



Barryroe – Strategic Review

Dublin and London – 4th February 2022

Further to our communication on 20th December 2021, this announcement is to inform shareholders in relation to **Providence Resources P.l.c.’s** (PVR) Strategy for the optimisation of the Barryroe Field. It sets out the status of our application to secure the Lease Undertaking, as well as the PVR Technical Strategy and approach envisaged to fund the preparatory appraisal work for the initial phase of Barryroe’s development.

Executive Summary

- ***Barryroe Lease Undertaking: regulatory urgency required to progress Barryroe project***

Since the update provided on the 20th of December 2021, the Board has written on two occasions to The Minister for the Environment, Climate and Communications, Eamon Ryan TD, requesting him to grant consent for the Lease Undertaking. The Board set out a number of considerations and noted that a decision not to grant the Lease Undertaking, or a protracted delay in doing so, would mean that the potential of the Barryroe Field will not be realised. In our view, this would represent a serious failure in the national effort to transition the Irish economy to carbon neutral status by 2050.

The Board unreservedly supports Government and EU policy in relation to tackling climate change. Given that gas and oil will be essential energy sources for many years to come, the Board is confident that the potential offered by successful exploitation of the Barryroe Field would be an important element in Ireland’s energy transition. Additionally, the Barryroe Field has the potential to provide significant strategic and fiscal value to the Irish economy at no cost to the Irish taxpayer.

- ***PVR’s Technical Strategy: structured to realise material value identified by Independent CPR***

The Board has completed its review and has, subject to Ministerial approval, made a decision to proceed with an appraisal well in 2023 and, assuming a satisfactory outcome, to proceed to first production in 2026, initially focused on the Central Area in Barryroe only. A new Competent Persons Report (CPR), by RPS Energy Consultants (RPS), confirms 81.2 MMstb of Gross 2C oil resources that can be accessed through this initial two phase project. A summary of the CPR Report is contained in Appendix 1 to this announcement. The CPR, which remains consistent with the last independent assessment in 2013, confirmed a Net Present Value (NPV) of \$401m to PVR’s interest in this initial project only, based on a 10% discount factor and a \$70 Brent oil price. The initial project is also anticipated to advance the potential for further development of other Barryroe reservoirs, including its gas resources. The Board believes this technical strategy to be optimal and pragmatic in balancing risk and optimising value. It also maximises shareholder value, both for shareholders and the country.

- ***PVR’s Financial Strategy: clear understanding of funding required***

We now have a clear understanding as to the funding requirement for the initial development in the Central area of the Barryroe Field. In essence, fresh equity funding is required in 2022 to finance an appraisal well in 2023 and preparatory work around the initial development project.

James Menton, Executive Chairman, commented *“With the benefit of four new technical studies, including a Competent Persons Report (CPR) prepared by RPS Energy Consultants Limited, the Board is confident that there is an attractive economic and technical case for moving forward with our plans to optimise the value of the Barryroe Field. At this time, the Board’s main focus is on securing Ministerial consent for the Lease Undertaking as a matter of urgency. The Board is confident that Barryroe offers a highly valuable resource that can contribute meaningfully to Irish energy security and will have a crucial role to play in Ireland’s energy transition. This is in addition to the related economic contribution.”*

1. Barryroe Lease Undertaking: regulatory urgency required to progress Barryroe project

Since the Board’s announcement on 20th December 2021, we have written, on two separate occasions, to Minister Eamon Ryan TD requesting a grant of Ministerial consent for the Lease Undertaking. The Board believes that, given that seven months of the potential four-year lease undertaking has elapsed, there is a need for urgency in granting Ministerial consent having regard to the following:

- The optimisation of the value of the Barryroe Field has been set in the context of both Irish energy security and the transition to a carbon neutral economy by 2050.
- The Barryroe Field has the potential to provide significant strategic and fiscal value to the Irish economy at no cost to the Irish taxpayer. PVR is confident that the development of the Barryroe Field would create substantial employment opportunities, as well as attracting investment to the Irish economy and local Cork region.
- The Board believes that it has discharged all of its responsibilities and duties to comply with the GeoScience Regulatory Office’s (GSRO) requirements.
- The final grant of a Lease Undertaking is key to capture the potential of the Barryroe Field which remains one of the largest undeveloped off-shore oil and gas fields in Europe. The overall Barryroe Field was independently assessed in 2013 to hold 346 million barrels of oil equivalent (gross 2C resources), believed to be mainly oil. The oil is “sweet”, light and waxy. Similar oil currently trades at a premium to the Brent Oil benchmark. The field covers a large area and the reservoirs remain only partly appraised.
- As set out in **Section 2**, the Board commissioned an updated CPR report from RPS Energy Consultants, effective 1st January 2022 (“2022 Report”). In line with our stated Board strategy, this 2022 report focused specifically and solely on four segments of the Basal Wealden A sand reservoir, targeted for the initial development.
- The Board supports Government and EU policy in relation to tackling climate change. The potential offered by the successful exploitation of the Barryroe Field would be an important element in the execution of Government policy, as enunciated by the Department of the Environment, Climate and Communications’ “Policy Statement on Security of Electricity Supply” (November 2021) and Section 3.7 of the Government’s “National Risk Assessment 2021/2022 – Overview of Strategic Risk”.
- With the Corrib Field now in decline, and without any new finds, it is currently projected that 100% of Ireland’s gas will be imported by the end of 2031. Therefore, providing energy locally from the Barryroe Field makes both economic and environmental sense.

- The question of national energy security cannot be overstated, particularly when set against current and possible future geopolitical challenges.

A decision not to grant the Lease Undertaking, or to fail to do so on a timely basis, would mean that the potential of the Barryroe Field could never be realised. Apart from having fundamental and serious consequences for PVR's future viability it would represent, in our view, a serious failure in strategic policy making for the successful transition of Ireland's economy to a carbon neutral position by 2050.

2. PVR's Technical Strategy

In our announcement to shareholders on 20th December 2021, we indicated that a realistic and pragmatic approach had been adopted by the Board in developing our Barryroe Strategy given the current regulatory environment, energy transition issues around security of supply and growing energy demand.

Given this objective, and having regard to the fact that the last independent report on the Barryroe Field was in 2013, the Board commissioned an updated Competent Persons Report from RPS – the 2022 Report. In line with our stated strategy, this 2022 Report focuses specifically and solely on the Basal Wealden A sand reservoir in certain segments of the Barryroe Field (specifically the Central Segments 1, 2, 3 and 4) which have been targeted for initial development in Phases 1A and 1B, which approximate 25% of the total Barryroe Field.

The Board's conclusion is that the key uncertainties impeding the development of Barryroe could be substantially reduced by drilling an appraisal well, subject to Ministerial approval, to target the Basal Wealden A sands.

The Technical team has now completed four major studies to underpin our strategy. They confirm the need for a further appraisal well and demonstrate an economic route to production in 2026. These studies included:

- A static and dynamic modelling study of the Basal Wealden A sands to assess the reservoir performance and the recovery factor likely to be achieved.
- A Development Options study, exploring various facility options for an optimal oil and gas development case, using the reservoir modelling to inform this work.
- The 2022 Report, which covered such areas as (a) Subsurface Review, (b) Reservoir Engineering Assessment, (c) Preliminary Development Plan, (d) Production Profiles, (e) Cost Estimates, (f) Contingent Resources and (g) the Economic Valuation of the PVR Development strategy. The 2022 Report only addressed the Basal Wealden A sand reservoir.
- Appraisal well conceptual planning which evaluated the value of the information that might arise from various appraisal scenarios - assessing the optimal target location, data acquisition and flow testing programmes.

The key observations and conclusions derived from the 2022 Report are as follows:

- The oil reservoir initially targeted in just four Central Segments is estimated to have 81.2MMstb in recoverable Gross 2C oil resources. This is consistent with, and supports, previous independent assessments, reported in 2013, of the much larger reservoir potential of the overall field.
- This initial development project can be phased such that early revenues from the wells in Phase 1A can help to fund the further wells for Phase 1B.

- With a discount rate of 10% and a Brent oil price of \$70, the post-tax NPV to PVR's 2C Resources accessed in Phase 1A is estimated to be \$270 million, increasing to \$401 million when combined with Phase 1B. The 1C, 2C and 3C resource values, at different discount rates, are tabulated in Appendix 1.
- The 2022 Report also accepted that a successful appraisal well, planned for 2023, will de-risk the development of the Basal Wealden A sands in the Central Area to facilitate moving to a pre-Front End Engineering Design (FEED) development work plan.
- The PVR Technical team has recommended a sub-sea development, connected to a Floating Production, Storage and Offloading vessel (FPSO), to develop the Basal Wealden A sand reservoir. The initial Phase 1A would consist of 10 wells (5 producers, 4 water injectors and a gas injection well) for Segments 1, 2 and 3 and then Phase 1B would target Segment 4 using 5 wells (3 producers and 2 water injectors).

Given the above, the Board is satisfied that:

- An economically and technically attractive case for an initial Barryroe oil and gas development has been identified and independently confirmed.
- The detailed planning of the appraisal well should proceed, targeting a mid-2023 drilling campaign.
- These plans for Barryroe should be further refined over the next year so as to be ready, upon the appraisal well results, to move promptly to an initial development project to target first oil production before the end of 2026.

3. PVR's Financial Strategy

- As in past programmes, PVR's appraisal drilling is typically funded entirely through the equity resources of the licensees. This appraisal programme will be no exception.
- PVR's share of the cost of the envisaged appraisal well and associated pre-development technical studies is currently estimated at \$65 million, which will be sufficient to carry forward the Barryroe project until a Final Investment Decision (FID) in 2024.
- Subject to the granting of the Lease Undertaking, the Board expects to finalise proposals to fund its share of the costs of the Barryroe appraisal programme through 2023.
- The Board has initiated preliminary discussions with a number of potential industry partners, one or more of which may be attracted to participate in the Barryroe licence at this stage, subject to the grant of the Ministerial consent to the Lease Undertaking. Were such discussions to be concluded positively, then both the PVR share of the field and its costs would be reduced.
- No detailed financing plan for the post appraisal well initial development phase is being considered at this time. Appraisal success would be anticipated to significantly further 'de-risk' the project, making it attractive both to other industry players and to providers of infrastructure debt finance.

ENDS

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APPENDIX 1

COMPETENT PERSON'S REPORT BASAL WEALDEN GROUP 'A' SAND BARRYROE FIELD, NORTH CELTIC SEA, IRELAND

The report was completed by RPS under appointment by Providence Resources.

All figures below are on a full 100% basis and extracted from the Competent Person's Report. Providence Resources holds an 80% share in SEL 1/11.

This report summarises the proposed early phase development of oil from the Basal Wealden Group A Sand in a limited area of the Barryroe Field within SEL 1/11. Providence has subdivided the study area into a number of segments based on the position of the largest faults. This report addresses four of the key segments, Segments 1, 2, 3 and 4 which Providence is targeting for initial development.

A summary of contingent resources for the oil is based on a phased development plan. Assuming the oil case is established by appraisal, Providence proposes a subsea development connected to an FPSO. The development is scheduled in two phases: phase 1A and 1B.

Oil Contingent Resources Phase 1A and 1B Basal Wealden A Sands in Segments 1 to 4, Barryroe Field

SUMMARY OF OIL CONTINGENT RESOURCES As of 1 st January 2022 BASE CASE PRICES AND COSTS							
Asset	Full Field Gross Resources ¹ (MMstb)			Providence Net Working Interest ² (MMstb)			Pd ³
	1C	2C	3C	1C	2C	3C	
Barryroe Phase 1A and 1B	52.5	81.2	109.1	42.0	64.9	87.3	75%

Notes:
¹Gross field Resources (100% basis) *after* economic limit test.
²Providence holds an 80% working interest in SEL 1/11, North Celtic Sea Basin, Ireland
³Chance of Development ("Pd") is the estimated probability that a known accumulation, once discovered, will be commercially developed.

**Post-Tax Valuation at RPS Base Case Price Scenario
Basal Wealden A Sands in Segments 1 to 4, Barryroe Field**

	ELT Date	Post-Tax Net Present Value (Net to Providence) As of 1 st January 2022 (US\$ Million, MOD)			
		0.0%	8.0%	10.0%	12.0%
Phase 1A					
1C	2037	(14)	(100)	(114)	(124)
2C	2046	963	359	270	199
3C	2046	1,841	642	492	374
Phase 1A and 1B					
1C	2046	423	39	(17)	(61)
2C	2046	1,732	550	401	284
3C	2046	2,987	926	688	506

Estimated In-Place Volumes for the Basal Wealden A Sand Segments 1 to 4 in Barryroe

	Low	Best	High
	MMstb	MMstb	MMstb
Basal Wealden A sand STOIP (oil case only)	203	278	372
	MMstb	MMstb	MMstb
Basal Wealden A sand STOIP (oil with gas case)	153	241	358
	Bscf	Bscf	Bscf
Basal Wealden A sand GIIP (gas)	7.2	46	166
	MMstb	MMstb	MMstb
Barryroe Phase 1A CONTINGENT RESOURCES (oil case only)	28.0	58.3	77.4
Barryroe Phase 1A & 1B CONTINGENT RESOURCES (oil case only)	52.5	81.2	109.1

ANNOUNCEMENT

This announcement has been reviewed for Providence Resources PLC by Marco Santucci. Marco has 15 years of experience in the Energy Industry (Shell, Gas Plus Italiana, Edison and NRG). Marco has an MSC in Petroleum Engineering from the University of Bologna and is a registered Engineer in Italy.

All Resources definitions and estimates shown in this report are based on the 2018 Petroleum Resource Management System ("PRMS") of SPE/WPC/AAPG/SPEE/SEG/SPWLA/EAGE.

DEFINITIONS

MMBO	Million of Barrels of Oil
MMstb	Million stock tank barrels
STOIP	Stock Tank Oil Initially In Place
GIIP	Gas Initially in place
Bscf	Billion standard cubic feet (gas)
CPR	Competent Person's Report