeeping" amendments to the Memorandum and Articles of Association.

As all of the changes described below are intended, so far as practicable, to preserve the status quo, it is therefore not considered necessary to vote separately on each amendment to the Memorandum and Articles of Association.

A copy of the Company's proposed new Memorandum and Articles of Association together with a comparison against the existing Memorandum and Articles of Association, are available on the Company's website (www.providenceresources.com) and at its registered office.

2. Resolution 6

This special resolution is being proposed in order to make minor amendments to Clauses 2 and 3 of the Memorandum of Association so as to update the statutory references in these Clauses for consistency with the Act and to make some small 'housekeeping' changes.

3. Resolution 7

Under this resolution, it is proposed to make the following amendments to the Articles of Association:

Companies Act 2014 Amendments

- (a) Articles 2.1(v)(b), 7(a), 7(a)(iii), 29, 33, 63(g)(iii), 73(b), 79(c)(i), 84(g), 87(e), 88(e) and 104(a) contain references to sections in the previous Irish Companies Acts. This resolution will amend these statutory references in order to ensure that they refer to the corresponding provisions in the Act.
- (b) The Act adopts a new approach with respect to the articles of association of all companies. Instead of making provision for a model set of articles of association as was provided under Table A of the First Schedule to the Companies Act 1963 ("Table A"), the Act now contains specific optional statutory provisions that apply to all companies unless the company's articles of association provide otherwise. It is proposed that Article 1(a) will disapply those optional statutory provisions dealing with matters that are already dealt with in the Company's existing Articles of Association. As Table A has been repealed, its disapplication in Article 1 is no longer necessary. A summary of each of the new optional statutory provisions under the Act which are being specifically excluded by the new Article 1(a) is set out below:
 - (i) Section 43(2) deals with use of a company's seal. This section is being disapplied as provision for use of the Company's seal is made in Article 101 to 103;
 - (ii) Sections 65(2) to (7) deal with the power of a company to convert shares into stock and to reconvert stock into shares. These sections are being disapplied as the matter is already provided for in Articles 39 to 42;
 - (iii) Sections 77 to 81 deal with the making of calls in respect of unpaid amounts due on shares issued by a company. These sections are being disapplied as the matter is already provided for in Articles 17 to 28;
 - (iv) Section 95(1)(a) is being disapplied as the Directors' discretion to decline a transfer of shares is dealt with in Articles 29 to 35;
 - (v) Sections 96(2) to (11) deal with the transmission of shares in a company. These sections are being disapplied as the matter is already provided for in Articles 36 to 38;
 - (vi) Sections 124 and 125 deal with the declaration and payment of dividends by a company. These sections are being disapplied as the relevant subject matter is already provided for in Articles 104 to 114;
 - (vii) Sections 144(3) and 144(4) deal with the appointment of Directors of a company. These sections are being disapplied as the matter is already provided for in Articles 81 to 84;
 - (viii) Section 148(2) deals with how the office of a director of a company may be vacated early. This section is being disapplied as the matter is already provided for in Article 85;
 - (ix) Section 158(3) deals with the borrowing powers of the Directors of a company. This section is being disapplied as the matter is already provided for in Article 80;
 - (x) Section 158(4) deals with the delegation power by Directors to committees. This section is being disapplied as the matter is already provided for in Article 77;

Appendix continued

- (xi) Sections 159 to 165 deal with the appointment of a managing director, the establishment of board committees, matters relating to board procedure and the appointment of alternate Directors. These sections are being disapplied as these matters are already provided for in Articles 75, 77, 87 and 91 to 97;
 - (xii) Sections 182(2) and (5) deal with the quorum required for a general meeting of a company. These sections are being disapplied as the matter is already provided for in Article 51;
 - (xiii) Section 183(3) is being disapplied as otherwise it would prohibit the appointment of multiple proxies, which is permitted by the new Article 66;
 - (xiv) Section 187 deals with the conduct of general meetings of a company. This section is being disapplied as the matter is already provided for in Articles 51 to 58;
 - (xv) Section 188 deals with voting at general meetings of a company. This section is being disapplied as the matter is already provided for in Articles 59 to 66;
 - (xvi) Sections 218(3), (4) and (5) deal with the service of notice on members of a company. These sections are being disapplied as detailed provision in this regard is made in respect of the Company by Article 123;
 - (xvii) Sections 229, 230 and 1113 deal with the interests of Directors of a company. These sections are being disapplied as the matter is already provided for in Articles 87 to 90;
 - (xviii) Sections 338(5) to 338(7) deal with the delivery of the financial statements of the company. These sections are being disapplied as delivery methods are already dealt with in Article 118;
 - (xix) Section 618(1)(b) deals with the distribution of property on a winding up of a company. This section is being disapplied as the matter is already provided for in Articles 127 and 128;
 - (xx) Section 620(8) sets out timeframes regarding unclaimed dividends. This section is being disapplied as the Company has set out longer timeframes in Article 113;
 - (xxi) Section 1090 deals with the rotation of Directors of a company. This section is being disapplied as the matter is already provided for in Article 81;
 - (xxii) Section 1092 deals with the remuneration of the Directors of a Company. This section is being disapplied as the matter is already provided for in Articles 72 and 73; and
 - (xxiii) Section 1093 deals with unanimous written resolutions of members. This section is being disapplied for reasons of practicality.
- (c) The definition of "Auditors" in Article 1(b) is being amended to include the word "statutory" (which is consistent with the Act).
 - (d) A definition of "Depository" is being inserted because the term is used in the new Article 7(c), which deals with the obligations of a depository to disclose information to the Company where it is served with a disclosure notice pursuant to Article 7. The new Article 7(c) clarifies the extent of these obligations.
 - (e) A definition of "electronic means" has been inserted as this term is used in the Articles and is now defined by the Act.
 - (f) In various places in the Articles of Association, references to "stock exchange nominee" are being deleted as this term is no longer in use following the repeal of the Companies (Amendment) Act 1977.
 - (g) Article 33 is being supplemented to make clear that, despite the provision in Section 95(2)(a), Directors are not to charge a fee when registering the transfer of a share, and shall exercise their discretion to this effect.
 - (h) Article 50(b) is being amended to provide that the Secretary (together with any other person entitled to receive notice under the Act) is entitled to receive notice of general meetings as provided for by Section 180(1)(d) of the Act.
 - (i) In various places in the Articles of Association, the expression "undenominated capital" is being inserted as this expression is now used in the Act to refer to that part of a company's issued share capital that is not represented by the nominal value paid up on issued shares.
 - (j) In various places in the Articles of Association, the expression "statutory financial statements" is being inserted as this expression is now used in the Act and replaces the term "accounts" – the new expression includes a balance sheet, a profit and loss account and other statements and notes.
 - (k) Article 48 is being amended to make it clear that the appointment or re-appointment of the Auditors is subject to Sections 380 and 382 to 385 of the Act.
 - (l) Article 66(a) is being supplemented to make it clear that the Directors' approval of the instrument of proxy is subject to the requirements of the Act.
 - (m) Article 69(a) is being amended to reflect the provisions of Section 183(10), which allows notices of the revocation of a proxy to be delivered right up to the commencement of the meeting.

- (n) Section 228(1)(d) is an entirely new restriction regarding the use of company property by Directors. A new Article 74(b) is therefore being adopted in order to ensure that Directors can continue to use Company property, subject to such conditions as may be approved or delegated by the Board.
- (o) Sections 228(1)(e) and 228(2) are entirely new. It is proposed therefore to include a new Article 88(e) in order to make it clear that Section 228(1)(e) will not restrict anything that may be done by any Director in accordance with the authorisation of the Board or a Board committee.
- (p) Article 115 is being amended in order to be consistent with the terms which are used regarding the keeping of accounts in Chapter 2 of Part 6 of the Act.
- (q) Under Article 118(b), the Directors of a company may use the power provided for in the Act to send shareholders summary financial statements in lieu of the full statutory financial statements of the company. Article 118(b), which is a new Article, provides that, where the Directors elect to do so, any shareholder may request a full copy of the financial statements of the Company to be sent to him or her.

General Housekeeping Amendments

- (r) A number of additional “housekeeping” changes are provided for in the revised Articles of Association, including:
 - (i) the correction of the name of the Irish Stock Exchange plc in Article 1(b);
 - (ii) A definition of “the Regulations” has been inserted as the term is now used in the amended Articles 10 and 29, and the new Article 66, which deal, respectively, with the issue and transfer of shares held in uncertificated form and the appointments of proxies in respect of shares held in uncertificated form.
 - (iii) A definition of “relevant system” has been inserted as the term is used in the new Article 66(c), discussed in sub paragraph (viii) below.
 - (iv) Articles 1(i) and (j) have been inserted because the terms “electronic form” and “address” are used in various places in the Articles of Association, including principally in the new Articles 122 and 123. The new Articles 122 and 123 have been inserted to update and clarify the manner in which (including electronically) notices, documents and information are given, served or delivered both: (a) by a member on the Company; and (b) by a Company on a member.
 - (v) Article 50(c) is being inserted to reflect the fact that, under Regulation 15 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (as amended), the date determined by the Directors as being the date by which a member must be entered on the Company’s register of members in order to be eligible to vote at general meetings (the “voting record date”), may not be more than 7 days before the day that the notices of the relevant meeting are given. Article 50(d) is being inserted to require the Directors to stipulate the voting record date in the notice of a general meeting.
 - (vi) Article 58 is being inserted to ensure the orderly conduct of general meetings.
 - (vii) Article 64 is being amended to provide that, even where a restriction notice has been issued against any shares, which may result in the Directors being empowered to refuse to register a transfer of such restricted shares, the Directors will be required to accept a transfer of such shares where the transfer has been made pursuant to a bona fide sale of the whole of the beneficial interest in the shares comprised in the transfer to a person unconnected with the holder or with any other person appearing to be interested in such shares.
 - (viii) Article 66(b) and (c) are being inserted to clarify the basis on which electronic proxy voting will be permitted.
 - (ix) Article 110 has been amended to allow for the Directors to pay dividends to depositaries, and in currencies other than those in which such dividends are declared.
 - (x) Article 135 is being inserted to clarify those persons who will have authority to authenticate documents on behalf of the Company.
 - (xi) Article 136 is being inserted to protect the Company from being obliged to disclosure trade secrets or other information which the Directors believe would be inexpedient to disclose.
 - (xii) Article 137 is being inserted to give the Directors the power, to the extent permitted by the law, to purchase and maintain insurance for the benefit of certain persons, including Directors, officers, employees and Company auditors.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Providence Resources P.L.C. will be held at Ballsbridge Hotel, Pembroke Road, Ballsbridge, Dublin 4 on Wednesday 27 July 2016 at 10.00am for the purpose of considering, and if thought fit, passing the following Resolutions of which Resolutions numbered (1) to (4) will be proposed as Ordinary Resolutions and Resolutions numbered 5, 6 and 7 will be proposed as Special Resolutions.

Ordinary Business

- (1) To receive and consider the Directors' Report and Financial Statements for the year ended 31 December 2015.
- (2) (a) To re-elect Mr. James McCarthy as a Director.
(b) To re-elect Dr. Philip Nolan as a Director.
- (3) To authorise the Directors to fix the remuneration of the auditors.

Special Business

- (4) That, in substitution for any existing authority, the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 1021 of the Companies Act 2014 to exercise all of the powers of the Company to allot relevant securities (within the meaning of Section 1021 of the Companies Act 2014) up to an aggregate nominal value of the authorised but as yet unissued share capital of the Company. The authority hereby conferred shall commence on the date of the passing of this Resolution and continue up to and including 27 July 2021 unless previously varied or revoked.

- (5) That:

in substitution for any existing authority, the Directors be and they are hereby empowered pursuant to Section 1022 and Section 1023(3) of the Companies Act 2014 to allot equity securities (within the meaning of Section 1023 of the Companies Act 2014) for cash as if the said Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power being limited to:

- a. the allotment of equity securities in connection with or pursuant to any offer of equity securities open for a period fixed by the Directors, by way of rights issue, open offer or otherwise (an "Offering") to the holders of ordinary shares and/or any other persons entitled to participate therein (including without limitation any holders of options under the Company's share option scheme(s) for the time being) in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the number of ordinary shares which such other persons are for the purposes of such Offering deemed to hold) on a record date fixed by the Directors (whether before or after the date of this meeting) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements or otherwise howsoever;
- b. pursuant to the terms of any scheme for Directors and/or employees etc. of the Company and/or its subsidiaries; and
- c. the allotment of equity securities up to a nominal aggregate amount equal to: (i) in the event that Admission (as defined in the Company's Annual Report dated 28 June 2016) has, as at the date of the AGM, occurred €6,195,196.40 (representing approximately 10% of the Enlarged Share Capital (as defined in the Company's Annual Report dated 28 June 2016); or otherwise (ii) €1,400,766, (representing approximately 10% of the issued share capital of the Company as at the close of business on 27 June 2016),

provided in each case the power shall, unless revoked or renewed by special resolution or the articles of association of the Company, expire on the earlier of fifteen months from the date of passing this Resolution and the conclusion of the next annual general meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or issued after such expiry and the Directors may allot equity securities (as defined by the said Section 1023) in pursuance of such offer or agreement as if the power conferred hereby had not expired.

- (6) That:

- (i) the following new Clause 2 be added to the Memorandum of Association, and the remaining Clauses of the Memorandum of Association be renumbered accordingly:

"2. The Company is a public limited company registered under Part 17 of the Companies Act 2014";

- (ii) the existing Clause 3.27 of the Memorandum of Association be deleted and the following new Clause 3.27 be substituted therefor:

"To promote freedom of contract and to resist, insure against, counteract and discourage interference therewith, to join any lawful federation, union or association, or do any other lawful act or thing with a view to preventing or resisting directly or indirectly any interruption of or interference with the Company's trade or business, or providing or safeguarding against the same, or resisting or opposing any strike movement or organization which may be thought detrimental to the interests of the Company or its employees, and to subscribe to any association or fund for any such purposes."; and

- (iii) the existing note at the end of the existing Clause 3 of the Memorandum of Association be deleted and the following new text be substituted therefor:

"NOTE: it is hereby declared that the word "company" in this Clause (except where it refers to this Company) shall be deemed to include any body corporate, partnership or other body of persons, whether incorporated or not incorporated and whether domiciled in the Republic of Ireland, Northern Ireland, Great Britain or elsewhere, and the intention is that the objects specified in each paragraph of this clause shall, except where otherwise expressed in such paragraph, be in no way limited or restricted by reference to, or inference from, the terms of any other paragraph."

- (7) That, the Articles of Association produced to the meeting (a copy of which regulations are marked "X" for identification) be adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

Dated 28 June 2016

By order of the Board

C. Ryan, Secretary, Airfield House, Airfield Park, Dublin D04 CP49, Republic of Ireland.

Notes:

Entitlement to attend and vote

1. Pursuant to Section 1105 of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996, entitlement to attend and vote at the AGM and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6.00 p.m. on the day which is two days before the date of the AGM (or in the case of an adjournment as at 6.00 p.m. on the day which is two days before the date of the adjourned meeting). Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

Appointment of proxies

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy as an alternate to attend, speak, ask questions and vote instead of him/her/it and may appoint more than one proxy to attend on the same occasion in respect of shares held in different securities accounts. A member acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees and such intermediary may cast votes attaching to some of the shares differently from other shares held by it. The appointment of a proxy will not preclude a member from attending, speaking, asking questions and voting at the meeting or at any adjournment thereof should the member subsequently wish to do so. A proxy need not be a member of the Company. If you wish to appoint more than one proxy, please contact the Registrars of the Company, Computershare, by sending an email to clientservices@computershare.ie during normal business hours.
3. A Form of Proxy is enclosed with this Notice of Annual General Meeting. To be effective, the Form of Proxy duly completed and executed, together with any original power of attorney or other authority under which it is executed or a copy of such authority certified notarially or by a practicing solicitor in the Republic of Ireland, must be deposited by hand at the offices of the Company's Registrar, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland, or returned by post to Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland, in any case so as to be received no later than 48 hours before the time appointed for the Annual General Meeting or any adjournment thereof or (in the case of a poll taken otherwise than at or on the same day as the Annual General Meeting or adjourned Annual General Meeting) at least 48 hours before the taking of the poll at which it is to be used. Any alteration to the Form of Proxy must be initialled by the person who signs it.
4. In addition to Note 2 above, and subject to the Constitution of the Company, and provided it is received at least 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof or (in the case of a poll taken otherwise than at or on the same day as the Annual General Meeting or adjourned Annual General Meeting) at least 48 hours before the taking of the poll at which it is to be used, the appointment of a proxy may:
 - 4.1. be submitted by fax to +353 (0)1 447 5572, provided it is received in legible form; or
 - 4.2. be submitted electronically, via the internet by accessing the Company's Registrar's proxy voting website www.eproxyappointment.com, entering the Control Number, SRN and PIN all located on the Proxy Form. Shareholders will be required to have their Shareholder Reference Number ("SRN") as printed on the face of the accompanying Form of Proxy. Full details of the procedures, including voting instructions are given on the website; or
 - 4.3. be submitted through CREST in the case of CREST members, CREST sponsored members or CREST members who have appointed voting service providers. Submissions through CREST must be completed in accordance with the procedures specified in the CREST Manual and received by the Registrar (under CREST agent ID 3RA50). The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.
5. In the case of a corporation, the Form of Proxy must be either executed under its common seal, signed on its behalf by a duly authorised officer or attorney, or submitted in accordance with Note 3 above.

Voting rights and total number of issued shares in the Company

6. As a member, you have several ways of exercising your vote: (a) by attending the Annual General Meeting in person; (b) by appointing a proxy to vote on your behalf; or (c) by appointing a proxy via the CREST system if you hold your shares in CREST. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The total number of issued Ordinary Shares on the date of this Notice of Annual General Meeting is 140,076,682 Ordinary Shares. On a vote on a show of hands, every member present in person and every proxy has one vote (but no individual shall have more than one vote). On a poll every member shall have one vote for every share carrying rights of which he is the holder.
8. Where a poll is taken at an Annual General Meeting any member, present in person or by proxy, holding more than one share is not obliged to cast all his/her votes in the same way.
9. Ordinary resolutions are required to be passed by a simple majority of members voting in person or by proxy. Special resolutions are required to be passed by a majority of not less than 75% of votes cast by those who vote either in person or in proxy.
10. On any other business which may properly come before the Annual General Meeting, or any adjournment thereof, and whether procedural or substantive in nature (including without limitation any motion to amend a resolution or adjourn the meeting) not specified in this Notice of Annual General Meeting, the proxy will act at his/her discretion.

Other resolutions

11. The Annual General Meeting is being convened to consider the specific resolutions as incorporated in this Notice of Annual General Meeting. As a result it is not proposed that any other resolution would be considered at the meeting.

Glossary of Terms

“**1C**” Low estimate scenario of contingent resource

“**2C**” Best estimate scenario of contingent resource

“**£**” or “**Pounds Sterling**” Pounds Sterling, the lawful currency of the United Kingdom

“**€**” or “**Euro**” Euro, the lawful currency of Ireland

“**Admission**” admission of the New Ordinary Shares to trading on AIM and ESM becoming effective in accordance with Rule 6 of the AIM Rules and Rule 6 of the ESM Rules

“**AGM**” the annual general meeting of the Company to be held at Ballsbridge Hotel, Pembroke Road, Ballsbridge, Dublin 4 at 10.00 a.m. on 27 July 2016, including any adjournment thereof, and notice of which is set out herein

“**AIM**” AIM, a market operated by the London Stock Exchange

“**AIM Rules**” the AIM rules for Companies published by the London Stock Exchange in May 2014 (as amended) governing the admission to and the operation of AIM

“**AVO**” amplitude variation with offset

“**BBO**” billion barrels of oil

“**BBOE**” billions of barrels of oil equivalent

“**BCF**” billion cubic feet of gas

“**BML**” below mud line

“**BOE**” Barrels of Oil Equivalent (6,000 cubic feet of gas equals 1 barrel of oil equivalent)

“**BOEPD**” barrels of oil equivalent per day

“**BOPD**” barrels of oil per day

“**Cenkos**” Cenkos Securities Plc

“**Cenkos Fee Shares**” the 37,998,363 New Ordinary Shares to be issued to Cenkos at the Placing Offer Issue Price by way of payment of the fees of Cenkos payable under the Placing and Open Offer Agreement

“**CEPIL**” Chrysaor Exploration and Production Ireland Limited

“**Circular**” the document dated 21 June 2016 issued by the Company including the notice convening the EGM and which is available to view on the Company’s website

“**Contingent Resources**” resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles

“**CPR**” Competent Person’s Report

“**EGM**” the extraordinary general meeting of the Company to be held at Ballsbridge Hotel, Pembroke Road, Ballsbridge, Dublin 4 at 9.00 a.m. on 14 July 2016, including any adjournment thereof, and notice of which is set out in the Circular

“**Enlarged Share Capital**” the issued ordinary share capital of the Company as enlarged following the completion of the Placing Offer and the Open Offer

“**ESM**” the market of that name operated by the Irish Stock Exchange

“**ESM Rules**” the rules published by the Irish Stock Exchange entitled ‘ESM Rules for Companies’ in October 2015

“**E&P**” exploration and production

“**Facility**” shall have the meaning ascribed thereto in the Chairman and Chief Executive’s Statement in this document

“**FEL**” frontier exploration licence

“**FID**” final investment decision

“**GIIP**” gas initially in place

“**HIIP**” hydrocarbons initially in place

“**Irish Stock Exchange**” the Irish Stock Exchange plc

“**LU**” Lease Undertaking

“**Lenders**” Melody Capital Partners FDB Credit Fund LLC, Melody Special Situations Offshore Credit Mini-Master Fund L.P., Melody Capital Partners Offshore Credit Mini-Master Fund L.P. and Melody Capital Partner Onshore Credit Fund L.P.

“**Licensing Option**” or “**LO**” an undertaking to grant an Exploration Licence issued under Section 7(1) of the Petroleum and Other Minerals Development Act, 1960

“**London Stock Exchange**” or “**LSE**” London Stock Exchange plc

“**Melody**” Melody Business Finance LLP (acting as agent for an on behalf of the Lenders)

“**Melody Liability Shares**” the 9,938,033 New Ordinary Shares to be issued to Melody by way of partial discharge of a liability of the Company lawfully incurred by it in connection with the Facility

“**MDBRT**” measure depth below rotary table

“**MMBC**” million barrels of condensate

“**MMBO**” million barrels of oil

“**MMBOE**” million barrels of oil equivalent

“**New Ordinary Shares**” the new Ordinary Shares to be issued pursuant to the Placing Offer and the new Ordinary Shares to be issued pursuant to the Open Offer together with the Cenkos Fee Shares and the Melody Liability Shares

“**Open Offer**” the open offer of up to 31,835,610 Open Offer Shares in the Company to qualifying shareholders as described in Part II of the Circular

“**Open Offer Shares**” up to 31,835,610 New Ordinary Shares to be issued under the Open Offer

“**Order**” shall have the meaning ascribed thereto in the Chairman and Chief Executive’s Statement in this document

“**Ordinary Shares**” ordinary shares of €0.10 each in the issued share capital of the Company

“**Placing Offer**” the conditional placing of the Placing Offer Shares at the Placing Offer Issue Price by Cenkos in accordance with the terms and subject to the conditions set out in the Placing and Open Offer Agreement

“**Placing and Open Offer Agreement**” the agreement entered into in connection with the Placing Offer and Open Offer between the Company, and Cenkos dated 21 June 2016

“**Placing Offer Issue Price**” £0.12 per Placing Offer Share

“**Placing Offer Shares**” the 399,670,956 New Ordinary Shares to be issued pursuant to the Placing Offer

“**Pmean**” the Pmean value is the average of the numbers

“**Prospective Resources**” quantities of petroleum which are estimated to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled

“**SEL**” Standard Exploration Licence

“**STOIP**” stock tank oil initially in place

“**US\$**” or “**U.S. Dollar**” or “**\$**” United States Dollars, the lawful currency of the US

Corporate Information

Board of Directors

James S.D. McCarthy

(Chairman), appointed May 2015^{1,2,3,4}
(Non-executive Director), appointed 2005

Dr Philip Nolan

(Senior Independent Director), appointed 2004^{1,2,3,4}

Lex Gamble

(Non-Executive Director), appointed 2005^{1,2,3,4}

Tony O'Reilly

(Chief Executive), appointed 1997 (Non-executive), appointed 2005
(Executive Director)

Philip O'Quigley

(Non-Executive Director 2012), appointed 2008^{1,3,4}

Dr John O'Sullivan

(Technical Director), appointed 2010

¹ Non-Executive

² Member Audit Committee

³ Member Remuneration Committee

⁴ Member Nomination Committee

Secretary and Registered Office

Criona Ryan

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Registrar

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Ireland

Nominated Adviser

Cenkos Securities Limited

6-7-8 Tokenhouse Yard
London
EC2R 7AS
United Kingdom

Irish Stockbrokers

J&E Davy

Davy House
48/49 Dawson Street
Dublin
D02 PY05
Ireland

UK Stockbrokers

Cenkos Securities Limited

6-7-8 Tokenhouse Yard
London
EC2R 7AS
United Kingdom

Principal Bankers

Allied Irish Banks Plc

Auditors

KPMG

Chartered Accountants and Registered Auditors
1 Stokes Place
St. Stephen's Green
Dublin
D02 DE03
Ireland

Financial PR

Murray Consultants Dublin

40 Lower Baggot Street
Dublin
D02 Y793
Ireland

Powerscourt Media London

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