

## Providence Resources P.I.c. – 2016 Annual Results

### SIGNIFICANT OPERATIONAL & FINANCIAL PROGRESS IN 2016 DRILLING SET TO COMMENCE IN SUMMER 2017

**Dublin and London – April 12, 2017** - Providence Resources P.I.c. (PVR LN, PRP ID), the Irish based Oil and Gas Exploration Company, today announces Annual Results for the year ended December 31, 2016.

Tony O'Reilly, Chief Executive Officer commented:

*"2016 was a year of significant operational & financial progress for Providence. With drilling set to commence at Druid & Drombeg, fast growing interest in offshore Ireland from global majors, ongoing commercial discussions and renewed financial strength, 2017 looks set to be another significant year in our company's development.*

*With the support of existing and new investors, we successfully raised new funds in July 2016 which allowed us to restructure our balance sheet, repay all of our debt, and with some recovery in the oil price, we are pleased to report that farm-in activity has increased. This has enabled us to enter into discussions regarding new commercial opportunities, which are ongoing.*

*Off the west coast of Ireland, having made meaningful progress developing our portfolio and demonstrating its economic potential, we have also seen a marked increase in interest from industry in the region. In this new operating environment, we were able to announce the farm-in by Cairn into our Druid & Drombeg drilling programme, which will see Providence's cost exposure nearly halve. This puts us in an even stronger financial position, providing us with incremental cash resources whilst still allowing scope for further transactions. In this regard, farm-out negotiations are ongoing with various counterparties on a number of our assets. Whilst we are not in a position to confirm any further details at this time, we are working diligently to successfully conclude matters.*

*This summer, we are embarking on a very exciting period of operations starting with the drilling of a high impact exploration well targeting the multi-billion barrel potential of both the Druid & Drombeg exploration prospects. The Stena IceMAX drill-ship is already contracted and we expect drilling operations to commence in June, subject to the normal regulatory consents. The recently announced licensing of 3D seismic data to be acquired over the Dunquin prospect this summer is another key development which will further enhance our understanding of the hydrocarbon potential of this licence, which is now operated by Eni.*

*Our farm-in transaction with Cairn, combined with our ongoing commercial discussions and the other extensive work programmes currently being carried out offshore Ireland by the majors including ExxonMobil, Statoil, Eni, Nexen CNOOC, Woodside and Cairn clearly demonstrate the industry's renewed focus on the Irish offshore. In the North Celtic Sea Basin, the further appraisal and potential development of Barryroe remains another key objective for Providence. With this in mind, we are commencing various pre-permitting activities in anticipation of future drilling.*

*As the most active player in the region, with 20 years' operational experience generally and specifically some 14 years since we first licenced acreage in the Porcupine Basin, we will continue to seek to capitalise on this enhanced interest for the benefit of Providence's shareholders."*

## **2016 OPERATIONAL HIGHLIGHTS**

### **APPRAISAL PROJECTS**

- **Barryroe Oil Project, North Celtic Sea Basin (SEL 1/11)**
  - 2 year extension to Phase 1 of SEL 1/11 to July 2017 and an extension to the 2nd phase term to July 2019
  - Area of SEL 1/11 increased by c.118 km<sup>2</sup> to accommodate mapped potential extensions of Barryroe, formerly located within LO 12/4, which has now expired
  - Conclusion of all litigation with Transocean
  - Upper C-Sand GIIP within SEL 1/11 & OPL1 Option area now estimated at c. 400 BSCF
  - Farm-out discussions continued to be progressed
- **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 to the Base Wealden
  - Based on Providence 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)**
  - Adjacent third party Licensing Options awarded in 2016 from 2015 Atlantic Margin Licensing Round
- **Helvick/Dunmore Oil Discoveries, North Celtic Sea Basin**
  - Award of Lease Undertakings
  - 50% staged farm in by Marginal Field Development Company Limited

### **EXPLORATION PROSPECTS**

- **Druid/Drombeg and Diablo Oil Prospects, Southern Porcupine Basin (FEL 2/14)**
  - Multi-domain analysis with Schlumberger confirms that 3D seismic responses from the Druid & 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)
    - Druid – c. 3.180 BBO (Pmean)
    - Drombeg c. 1.915 BBO (Pmean)
    - Large deeply buried pre-Cretaceous Diablo Ridge presence confirmed
  - Adjacent third party Licensing Options awarded in 2016 from 2015 Atlantic Margin Licensing Round
  - Druid and Drombeg exploration prospects to be evaluated with a single vertical well
    - LR Senergy appointed as Well Management Company
    - Drilling contract signed with Stena Drillmax Ice Limited for use of the Stena IceMAX drill ship
    - Planned spud in June 2017, subject to regulatory consents

- **Dunquin South Oil Prospect, Southern Porcupine Basin (FEL 3/04)**
  - Dunquin North post-well technical studies continuing
  - Adjacent third party Licensing Options awarded in 2016 from 2015 Atlantic Margin Licensing Round
  - Eni appointed Operator
  - Providence's equity increased to 26.846%
- **Avalon Oil Prospect, Porcupine Basin (LO 16/27)**
  - Award of new Licensing Option in 2016 from the 2015 Irish Atlantic Margin Licensing Round
  - Large AVO stratigraphic Paleocene oil play identified
  - Identified prospect is analogous to and spatially larger than the Druid prospect
- **Newgrange Prospect, Goban Spur Basin (FEL 6/14)**
  - Schlumberger Collaboration Project supports top seal and reservoir presence for Cretaceous target
    - Prospective Resource Potential of c. 13.6 TSCF GIIP or c. 9.2 BBO STOIP
    - Top Seal capacity analysis indicates potential for a hydrocarbon column of up to 350 metres
  - Adjacent third party Licensing Options awarded in 2016 from 2015 Atlantic Margin Licensing Round
- **Kish Bank Oil Prospect, Kish Bank Basin (SEL 2/11)**
  - Company's working interest increased to 100%
  - Extension to the 1st phase of SEL 2/11 to August 2018 and an overall extension of one year to the licence term to August 2020
- **Relinquishments made to Licence Authorisations over:**
  - Cuchulain (FEL 1/99), Southern Porcupine Basin
  - Polaris (P1885), Rathlin Basin
  - Dragon (UK) (P1885), St George's Channel Basin
  - Spanish Point South (FEL 1/14), Northern Porcupine Basin
  - Silverback (LO 13/4), South Celtic Sea Basin

## **2016 FINANCIAL HIGHLIGHTS**

- Operating Loss for the period of €18.844 million versus €13.080 million in 2015
- Loss of €20.546 million versus €24.147 million in 2015
- Loss per share of 5.80 cents versus 19.57 cents in 2015
- At December 31, 2016 total cash and cash equivalents were €31.403 million versus €6.518 million (at 31/12/15)
- In June, £53.712 million was raised through Placing 447.607 million shares at £0.12 pence per share and €1.516 million was raised through the issuance of 9.975 million shares at €0.152 cents per share
- The Company had no debt at December 31, 2016 versus €18.289 million (at 31/12/15)
- The total issued & voting share capital comprises 597,658,958 ordinary shares of €0.10 each

## **BOARD CHANGES**

- In October 2016, James McCarthy stepped down as Non-executive Chairman, Pat Plunkett was appointed Non-executive Chairman and Phil Nolan retired from the board

## **POST YEAR END PROGRESS**

- **Druid/Drombeg Oil Prospects, Southern Porcupine Basin (FEL 2/14)**
  - Farm out agreed with Capricorn, a subsidiary of Cairn Energy, subject to Ministerial approval
  - In consideration for Capricorn taking a 30% working interest in FEL 2/14 with an effective date of 1 July 2016, Capricorn will pay:
    - 45% of the costs of drilling the 53/6-A exploration well in 2017, subject to a gross well cap of \$42 million
    - A cash payment of \$2.82 million (being 30% of the total sunk costs of \$9.4 million incurred through 30 June 2016 by Providence / Sosina on FEL 2/14) on a pro rata basis
    - In the event that the JV partners agree to drill a subsequent appraisal well in FEL 2/14, Capricorn will pay 40% of the appraisal well costs subject to a gross well cap of \$42 million and will have the right to take over Operatorship.
  - Drilling operations are scheduled to commence June 2017, subject to regulatory approval
  - The resultant equity ownership in FEL 2/14 is Providence 56% (Operator), Cairn 30% and Sosina 14%
- **Dunquin South Oil Prospect, Southern Porcupine Basin (FEL 3/04)**
  - Licensing of 1,800km<sup>2</sup> of 3D from CGG as part of a multi-client 3D acquisition programme in 2017

## **OUTLOOK**

With clear shareholder endorsement of our strategy to exploit our portfolio, a strong financial position and with the upcoming drilling of Druid & Drombeg, we are very optimistic about the prospects both for Providence and the Irish Oil & Gas sector. We remain both determined and uniquely positioned to lead the industry in identifying and realizing Ireland's significant offshore potential.

## **SUMMARY OF KEY ASSETS/RESOURCE BASE**

### **APPRAISAL ASSETS**

- **Barryroe Oil Project, North Celtic Sea Basin (PVR – 80.0%)**
  - Field Size (2C): 346 MMBOE REC
  - Net to PVR: 276 MMBOE REC
  
- **Hook Head Oil Project, North Celtic Sea Basin (PVR - 72.5%)**
  - Field Size (2C): 35 MMBOE REC
  - Net to PVR: 25 MMBOE REC
  
- **Spanish Point Gas Condensate Project, Northern Porcupine Basin (PVR – 58.0%)**
  - Field Size (2C): 337 MMBOE REC
  - Net to PVR: 195 MMBOE REC

### **EXPLORATION ASSETS**

- **Druid Oil Prospect, Southern Porcupine Basin (PVR – 56.0%)**
  - Prospect Size (Pmean): 3.180 BBO STOIP
  - Net to PVR: 1.780 BBO STOIP
  
- **Drombeg Oil Prospect, Southern Porcupine Basin (PVR – 56.0%)**
  - Prospect Size (Pmean): 1.915 BBO STOIP
  - Net to PVR: 1.072 BBO STOIP
  
- **Dunquin South Oil Prospect, Southern Porcupine Basin (PVR-26.8%)**
  - Prospect Size (Pmean): 1.389 BBO REC
  - Net to PVR: 372 MMBO REC
  
- **Avalon Oil prospect, Southern Porcupine Basin (PVR – 80.0%)**
  - Prospect Size (Pmean): TBC
  - Net to PVR: TBC
  
- **Newgrange Gas Prospect, Goban Spur Basin (PVR – 80.0%)**
  - Prospect Size (Pmean): 13.6 TSCF GIIP
  - Net to PVR: 10.8 TSCF
  
- **Kish Oil Prospect, Kish Bank Basin (PVR – 100.0%)**
  - Prospect Size (P50): 210 MMBO REC
  - Net to PVR: 210 MMBOE REC

## **INVESTOR ENQUIRIES**

### **Providence Resources P.l.c.**

Tony O'Reilly, Chief Executive Officer

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## **MEDIA ENQUIRIES**

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Pauline McAlester

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## **ABOUT PROVIDENCE RESOURCES**

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

## **GLOSSARY OF TERMS USED**

BBO – Billion Barrels of Oil

BBOE – Billion Barrels of Oil Equivalent

BSCF – Billion Standard Cubic Feet of Gas

FEL – Frontier Exploration Licence

GIIP – Gas Initially in Place

LO – Licensing Option

LU – Lease Undertaking

MMBO – Millions of Barrels of Oil

MMBOE – Millions of Barrels of Oil Equivalent

OPL – Offshore Production Lease

P<sub>mean</sub> – the expected average value or risk-weighted average of all possible outcomes

Rec – Recoverable

SEL – Standard Exploration Licence

STOIP – Stock Tank of Oil Initially in Place

TSCF – Trillion Standard Cubic Feet of Gas

## **ANNOUNCEMENT**

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

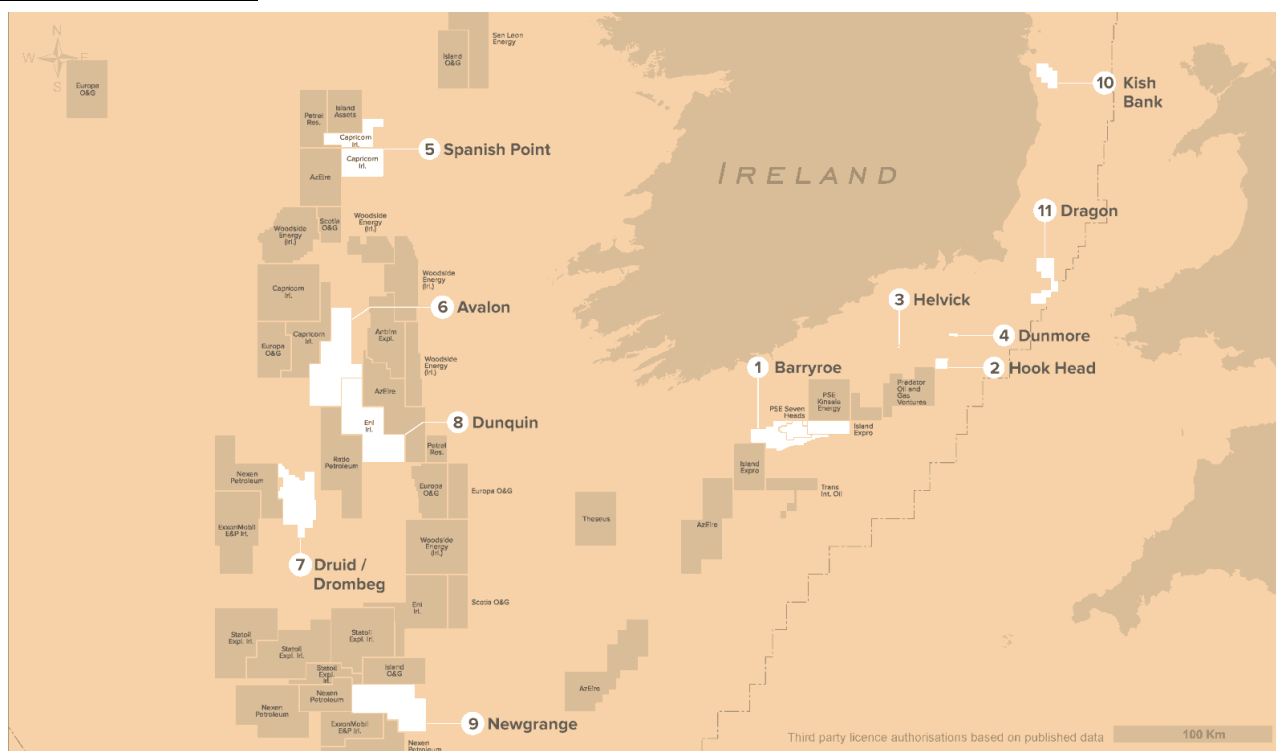
SPE/WPC/AAPG/SPEE Petroleum Resource Management System 2007 has been used in preparing this announcement.

## SUMMARY OF KEY ASSETS

Ref	Licence	Issued	Key Asset	Operator	Providence Partners	PVR %	Classification
<b>NORTH CELTIC SEA BASIN</b>							
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 & gas discovery
3	LU	2016	HELVICK	Providence	Atlantic; Sosina, Lansdowne; MFDC	62.5	Oil & gas discovery
4	LU	2016	DUNMORE	Providence	Atlantic; Sosina; MFDC	72.5	Oil discovery
<b>NORTHERN PORCUPINE BASIN</b>							
5	FEL 2/04	2004	SPANISH POINT	Cairn	Cairn; Sosina	58.0*	Oil & gas discoveries
5	FEL 4/08	2008	SPANISH POINT	Cairn	Cairn; Sosina	58.0*	Oil & gas exploration
<b>SOUTHERN PORCUPINE BASIN</b>							
6	LO 16/27	2016	AVALON	Providence	Sosina	80.0	Oil & gas exploration
7	FEL 2/14	2014	DRUID	Providence	Cairn; Sosina	56.0*	Oil & gas exploration
7	FEL 2/14	2014	DROMBEG	Providence	Cairn; Sosina	56.0*	Oil & gas exploration
8	FEL 3/04	2014	DUNQUIN	Eni	Eni; Repsol; Sosina	26.8*	Oil exploration
<b>GOBAN SPUR BASIN</b>							
9	FEL 6/14	2014	NEWGRANGE	Providence	Sosina	80.0	Oil & gas exploration
<b>KISH BANK BASIN</b>							
10	SEL 2/11	2011	KISH BANK	Providence		100.0	Oil & gas exploration
<b>ST GEORGE'S CHANNEL BASIN</b>							
11	SEL 1/07	2007	DRAGON	Providence		100.0	Gas discovery

\* Subject to Ministerial consent

## MAP OF KEY ASSETS



**PROVIDENCE RESOURCES P.I.c.**

**Condensed consolidated income statement**

*For the year ended 31 December 2016*

	Notes	Year ended 31 December 2016 Audited €'000	Year ended 31 December 2015 Audited €'000
<b>Revenue – continuing operations</b>	<b>1</b>	-	-
Administration and legal expenses	<b>2</b>	(3,688)	(6,437)
Pre-licence expenditure		(61)	(856)
Impairment of exploration, and evaluation assets		(15,095)	(5,787)
<b>Operating loss</b>	<b>1</b>	<b>(18,844)</b>	<b>(13,080)</b>
Finance income		39	34
Finance expense	<b>3</b>	(1,741)	(11,091)
<b>Loss before income tax</b>		<b>(20,546)</b>	<b>(24,137)</b>
Income tax expense		-	-
<b>Loss for the financial year</b>		<b>(20,546)</b>	<b>(24,137)</b>
<b>Loss per share (cent) – total</b>			
Basic loss per share	<b>7</b>	<b>(5.80)</b>	<b>(19.57)</b>
Diluted loss per share	<b>7</b>	<b>(5.80)</b>	<b>(19.57)</b>

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



**PROVIDENCE RESOURCES P.I.c.**

**Condensed consolidated statement of comprehensive income**

*For the year ended 31 December 2016*

	Year ended 31 December 2016 Audited €'000	Year ended 31 December 2015 Audited €'000
<b>Loss for the financial year</b>	<b>(20,546)</b>	<b>(24,137)</b>
<b>Continuing operations</b>		
<i>OCI items that can be reclassified into profit and loss</i>		
Foreign exchange translation differences	<b>1,994</b>	<b>7,178</b>
Total income recognised in other comprehensive income from continuing operations	<b>1,944</b>	<b>7,178</b>
<b>Total comprehensive expense for the year</b>	<b>(18,552)</b>	<b>(16,959)</b>

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

## PROVIDENCE RESOURCES P.I.c.

### Condensed consolidated statement of financial position

As at 31 December 2016

	Notes	31 December 2016 Audited €'000	31 December 2015 Audited €'000
<b>Assets</b>			
Exploration and evaluation assets	4	89,276	98,211
Property, plant and equipment		102	168
Intangible assets		192	296
<b>Total non-current assets</b>		<b>89,570</b>	<b>98,675</b>
Trade and other receivables		255	2,174
Cash and cash equivalents		31,403	6,518
<b>Total current assets</b>		<b>31,658</b>	<b>8,692</b>
<b>Total assets</b>		<b>121,228</b>	<b>107,367</b>
<b>Equity</b>			
Share capital	5	71,452	25,694
Capital conversion reserve fund		623	623
Share premium	5	247,918	226,998
Foreign currency translation reserve		13,815	11,821
Share based payment reserve		1,398	3,586
Retained deficit		(223,888)	(199,780)
<b>Total equity attributable to equity holders of the Company</b>		<b>111,318</b>	<b>68,942</b>
<b>Liabilities</b>			
Decommissioning provision		7,783	7,424
<b>Total non-current liabilities</b>		<b>7,783</b>	<b>7,424</b>
Trade and other payables		2,127	12,712
Loans and borrowings	6	-	18,289
<b>Total current liabilities</b>		<b>2,127</b>	<b>31,001</b>
<b>Total liabilities</b>		<b>9,910</b>	<b>38,425</b>
<b>Total equity and liabilities</b>		<b>121,228</b>	<b>107,367</b>

## PROVIDENCE RESOURCES P.I.c.

### Condensed consolidated statement of changes in Equity

For the year ended 31 December 2016

	Share Capital €'000	Capital Conversion Reserve Fund €'000	Share Premium €'000	Foreign Currency Translation Reserve €'000	Share Based Payment Reserve €'000	Retained Deficit €'000	Total €'000
<b>At 1 January 2015</b>	<b>18,151</b>	<b>623</b>	<b>210,230</b>	<b>4,643</b>	<b>4,282</b>	<b>(176,339)</b>	<b>61,590</b>
<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)
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued in year	7,543	-	16,768	-	-	-	24,311
Share options lapsed in year	-	-	-	-	(696)	696	-
<b>At 31 December 2015</b>	<b>25,694</b>	<b>623</b>	<b>226,998</b>	<b>11,821</b>	<b>3,586</b>	<b>(199,780)</b>	<b>68,942</b>
<b>At 1 January 2016</b>	<b>25,694</b>	<b>623</b>	<b>226,998</b>	<b>11,821</b>	<b>3,586</b>	<b>(199,780)</b>	<b>68,942</b>
<i>Total comprehensive income</i>							
Loss for financial year	-	-	-	-	-	(20,546)	(20,546)
Currency translation	-	-	-	1,994	-	-	1,994
Total comprehensive income	-	-	-	1,994	-	(20,546)	(18,552)
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued in year	45,758	-	20,920	-	-	(5,892)	60,786
Share based payments	-	-	-	-	142	-	142
Share options cancelled in year	-	-	-	-	(1,493)	1,493	-
Share options lapsed in year	-	-	-	-	(837)	837	-
<b>At 31 December 2016</b>	<b>71,452</b>	<b>623</b>	<b>247,918</b>	<b>13,815</b>	<b>1,398</b>	<b>(223,888)</b>	<b>111,318</b>

**PROVIDENCE RESOURCES P.I.c.**  
**Condensed consolidated statement of cash flows**  
*For the year ended 31 December 2016*

	Year ended 31 December 2016	Year ended 31 December 2015
	Audited	Audited
	€'000	€'000
<b>Cash flows from operating activities</b>		
Loss before income tax for year	(20,546)	(24,137)
Adjustments for:		
Depletion and depreciation	66	34
Amortisation of intangible assets	104	17
Impairment of exploration and evaluation assets	15,095	5,787
Finance income	(39)	(34)
Finance expense	1,741	11,091
Equity settled share payment charge	142	-
Foreign exchange	1,113	(2,684)
Change in trade and other receivables	1,919	(287)
Change in trade and other payables	(10,585)	(521)
Interest paid	(1,266)	(4,204)
<b>Net cash outflow from operating activities</b>	<b>(12,256)</b>	<b>(14,938)</b>
<b>Cash flows from investing activities</b>		
Interest received	39	34
Acquisition of exploration and evaluation assets	(3,982)	(7,746)
Acquisition of property, plant and equipment	-	(484)
Change in restricted cash	-	3,296
<b>Net cash from investing activities</b>	<b>(3,943)</b>	<b>(4,900)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	61,202	25,754
Share capital issue costs	(416)	(1,443)
Repayment of loans and borrowings	(19,633)	(3,671)
<b>Net cash from financing activities</b>	<b>41,153</b>	<b>20,640</b>
<b>Net decrease in cash and cash equivalents</b>	<b>24,954</b>	<b>802</b>
<b>Cash and cash equivalents at 1 January</b>	<b>6,518</b>	<b>5,256</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(69)	460
<b>Cash and cash equivalents at 31 December</b>	<b>31,403</b>	<b>6,518</b>

## **PROVIDENCE RESOURCES P.I.c.**

### **Notes to FY 2016 Accounts**

#### **Basis of preparation**

The consolidated preliminary financial results announcement of the Company, for the year ended 31 December 2016 comprises of the Company and its subsidiaries (together referred to as the "Group"). The financial information included in this preliminary financial results announcement, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS) which comprises standards and interpretations approved by the International Accounting Standards Board (IASB).

The consolidated preliminary financial information presented herein does not constitute the Company's statutory financial statements for the years ended 31 December 2016, with the meaning of Regulation 40(1) of the European Communities (Companies: Group Accounts) Regulations, 1992 of Ireland, insofar as such Group accounts would have to comply with disclosure and other requirements to those Regulations. The statutory financial statements for the year ended 31 December 2016, together with the independent auditor's report thereon, will be filed with the Irish Registrar of Companies following the Company's Annual General Meeting and will also be available on the Company's website [www.providenceresources.com](http://www.providenceresources.com). The consolidated financial statements were approved by the Board of Directors on 11 April 2017.

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

#### **Going concern**

The Directors have considered carefully the financial position of the Group and, in that context, have prepared and reviewed cash flow forecasts for the period to 31 May 2018. As set out further in the Chairman and Chief Executive's reviews the Group expects to incur significant levels of capital expenditure in 2017 and 2018, consistent with its strategy as an exploration company. In this regard, the Directors have considered both current and future expenditure commitments and also the options available to fund such commitments, including further farm out arrangements, disposal of assets, and both equity and debt funding alternatives. Having regard to current levels of funding in place, the proceeds due to be received from the recently announced farm out of Druid and Drombeg, and the other options available, the Directors are satisfied that the Group will be in a position to fund this capital expenditure programme as well as other planned exploration and operating activities. On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

# PROVIDENCE RESOURCES P.I.c.

## Notes to FY 2016 Accounts

### Note 1 - Operating segments

	Year ended 31 December 2016	Year ended 31 December 2015
	Audited	Audited
	€'000	€'000
<b>Segment net loss for the period</b>		
Republic of Ireland – exploration assets	(15,028)	(3,946)
UK- exploration assets	(67)	(1,841)
Corporate expenses	(3,749)	(7,293)
<b>Operating loss</b>	<b>(18,844)</b>	<b>(13,080)</b>
<b>Segment assets</b>		
UK – exploration assets	-	73
Republic of Ireland – exploration assets	89,659	100,710
US	-	32
Group assets	31,569	6,552
<b>Total assets</b>	<b>121,228</b>	<b>107,367</b>
<b>Segment Liabilities</b>		
UK – exploration assets	(64)	(14)
Republic of Ireland – exploration assets	(9,598)	(19,634)
US – liabilities	(1)	-
Group liabilities	(247)	(18,777)
<b>Total Liabilities</b>	<b>(9,910)</b>	<b>(38,425)</b>
<b>Capital Expenditure</b>		
UK – exploration assets	67	103
Republic of Ireland – exploration assets	3,915	7,643
Republic of Ireland - property, plant and equipment and intangible assets	-	484
<b>Total capital expenditure, net of cash calls</b>	<b>3,982</b>	<b>8,230</b>
<b>Impairment charge</b>		
Republic of Ireland – exploration assets	15,028	3,946
UK – exploration assets	67	1,841
	15,095	5,787

**PROVIDENCE RESOURCES P.I.c.**

**Notes to FY 2016 Accounts**

**Note 2 - Administration and legal expenses**

	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
	<b>Audited</b>	<b>Audited</b>
	<b>€'000</b>	<b>€'000</b>
Corporate, exploration and development expenses	<b>4,271</b>	3,783
Legal expenses	<b>68</b>	2,127
Foreign exchange losses	<b>507</b>	1,550
<b>Total administration and legal expenses for the year</b>	<b>4,846</b>	7,460
Capitalised in exploration and evaluation expenses (Note 4)	<b>(1,158)</b>	(1,023)
<b>Total charge to the income statement</b>	<b>3,688</b>	6,437

## PROVIDENCE RESOURCES P.I.c.

### Notes to FY 2016 Accounts

#### Note 3 - Finance Expense

	Year ended 31 December 2016	Year ended 31 December 2015
	Audited	Audited
	€'000	€'000
Recognised in income statement:		
Amortisation of arrangement fees and other amounts	1,643	2,861
Unwinding of discount on decommissioning provision	359	1,390
Interest charge	1,093	2,367
Interest charge on legal settlement (i)	(1,055)	2,141
Foreign exchange loss on revaluation of loan, net	(299)	2,332
<b>Total finance expense recognised in income statement</b>	<b>1,741</b>	<b>11,091</b>
Recognised directly in other comprehensive income		
Foreign currency differences on foreign operations	1,994	7,178
<b>Total finance expense recognised in comprehensive income</b>	<b>1,994</b>	<b>7,178</b>

(i) The interest credit arises on the resolution of the Transocean legal case.



## PROVIDENCE RESOURCES P.I.c.

### Notes to FY 2016 Accounts

#### Note 4 - Exploration and evaluation assets

	Republic of Ireland	UK	Total
	€'000	€'000	€'000
Cost and book value			
At 1 January 2015	88,095	1,638	89,733
Additions	6,805	84	6,889
Administration expenses	1,004	19	1,023
Cash calls received in year	(166)	-	(166)
Impairment charge	(3,946)	(1,841)	(5,787)
Foreign exchange translation	6,419	100	6,519
<b>At 31 December 2015</b>	<b>98,211</b>	<b>-</b>	<b>98,211</b>
At 31 December 2015	98,211	-	98,211
Additions	4,047	62	4,109
Administration expenses	1,153	5	1,158
Cash calls received in year	(1,285)	-	(1,285)
Impairment charge	(15,028)	(67)	(15,095)
Foreign exchange translation	2,178	-	2,178
<b>At 31 December 2016</b>	<b>89,276</b>	<b>-</b>	<b>89,276</b>

The exploration and evaluation asset balance at 31 December 2016 primarily relates to the Barryroe (€64.5 million), Dunquin (€13.9 million), Druid & Drombeg (€8.1 million) and Newgrange (€1.7 million). The remaining €1.1 million relates to other license areas held by the Group in the Republic of Ireland.

The Directors have assessed the current activities ongoing within exploration and evaluation assets and, noting the current forecast price curve, have determined that an impairment charge of €15.1 million is required at 31 December 2016 in relation to specific licenses including Spanish Point, Silverback, Cuchulain and Helvick as it is unlikely that further exploration and evaluation work will be undertaken at this current time or that the licence has been relinquished.

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

## PROVIDENCE RESOURCES P.I.c.

### Notes to FY 2016 Accounts

#### Note 5 - Share Capital and Share Premium

		Number	
<b>Authorised:</b>		'000	€'000
At 31 December 2016			
Deferred shares of €0.011 each		1,062,442	11,687
Ordinary shares of €0.10 each		986,847	98,685
	Number	Share Capital	Share Premium
<b>Issued:</b>	000's	€'000	€'000
Deferred shares of €0.011 each	1,062,442	11,687	5,691
Ordinary share of €0.10 each	64,649	6,464	204,539
At 1 January 2015	64,649	18,151	210,230
Share issued in year	75,427	7,543	16,768
At 31 December 2015	140,076	25,694	226,998
Shares issued in year	457,582	45,758	20,920
<b>At 31 December 2016</b>	<b>597,658</b>	<b>71,452</b>	<b>247,918</b>

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

## PROVIDENCE RESOURCES P.I.c.

### Notes to FY 2016 Accounts

#### Note 6 - Loans and Borrowings

	Melody loan facility	Melody loan fees	Total
	€'000	€'000	€'000
At 1 January 2015	19,727	(379)	19,348
Repaid during year	(3,646)	-	(3,646)
Drawn down in year	1,519	(4,125)	(2,606)
Written off to income statement	-	2,861	2,861
Foreign exchange difference	2,332	-	2,332
<b>At 31 December 2015</b>	<b>19,932</b>	<b>(1,643)</b>	<b>18,289</b>
Repaid during year	(19,633)	-	(19,633)
Written off to income statement	-	1,643	1,643
Foreign exchange difference	(299)	-	(299)
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>

Under the Facility, Melody had security over all of the Group's assets by way of the Floating Charge. This charge has now been satisfied.

## PROVIDENCE RESOURCES P.I.c.

### Notes to FY 2016 Accounts

#### Note 7 - Earnings per share

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>Audited</b>	<b>Audited</b>
	<b>Total</b>	<b>Total</b>
(Loss) / profit attributable to equity holders of the company from continuing operations (€'000)	<b>(20,546)</b>	(24,137)
The basic weighted average number of ordinary shares in issue		
In issue at beginning of year ('000s)	<b>140,077</b>	64,649
Adjustment for shares issued in year ('000s)	<b>214,374</b>	58,689
Weighted average number of ordinary shares ('000s)	<b>354,451</b>	123,338
<b>Basic and diluted (loss) / earnings per share (cent)</b>	<b>(5.80)</b>	(19.57)

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

## **PROVIDENCE RESOURCES P.l.c.**

### **Notes to FY 2016 Accounts**

#### **Note 8 - Related party transactions**

Mr. Tony O'Reilly, has, through Kildare Consulting Limited, a company beneficially owned by him, a contract for the provision of service to the company outside the Republic of Ireland effective 1 May 2015. The amount paid under the contract in the year ended 31 December 2016 was €366,390. It is of two years duration and is subject to one year's notice period. The contract was renewed on 1 April 2017.

#### **Note 9 - Commitments**

The Group has capital commitments of approximately €26.1m to contribute to its share of costs of exploration and evaluation activities during 2017.

#### **Note 10 - Post Balance Sheet Events**

In March 2017, the Company signed a Farm Out Agreement on FEL 2/14 (Druid & Drombeg) with Capricorn Ireland Limited, a subsidiary of Cairn Energy Plc. Under the terms of the Farm Out, Capricorn will take a 30% equity interest in return for paying 45% of the costs of the exploration well on Druid & Drombeg in 2017 (up to a gross cost cap of \$42 million) and will make a payment of \$2.8 million on a pro rata basis to the Company and to Sosina. In the event that a subsequent appraisal well is drilled on FEL 2/14, Capricorn will pay 40% of the costs of the proposed well (up to a gross cost cap of \$42 million) and will have the option to take over Operatorship. This transaction is subject to Ministerial consent. As a result of this transaction, the equity stakes in FEL 2/14 would be Providence (56%), Cairn (30%) and Sosina (14%).

In April 2017, the Company announced that it and fellow JV partners on FEL 3/04 (Dunquin) agreed to licence 1,800km<sup>2</sup> of 3D from CGG which is being acquired in 2017 as part of a multi-client 3D acquisition programme.