Diversity. Experience. Expertise. Partnership. Growth.

Providence Resources P.l.c.
Annual Report for the
year ended 31 December 2014

Stock Code: PVR

Welcome to Providence Resources P.l.c. Annual Report 2014

Oil and gas exploration and development

Who we are

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

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 c. $500 million multi-year drilling programme on a number of exploration/development prospects over eight basins offshore Ireland, representing the largest concerted drilling campaign ever carried out offshore Ireland.

Strategy

Providence's strategy has been to assemble a portfolio of prospects offshore Ireland and the UK, combining existing discoveries with large new prospects to improve overall economics and reduce risk profile in order to realise value 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 opportunities
    - Active in 8 basins
- Create diversified material exploration & appraisal portfolio
    - c. 333 MMBOE net audited 2C Contingent Resources
    - c. 4.325 BBOE gross un-risked Prospective Resources
- Leverage in 3rd parties to validate and co-venture on prospects
- ExxonMobil, ENI, Repsol, PETRONAS & Cairn Energy
- Farm out to defray capex and provide capital for drilling

As a result of these elements, Providence is leading the most ambitious multi-basin, multi-year drilling programme offshore Ireland. This programme, expected to last several years, is the largest concerted drilling programme ever carried offshore the island of Ireland and comprises a mixture of appraisal/development drilling on proven discoveries as well as exploration drilling.

Information on Providence and its oil and gas portfolio is available at **www.providenceresources.com**

Or scan the code with your smartphone →

2014 Operational Highlights

Barryroe Oil Project, North Celtic Sea Basin

- Licence increased to cover potential field extensions outside of the originally licensed area
- Development of First Phase Production System development concept with initial oil production rates of c. 30,000 BOPD
- Continuation of farm out discussions
- Successfully defended Transocean litigation case

Dunquin Oil Prospect, Southern Porcupine Basin

- Operator estimated 600 MMBO residual oil accumulation at Dunquin North
- Operator estimated 1,389 MMBOE REC (Pmean) in undrilled Dunquin South exploration prospect
- Well data confirm potential for Southern Porcupine Basin to be major new NW European oil exploration arena

Other Projects

Conversion of three Atlantic Margin Licensing Options into Frontier Exploration Licences:

- Drombeg Oil Prospect, Southern Porcupine Basin
- Spanish Point South Gas Prospect, Northern Porcupine Basin
- Newgrange Gas Project, Goban Spur Basin

New seismic surveying carried out over:

- Drombeg Oil Prospect (3D)
- Spanish Point South Gas Prospect Area (3D)
- Newgrange Gas Prospect (2D)

EU legal transposition issue corrected by Irish government:

- Progress Kish Oil Prospect consents for drilling of exploration well

2014 Financial Highlights

- Melody Financing Facility - Arranged $24 million debt facilities
- Operating loss for the period of €6.463 million versus €7.230 million in 2013
- Loss for the year was €11.489 million versus €2.797 million in 2013
- Loss per share of 17.77 cents versus 4.33 cents in 2013
- At December 31, 2014, total cash and cash equivalents were €8.552 million versus €8.998 million (2013)

Board Changes

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

Post year-end results

Barryroe Oil Project, North Celtic Sea Basin

- Farm out discussions ongoing
- Application made to extend the first phase of the licence as well as well the areal extent in order to cover potential further field extensions outside of the currently licensed area

Spanish Point Gas Condensate Project, Northern Porcupine Basin

- Acquisition of Chryasor E&P Ireland Limited ("CEPIL") (increased equity in Spanish Point) licence from 32% to 58%
- Operator estimates a revised hydrocarbons initially in place of c. 730 MMBOE and combined contingent plus prospective recoverable resources of up to 337 MMBOE (c. 250% resource increase versus previous 2011 Senergy Competent Persons Report)
- Most recent well modelling indicates 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)

Silverback Oil Prospect, South Celtic Sea Basin

- Initial work indicates un-risked oil in place of 1.36 BBOE
- Application made to extend the Option by 12 months in order to complete critical source rock modelling studies

Drombeg Oil Prospect, Southern Porcupine Basin

- 3D seismic processing complete – interpretation has commenced
- 3D seismic morphologies consistent with a large deep-water fan system
- Potential sediment input systems from the nearby Porcupine Bank
- Class II AVO response evident on initial seismic gather inspection

Other Projects

- Spanish Point South Gas Prospect - 3D seismic processing complete – interpretation has commenced
- Newgrange Gas Prospect – 2D seismic processing complete – interpretation has commenced
- Dragon Gas Project, St. George's Channel Basin – seismic reprocessing ongoing

Financial

- Raised aggregate proceeds of approx. €25.9 million (c. $28 million) via a Share Placing and Open Offer
- Supported by both existing and new institutional investors
- Significant increase in depth of institutional shareholder base
- Repayment of 1st Melody Debt facility ($20 million) re-scheduled to May 2016
- Repayment of 2nd Melody debt facility ($4 million) to be made on June 1 2015 out of restricted cash

Contents

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

Portfolio Management in the Irish Offshore Sector

Dear Shareholder,

We are pleased to present the 2014 Annual Report, which gives an update on the activities of your Company.

Operations

2014 was a year of significant progress on a number of fronts for Providence Resources, despite the very challenging backdrop for the oil and gas industry. Major activities included ongoing work on agreeing a farm out of Barryroe, continuation of planning activities for the balance of the multi-basin drilling programme, the underwriting of 3 major seismic surveys off the west coast, the acquisition of CEPIL, restructuring of the Company's balance sheet and the successful legal defence of the Transocean case.

All of this was achieved despite the significant market headwinds caused by the precipitous fall in oil prices in 2014, which significantly impacted merger and acquisitions ("M&A") activity. The knock on effect resulted in market paralysis with producers aggressively cutting back investment and/or postponing investment decisions, leading to the lowest level of M&A activity in many years. This obviously impacted on our timing plans to complete a farm out of Barryroe, where the Company remains in discussion with a number of companies who are currently active in the data room process. Fortunately, the recent rise in both oil prices and M&A activity provide a much better background environment for the Company to conclude matters.

In July 2014, the planned Spanish Point appraisal well was delayed due to rig refurbishment issues. This appraisal well was then re-scheduled to be drilled this year, but changes to the JV partnership disrupted plans for drilling in 2015 and so the JV partners are now working on a revised timeline for drilling. To address these partnership issues, in February 2015, the Company announced the acquisition of 100% of the issued share capital of CEPIL from Chrysaor Holdings Limited, effective from November 2014, thereby increasing its interest from 32% to 58% 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 is made for the Spanish Point discovery. Through this acquisition, the Company benefits from the partial carry on drilling activities provided to CEPIL, pursuant to CEPIL's May 2013 farm out agreement with Cairn.

During summer 2014, a 3D seismic survey was acquired over the Spanish Point South area and the Company also underwrote two further seismic surveys in the Southern Porcupine Basin (3D) and Goban Spur Basin (2D), off the south west coast of Ireland, targeting the Drombeg and Newgrange prospects, respectively. Work continued to advance the permitting for the remaining wells of the planned multi-basin drilling programme. At Kish, the EU legal transposition issue was corrected by the Irish government, meaning that the Company can now move forward with the permitting process for future exploration drilling. At Dragon, further seismic work is being carried out (PSDM) to better define the size of the structure and plans for any future drilling. At Polaris, satellite-derived oil seeps have been detected close to the Polaris Prospect and this, combined with the future results of the planned appraisal drilling by Rathlin Energy on the adjacent onshore Ballinea oil discovery, will assist in the planning of future exploration well. Finally, at Silverback, in the South Celtic Sea Basin, seismic interpretation and mapping of reprocessed 2D seismic reflection profile data has confirmed the presence of a large Mesozoic structure.

Litigation

Late last year, the Company successfully defended a case brought against it by Transocean Drilling U.K. Limited in the Commercial Court in London, England. This litigation, where Transocean sued the Company for a gross payment of c. $19 million (net, plus interest), arose from the drilling operations on the Barryroe well in 2011 & 2012. Providence counter sued pleading that Transocean was in breach of contract because the rig and equipment were not in good working condition and/or adequate to conduct the drilling activities over most of a period from late December 2011 through early February 2012.

Tony O'Reilly
Chief Executive

James McCarthy
Chairman

The Court ruling, published in December 2014, confirmed Providence's pleadings that it should not have to pay Transocean for those periods when the rig was not fit for purpose, 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 Providence should be allowed to set-off certain third party costs against Transocean's claim. In addition to finding Transocean in breach of contract, the ruling was critical of Transocean's conduct and testimony, which included the deliberate doctoring of reports and deception by Transocean's senior management. The Ruling allowed the parties to agree the final account, with Providence making a final payment of c. $6 million (net) in March 2015, against the original Transocean gross claim of $19 million (net, plus interest).

Financing

In June 2014, the Company arranged a US$24 million financing with Melody Business Finance LLC, a US based financial institution. This financing, structured by way of a US$20 million facility and a $4 million facility, was repayable on 1 June 2015. However, in February 2015, the Company agreed terms for a re-financing of the US$20 million facility with a new repayment date in May 2016, with any cash proceeds from the farm out of Barryroe to be used to repay the US$20 million facility prior to the repayment date. The repayment date for the US$4 million facility remains unchanged at 1 June 2015 and will be re-paid from the restricted cash resources.

In March 2015, the Company raised aggregate gross proceeds of approximately €25.9 million (c. $28 million) through a Placing Offer and an Open Offer by the issuance of 66,883,113 and 8,544,163 ordinary shares at £0.25 and €0.34 per share, respectively. The proceeds are planned to fund general working capital to cover general and administrative costs, financing costs, sustaining capital expenditure and licence expenditure and planning costs associated with the multi-well drilling programme. The proceeds were used to fund payments arising from the Transocean case, the deferred payment for seismic activities carried out in 2014 and to fund non-drilling costs associated with the increased equity participation in the Spanish Point licences.

Board Changes

Having acted as Chairman since 1997, Dr. Brian Hillery retired from the Board effective May 26, 2015. On behalf of our colleagues at Providence, we wish to extend our most sincere thanks to Brian for his leadership over the years. During his tenure, the Company has substantially grown its asset base to become the leading and most diversified operator offshore Ireland. We wish him well in his retirement. Mr. James S.D. McCarthy has accepted the Board's invitation to take up the role as Chairman with effect from May 26, 2015.

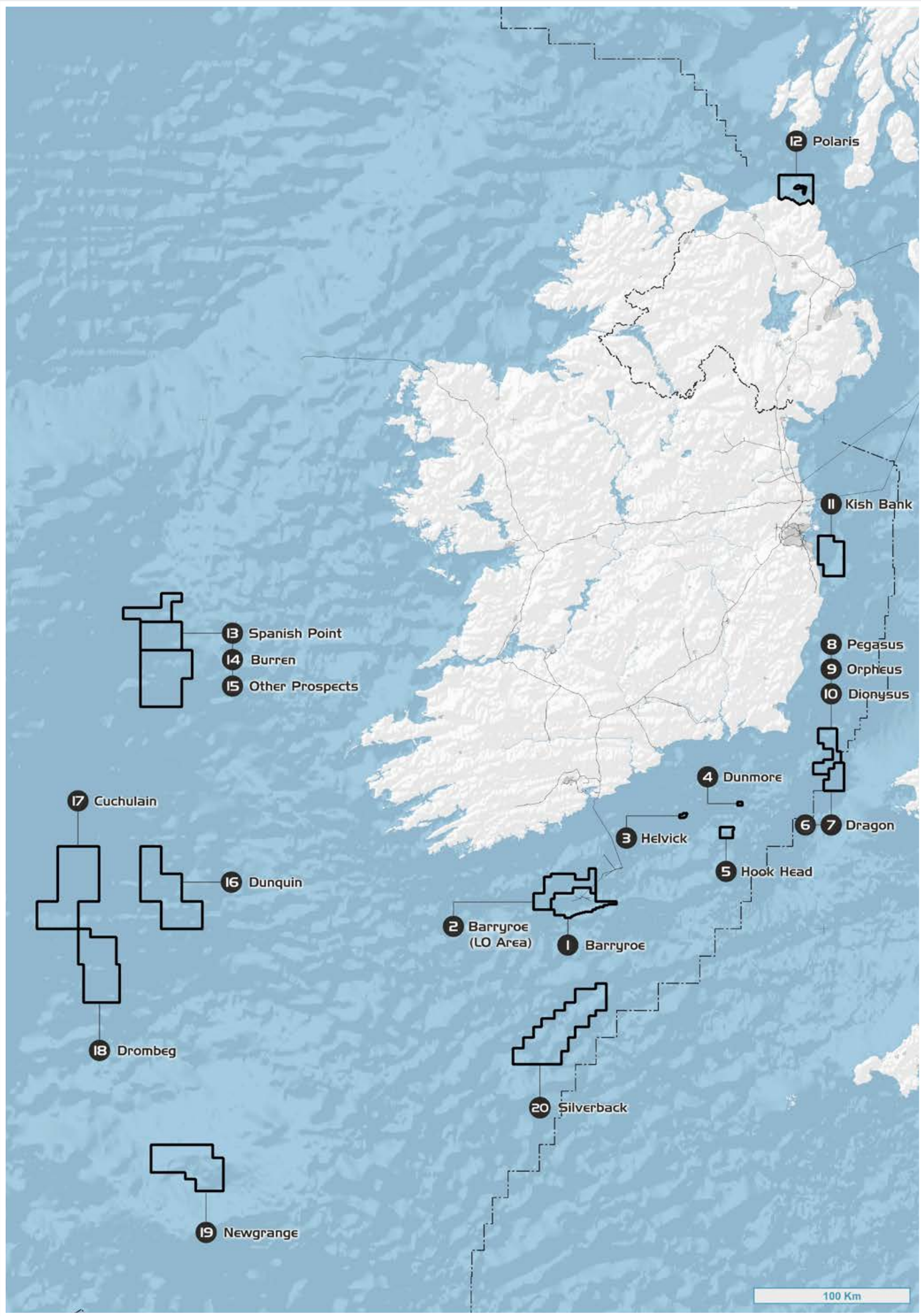
Summary

Looking ahead, we are optimistic on the prospects for the Irish oil and gas in general and specifically, the extensive portfolio that the Company holds. With the support of our existing shareholders and new investors, we have secured additional financing in recent months to allow us to continue to execute our strategy. Providence remains focused on building on its diversified material exploration and appraisal portfolio offshore Ireland and will do so by continuing to leverage in partners with whom we can co-venture and who can help validate the prospectivity of our acreage.

James McCarthy	Tony O'Reilly
Chairman	Chief Executive

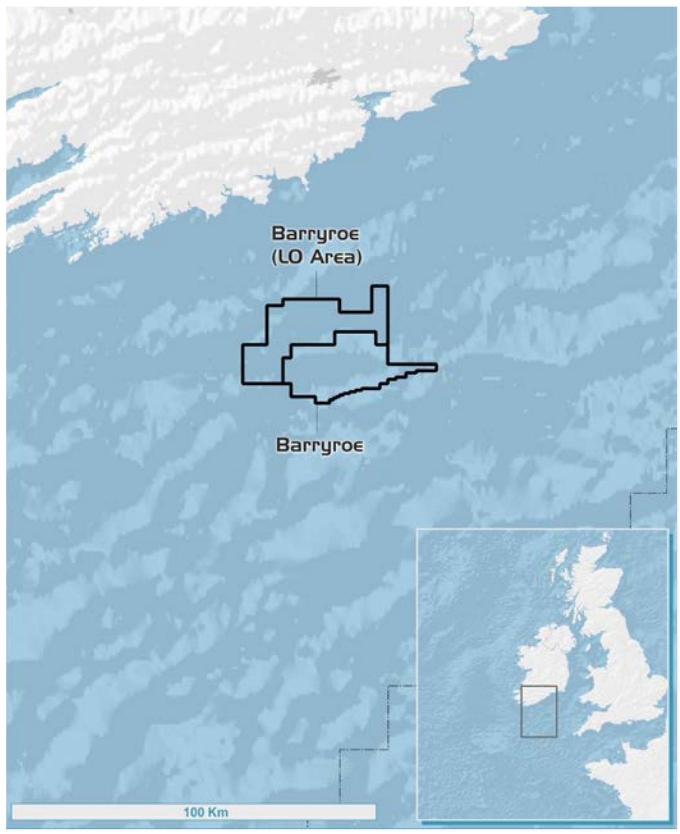
Business Review — List of Providence Assets

Ref	Licence	Issued	Asset	Operator	Partners	%	Type
	CELTIC SEA BASIN						
1	SEL 1/11	2011	Barryroe	Providence	Lansdowne	80.0%	Oil discovery
2	LO 12/4	2012	Barryroe (Licence Option)	Providence	Lansdowne	80.0%	Oil discovery
3	SEL 2/07	2007	Helvick	Providence	Atlantic; Sosina; Lansdowne	62.5%	Oil and gas discovery
4	SEL 2/07	2007	Dunmore	Providence	Atlantic; Sosina	72.5%	Oil discovery
5	SEL 2/07	2007	Hook Head	Providence	Atlantic; Sosina	72.5%	Oil and gas discovery
	ST GEORGE'S CHANNEL BASIN						
6	SEL 1/07	2007	Dragon	Providence		100.0%	Gas discovery
7	P 1930	2011	Dragon	Providence		100.0%	Gas discovery
8	SEL 1/07	2007	Pegasus	Providence		100.0%	Oil and gas exploration
9	SEL 1/07	2007	Orpheus	Providence		100.0%	Oil and gas exploration
10	SEL 1/07	2007	Dionysus	Providence		100.0%	Oil and gas exploration
	KISH BANK BASIN						
11	SEL 2/11	2011	Kish Bank	Providence	PSE Seven Heads Ltd (Petronas)	50.0%	Oil and gas exploration
	RATHLIN BASIN						
12	P 1885	2012	Polaris	Providence		100.0%	Oil and gas exploration
	PORCUPINE BASIN						
13	FEL 2/04	2004	Spanish Point	Cairn	Sosina	58.0%	Gas condensate discovery
14	FEL 2/04	2004	Burren	Cairn	Sosina	58.0%	Oil discovery
15	FEL 4/08 FEL 1/14	2008 2014	Other Prospects	Cairn	Sosina Sosina, Chrysaor	58.0% 43.0%	Oil and gas exploration Oil and gas exploration
	SOUTHERN PORCUPINE BASIN						
16	FEL 3/04	2004	Dunquin	ExxonMobil	Repsol; Eni; Sosina; Atlantic	16.0%	Oil and gas exploration
17	FEL 1/99	1999	Cuchulain	ENI	ExxonMobil; Sosina	3.2%	Oil and gas exploration
18	FEL 2/14	2014	Drombeg	Providence	Sosina	80.0%	Oil and gas exploration
	GOBAN SPUR BASIN						
19	FEL 6/14	2014	Newgrange	Providence	Sosina	80.0%	Oil and gas exploration
	SOUTH CELTIC SEA BASIN						
20	LO 13/4	2013	Silverback	Providence		100.0%	Oil and gas exploration


12 Polaris
11 Kish Bank
8 Pegasus
9 Orpheus
10 Dionysus
4 Dunmore
3 Helvick
6 7 Dragon
5 Hook Head
2 Barryroe (LO Area)
1 Barryroe
13 Spanish Point
14 Burren
15 Other Prospects
17 Cuchulain
16 Dunquin
18 Drombeg
20 Silverback
19 Newgrange
100 Km

Business Review

Appraisal: Celtic Sea Basin



SEL 1/11and LO 12/4 – Barryroe Oil Project

Providence holds an 80.0% equity stake in Standard Exploration Licence (SEL) 1/11 which contains the Barryroe oil field as well as the adjacent Licensing Option 12/4. The licences are located in the North Celtic Sea Basin, offshore southern Ireland and is adjacent to the PETRONAS-operated Kinsale Head gas field. Providence acts as Operator with Lansdowne Oil & Gas Plc holding the remaining 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, Providence 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 ("CPR") was issued by Netherland Sewell & Associates Inc. (NSAI) confirming the previously published Providence 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 as follows:

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

	1C (MMBO)	2C (MMBO)	3C (MMBO)
Basal Wealden STOIIP (NSAI)	338	761	1,135
Basal Wealden Recoverable (NSAI)	85	266	511
Middle Wealden STOIIP (RPS)	31	287	706
Middle Wealden Recoverable (RPS)	4	45	113
Total STOIIP	**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 February 2014, the area of SEL 1/11 was increased by c. 160 km^2 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.

The Company continues discussions with a number of companies who are currently active in the data room process and the recent rise in both oil prices and M&A activity provide a better background environment for the Company to conclude matters. The partners have made an application to extend the current phase of the Barryroe licence (SEL 1/11) in order to facilitate these farm-in discussions. Further announcements regarding Barryroe will be issued in due course as appropriate.

Appraisal and Exploration: Northern Porcupine Basin

FEL 2/04 – Spanish Point Gas Condensate Project

Frontier Exploration Licence (FEL) 2/04 was originally awarded to Providence in 2004. The licence 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, Providence entered into a staged farm-in arrangement with Chrysaor who assumed an initial 30% equity stake in return for carrying the costs of a 3D seismic programme, which was subsequently acquired in 2009. Following this initial entry, the equity split was Providence (56.0%), Chrysaor (30.0%) and Sosina (14.0%). In 2011, Senergy completed a Competent Persons Report (CPR) 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 a well. Through the Chrysaor farm in, Providence's cost exposure was capped at $20 million for up to two wells (well and potential side-track).

In May 2013, Chrysaor agreed a farm in by Cairn Energy plc with the agreement to drill an appraisal/exploration well on Spanish Point. As a result, with Cairn assuming operatorship, the equity stakes changed to Cairn (38%), Providence (32%), Chrysaor (26%) and Sosina (4%).

In July 2014, the planned Spanish Point appraisal well was delayed due to refurbishment issues with the contracted rig. This appraisal well, which was to be the second well drilled on the Spanish Point discovery, was then res-scheduled to be drilled later this year, but changes to the JV partnership disrupted plans for drilling in 2015 and so the JV partners are now working on a revised timeline for drilling.

In February 2015, the Company announced the acquisition of 100% of the issued share capital of CEPIL, effective from November 2014, from Chrysaor Holdings Limited, thereby increasing its interest to 58% 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 is made for the Spanish Point gas condensate project. As a result of the acquisition, Providence will benefit from 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 63.33% of future exploration and appraisal costs of CEPIL for up to two wells, subject to a cap, with Providence currently estimating that its cost exposure will amount to 43% for its 58% equity stake.

During the period, significant new technical work was 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). During the summer of 2014, c. 900 km^2 of new 3D seismic was acquired over the Spanish Point South area (contained in FEL 1/14) and this data is currently being processed.

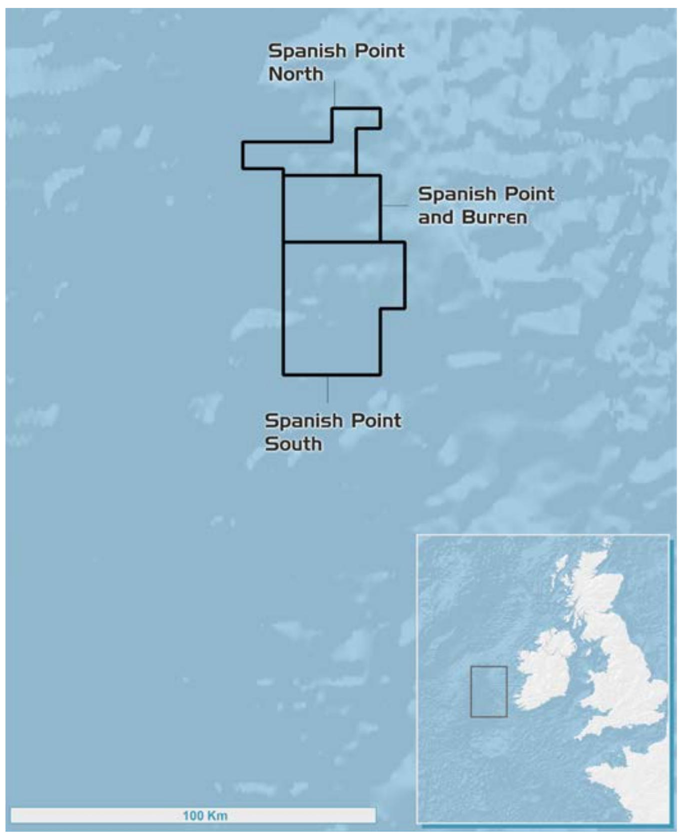
FEL 4/08 – Spanish Point North Oil & Gas Prospects

FEL 4/08 lies adjacent to and north of FEL 2/04 and was originally awarded to Providence (80%) and its partner Sosina (20%) in 2008. In August 2008, Providence entered into a staged farm-in arrangement with Chrysaor (as per FEL 2/04) with the same terms of that farm out also applying to FEL 4/08. In July 2011, a 3D seismic survey was acquired over FEL 4/08. In May 2013, via the Cairn farm in, Cairn assumed operatorship with the equity apportionment changing to Cairn (38%), Providence (32%), Chrysaor (26%) and Sosina (4%). Through the acquisition of CEPIL (as described above), the revised equity is now Cairn (38%), Providence (58%) and Sosina (4%).

Estimated recoverable prospective resources of up to 550 MMBOE are identified on various prospects within FEL 4/08, as independently audited by Senergy (2011). These prospects include targets within the Upper Jurassic, which are of a similar age to the Spanish Point field but located in separate structures identified from previous 2D seismic data. Further 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 Burren well.

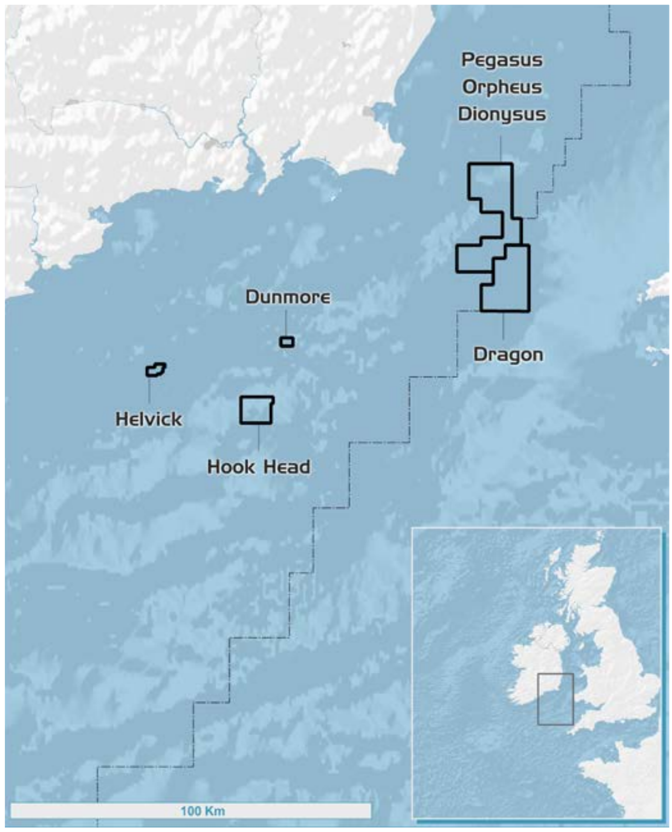
FEL 1/14 – Spanish Point South Oil & Gas Prospects

LO 11/2 was awarded to Chrysaor, 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 its farm-in deal to FEL 2/04 and FEL 2/08 (as above), and assumed Operatorship. In January 2014, LO 11/2 was converted into FEL 1/14 and a c. 900 km^2 3D seismic survey was acquired over the acreage. The data processing of this survey have recently been finalised and interpretation has commenced. As part of the acquisition of CEPIL (as above), Providence increased its equity in FEL 1/14 to 43%, with the balance of equity ownership being held by Cairn (38%), Chrysaor CNS Ltd (15%) and Sosina (4%).



Business Review continued

Appraisal: Celtic Sea Basin & St. George's Channel



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

SEL 2/07 was awarded to Providence 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 giant PETRONAS operated Kinsale Head gas field. There are three oil appraisal projects within SEL 2/07 – Hook Head, Helvick and Dunmore. The equity stakes in Hook Head and Dunmore are Providence (72.5%), Atlantic Petroleum (18.3%) and Sosina (9.2%) with Providence acting as the Operator. The current equity stakes in Helvick are Providence (62.5%), Atlantic Petroleum (18.3%), Lansdowne (10.0%) and Sosina (9.2%), with Providence acting as the Operator. As described below, ABT Oil & Gas have the right to earn equity under its phased farm-in for the Helvick and Dunmore discoveries.

Hook Head has had four wells which have all logged pay and has estimated audited recoverable resources of c. 35 MMBO (2C) in the central panel. The audited recoverable resource estimate for Helvick is c. 3 MMBO, whilst the latest internal Providence work indicates a STOIIP resource estimate for Dunmore of up to c. 17 MMBO.

In November 2013, the Company agreed a phased farm-in on Helvick and Dunmore discoveries with ABT Oil and Gas ("ABTOG"), 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, which is subject to the receipt of a Lease Undertaking from the Irish Government, ABTOG will assist the joint venture partners in the carrying out of a phased detailed work programme.

The first phase of this work programme will be to determine whether the discoveries can be developed commercially, through the use of ABTOG's innovative low cost development technologies. If the joint venture partners determine that the discoveries can be developed commercially, ABTOG 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 third phase of the work programme would then be carried out, involving the preparation and submission of a formal plan of development to the Minister. Subject to Ministerial approval of the plan of development, ABTOG will earn a 50% interest in the discoveries.

Separately, a Lease Undertaking was also applied for Hook Head and the partners are looking at innovative methods to commercialise this field, including potential farm in discussions.

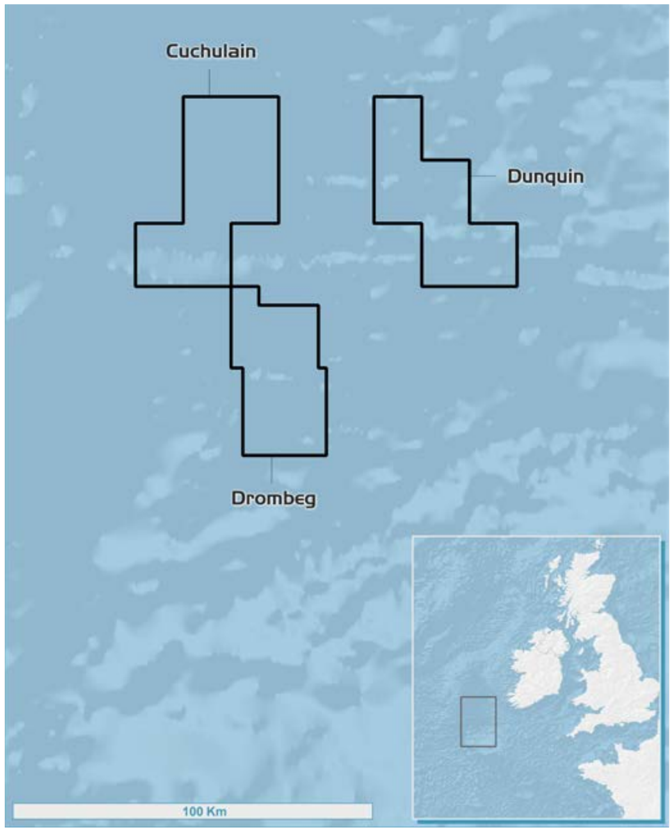
SEL 1/07 and P 1930 – Dragon Gas Project

SEL 1/07 was awarded to Providence in 2007 (100.0%, Operator), having been previously held under a Licensing Option authorisation. The licence is situated on the Irish/UK median line in the St George's Channel Basin, offshore SE Ireland.

A gas discovery, called Dragon, was made by Marathon Oil in 1994 in the UK sector, which flowed at a rate of c. 21 MMSCFGD from one of two Jurassic hydrocarbon-bearing sandstone intervals. Subsequent mapping confirmed that the Dragon accumulation is transnational spanning both sides of the UK/Ireland median line. In January 2012, following an 'Out of Round' licence application, the UK Department of the Energy and Climate Change (DECC) awarded the UK portion of the Dragon field to a consortium comprising Providence (50%) and Star Energy (50%). Following the IGas Energy takeover of Star Energy, Providence assumed 100% equity over the UK portion of Dragon and therefore controls the field in both the UK and Irish jurisdictions.

Estimated recoverable resources of c. 200 BCF are based on mapping following a 3D seismic inversion project which was carried out by Ikon Science on the vintage Marathon 3D seismic data. In 2014, a major 3D seismic reprocessing programme was carried out aimed at better defining the resource base, together with potential appraisal/development well locations.

Exploration: Southern Porcupine Basin



FEL 3/04 – Dunquin Oil Prospects

FEL 3/04 was originally awarded to Providence (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, Providence agreed a farm-in with ExxonMobil, whereby they assumed an 80.0% stake in return for a pre-agreed investment programme. This transaction reduced Providence's equity stake to 16.0% and that of Sosina to 4.0%. In 2006, the partnership acquired 1,500 line km of 2D seismic data over Dunquin which confirmed c. 1.7 BNBOE REC (P50) prospective resources potential in the two interpreted carbonate prospects. In 2009, ENI farmed in for a 40.0% stake, resulting in a revised equity participation of Providence (16.0%), ExxonMobil (40.0%), ENI (40.0%) and Sosina (4.0%). Separately, ExxonMobil took over the Operatorship and moved the partnership to the next stage of the licence, formally making a well commitment. In 2011, Repsol farmed in for a 25.0% stake, thereby re-aligning equity participation to ExxonMobil (27.5%), ENI (27.5%), Repsol (25.0%), Providence (16.0%) and Sosina (4.0%). Finally, in 2013, Atlantic Petroleum farmed in to the licence resulting in final equity stakes 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 km^2 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.

During 2014, the Company announced the results of the post well analysis from the Dunquin North exploration well. This analysis 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 STOIIP volumetrics of c. 1.2 BBOE, and with a current residual oil STOIIP 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).

As this was the first well to be drilled in the southern Porcupine Basin, an area the size of the Central North Sea, confirmation of a residual oil column in a high porosity massive carbonate reservoir system has acted as both a significant play and basin opener. In addition, the giant Statoil-operated Bay du Nord oil discovery in the Flemish Pass Basin, offshore Canada, which is considered to have been geologically on-trend with the southern Porcupine Basin, adds further impetus for future exploration in the area. As the largest acreage holder in the southern Porcupine Basin, with interests in Dunquin, Cuchulain, Newgrange and Drombeg, the Company is exceptionally well placed to capitalise on this growing industry interest at one end of what is now being termed the 'North Atlantic Jurassic oil source-rock superhighway'.

FEL 2/14 – Drombeg Oil Prospect

FEL 2/14, which is located in the southern Porcupine Basin off the south-west coast of Ireland was awarded to Providence (80.0%) and its partner Sosina (20.0%) in October 2011 as part of the 2011 Irish Atlantic Margin Round. In April 2014, LO 11/9 was converted into FEL 6/14 with the same equity percentages.

The analysis of the primary Drombeg seismic anomaly located in FEL 2/14 indicated a recoverable P50 prospective resource potential of 872 MMBO, based on a STOIIP volume of 2,970 MMBO. Further stacked prospectivity was also identified within the Cenozoic and Jurassic section at Drombeg providing further resource growth potential.

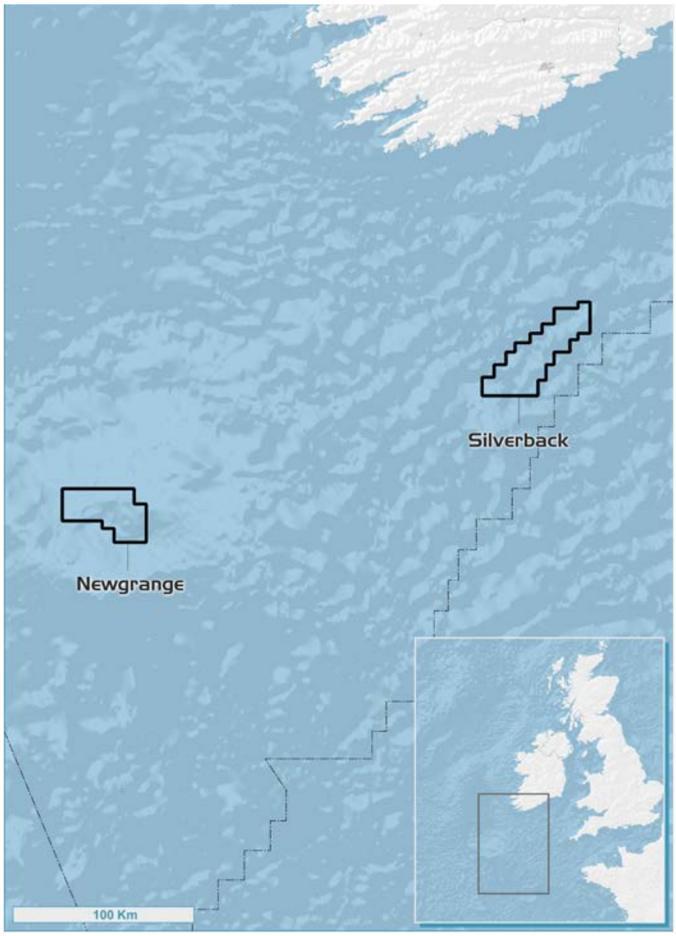
In February 2014, Providence announced that it had entered into an agreement with Polarcus to acquire 3D over the Lower Cretaceous Drombeg prospect. In summer 2014, a 4,435 km^2 non-exclusive multi-client 3D seismic survey was acquired over the Drombeg prospect and surrounding area, of which Providence licenced c. 2,247.5 km^2 of data. The new Drombeg data have now been processed and initial inspection confirm 3D seismic morphologies consistent with a large deep-water fan system, with potential sediment input systems from the nearby Porcupine Bank. The previously identified Class II AVO response was also clearly evident on initial seismic gather inspection carried out during data processing. The final processed Drombeg 3D seismic data have been received and interpretation/ mapping has commenced.

FEL 1/99 – Cuchulain Oil Prospect

FEL 1/99 was awarded to ENI in 1999 at 100% equity stake. In 2009, as part of the ENI's deal to farm into Dunquin, Providence took equity in FEL 1/99. The equity stakes in FEL 1/99 are currently ENI (60.0%), ExxonMobil (36.0%), Providence (3.2%) and Sosina (0.8%).

Business Review continued

Exploration:
Goban Spur Basin and South Celtic Sea Basin



FEL 6/14 – Newgrange Gas Prospect

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

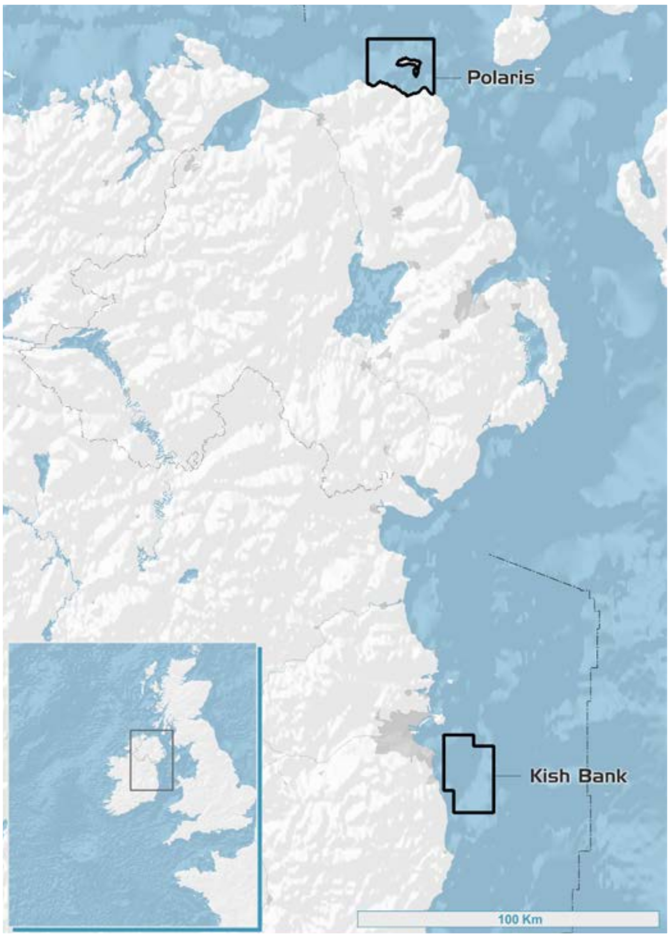
Newgrange is a similar Lower Cretaceous carbonate play-type to the recently drilled Dunquin North residual oil accumulation, with estimated 2C recoverable resources of c. 1.126 BOE. Subsurface studies have also highlighted potential underlying clastic exploration prospectivity within the Jurassic interval. 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 covering a c. 1000 km^2 area. The 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, which is 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.

In summer 2014, a non-exclusive multi-client 2D seismic survey was acquired over the Newgrange prospect and surrounding area, of which Providence licenced c. 2,500 km of data, which is currently being processed.

LO 13/4 – Silverback Oil Prospect

In December 2013, Providence (100%) was offered a new Licensing Option in the South Celtic Sea Basin. This 18-month option is situated in c. 100 metres of water and is c. 130 km off the south coast of Ireland and covers nine offshore blocks totalling a c. 1,530 km^2 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 km^2 area with the crest situated at a depth of c. 1,500 metres TVDSS. Volumetric modelling of this primary Silverback reservoir target indicates an initial un-risked Pmean STOIIP of c. 1.36 BBO. Geochemical analysis of the Lower Jurassic shales from offset wells previously drilled within the South Celtic Sea Basin has confirmed the presence of good quality oil prone source rock intervals. A number of further Mesozoic structural closures have also been mapped within LO 13/4. The Company has made an application to extend the Option by 12 months in order to complete critical source rock modelling studies.

Exploration:
Kish Bank Basin and Rathlin Basin



SEL 2/11 – Kish Oil Prospect

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

In December 2011, LO 08/2 was converted into SEL 2/11 at the same equity percentages and a 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 Dalkey Island exploration prospect, located approximately c. 8 kilometres offshore which was granted in October 2011. Due to the incorrect transposition of certain EU EIA directives into Irish law by the Irish Government in 1999, the Foreshore Licence was subsequently declared to be invalid and so the Company elected to surrender the Foreshore Licence to allow the Government to rectify the appropriate legislations. The Company and its partner retained the exploration authorisation and associated rights over the area. In 2014, the EU legal transposition issue was corrected by the Irish government, meaning that the partners can now move forward with the permitting process for the drilling of a future exploration well. The Lower Triassic Sherwood Sandstone Dalkey Island prospect forms part of the Company's multi-well programme with estimated recoverable prospective resources of c. 210 MMBO.

P 1885 – Polaris Oil Prospect

The Rathlin Basin lies both onshore and offshore County Antrim, Northern Ireland. Providence (100%, Operator) was awarded P 1885, which covers six offshore blocks under the UK 26th Seaward Licensing Round in January 2012. In 2012, a Full Tensor Gradiometry Survey (FTG) was acquired which detected five significant anomalies within the licensed area. Most notable was the Polaris prospect, with estimated recoverable prospective resources of c. 159 MMBO from the Lower Triassic Sherwood Sandstone Group. The prospect is structurally on-trend with the Ballinlea-1 exploration well, which was drilled onshore by Rathlin Energy Limited in 2008 and from which good quality oil from a Lower Carboniferous-aged sandstone reservoir was recovered. In May 2015, as part of its licence commitments and to minimize ongoing costs, Providence announced that it had relinquished c. 70% of P1885, retaining what it considers to be the most prospective area over the Polaris prospect. Satellite derived oil seeps have been detected close to the Polaris Prospect and this, combined with the results of a planned appraisal well on the onshore Ballinlea oil discovery, will be useful in assessing the hydrocarbon potential and future exploration activities of the Polaris prospect.

Board of Directors

James S.D. McCarthy *MBA* Non-Executive 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.l.c.

Tony O'Reilly *B.A.* Chief Executive

Tony O'Reilly has been Chief Executive of Providence Resources P.l.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.l.c. (having been Chief Executive from 1996 to 2000) until April 2005 when Arcon merged with Lundin Mining Corporation.

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

John O'Sullivan 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 has recently completed a Ph.D in Geology at Trinity College, Dublin. He is a Fellow of the Geological Society and a member of the Petroleum Exploration Society of Great Britain. John has more than 25 years 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., MBA* 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 Masters Degree from Harvard Business School. He is a Director of Cardiac Insights Inc. and a former Director of Harris Private Bank NA, Northwestern 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 BSc and a Ph.D in Geology and has an MBA 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.

Dr. Brian Hillery *B. Comm., MBA, Ph.D* Chairman (retired 26 May 2015)

Brian Hillery served as Chairman of Providence since the incorporation of the Company until his retirement from the board on 26 May 2015. He is currently a member of the National Pensions Reserve Fund Commission. A former Professor at the Graduate School of Business, University College Dublin, he has also served as a member of the Irish Parliament as a TD and Senator (1977–1994). He was an Executive Director of the European Bank for Reconstruction and Development (EBRD) London (1994–1997) and was Non-Executive Chairman of both UniCredit Bank Ireland PLC (1999–2008) and Independent News and Media plc (2004–2011).

Providence in the community

Pictured: Providence Team Ireland in action.

Directors' Report

The Directors submit their annual report together with the audited financial statements of Providence Resources P.l.c. ("the Company") and its subsidiaries ("Providence" or the "Group") for the year ended 31 December 2014.

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 Companies (Amendment) Act, 1986 is contained in the Chairman's and Chief Executive's Statement and the Business Review on pages 2 to 11. During the period under review, the principal focus of management has been on the Group's hydrocarbon interests offshore Ireland in the Celtic Sea, Porcupine Basin and Irish Sea.

Results for the Year and State of Affairs at 31 December 2014

The Consolidated Income Statement for the year ended 31 December 2014 and the Consolidated Statement of Financial Position at that date are set out on pages 20 and 21. The loss for the year amounted to €11.489 million and net assets at 31 December 2014 were €61.6 million.

No dividends or transfers to reserves are recommended by the Directors.

Important Events since the Year End

In February 2015, the Company completed the purchase of the entire share capital of CEPIL, effective from November 2014, from Chrysaor Holdings Limited for a consideration of $1. In February 2015, the Company also agreed the re-financing of the $20 million financing facility with Melody Business Finance LLC, a US based financial institution. This financing facility, which runs until 26 May 2016, is secured by way of a floating charge and carries a 10% headline interest rate. In March 2015, the Company raised approximately €25.9 million before expenses through a Placing of Shares with institutional shareholders at £0.25 per ordinary share, accompanied by an Open Offer of shares to existing shareholders at a price of €0.34 per ordinary share.

Directors

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

Mr. Lex Gamble and Mr. Philip O'Quigley both retire from the Board by rotation and, being eligible, offer themselves for re-election.

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 €446,775 for 2014 (see Note 9 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.

Directors' and Secretary's Shareholdings and Other Interests

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

	Number of Ordinary Shares		
Directors	31 December 2013	**31 December 2014**	26 May 2015
Dr. Brian Hillery*	46,584	**46,584**	57,170
Philip O'Quigley	5,000	**5,000**	6,136
Tony O'Reilly	112,470	**112,470**	242,470
Dr. Philip Nolan	30,000	**30,000**	36,818
James S. D. McCarthy	10,000	**10,000**	39,411
Lex Gamble	100,000	**100,000**	200,000
John O'Sullivan	30,648	**30,648**	61,154
Secretary			
Michael Graham	15,519	**15,519**	20,000

* Dr. Brian Hillery retired from the Board May 26, 2015.

Details of the movement on outstanding options, and those exercised during the year are as follows:

Directors	At 31 December 2013		At 31 December 2014	Price (Euro)	Expiry Date
Dr. Brian Hillery*	51,347	Lapsed	–	2.73	July 2014
	10,000	Lapsed	–	6.75	May 2014
	25,000		25,000	6.13	July 2019
Philip O'Quigley	50,000		50,000	9.79	June 2015
	150,000		150,000	3.80	June 2016
	70,000		70,000	2.95	December 2017
	25,000		25,000	6.13	July 2019
Tony O'Reilly	100,000	Lapsed	–	6.75	May 2014
	50,000	Lapsed	–	5.00	June 2014
	70,000		70,000	2.95	December 2017
	100,000		100,000	6.13	July 2019
Dr. Philip Nolan	25,000	Lapsed	–	5.00	June 2014
	10,000	Lapsed	–	6.75	May 2014
	25,000		25,000	6.13	July 2019
James SD McCarthy	10,000	Lapsed	–	6.75	May 2014
	35,000		35,000	6.13	July 2019
Lex Gamble	10,000	Lapsed	–	6.75	May 2014
	25,000		25,000	6.13	July 2019
John O'Sullivan	10,000	Lapsed	–	5.00	June 2014
	60,000	Lapsed	–	6.75	May 2014
	70,000		70,000	2.95	December 2017
	100,000		100,000	6.13	July 2019
Secretary					
Michael Graham	5,000	Lapsed		5.00	June 2014
	20,000	Lapsed	–	6.75	May 2014
	25,000		–	3.80	June 2016
	40,000		25,000	2.95	December 2017
	25,000		40,000	6.13	July 2019
			25,000		

*Dr. Brian Hillery retired from the board on 26 May 2015.

Based on the closing share price on 31 December 2014, 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 2014. The closing market price of the ordinary shares at 31 December 2014 was €1.04 and the range during the financial year was €0.76 to €3.59.

Subsidiary Companies

The information required by Section 158(4) of the Companies Act 1963 on subsidiary companies is contained in the information provided in respect of these companies as set out in Note 4 to the Company financial statements.

Special Business

1) Shareholders are also being asked to grant authority to the Directors until the earlier of the next Annual General Meeting or 26 September 2016 to dis-apply statutory pre-emption rights in relation to the issue of securities (as defined by Sections 1022 and 1023 of the Companies Act 2014 (when it becomes operative), by way of rights issue, open offer or otherwise to Shareholders and subject to such exclusions and other arrangements deemed necessary to deal with any legal or practical problems; pursuant to the Company's Share Option Schemes, and or for any other issue of equity securities for cash up to a maximum aggregate nominal value of €1,400,766 corresponding to 10% of the nominal value of the Company's issued ordinary share capital at the date of passing of Resolution number 5.

Directors' Report continued

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

The Directors are responsible for preparing the Annual Report and the consolidated and Company financial statements, in accordance with applicable Irish law and regulations.

Company law requires the Directors to prepare consolidated and parent Company financial statements for each financial year. Under that law and in accordance with ESM and AIM rules the Directors are required to prepare the consolidated financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with generally accepted accounting practice in Ireland, comprising applicable law and the financial reporting standards issued by the Financial Reporting Council in the UK and promulgated by the Institute of Chartered Accountants in Ireland.

The consolidated financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Acts 1963 to 2013 provide, in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the consolidated 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 IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

Under applicable law, the Directors are also responsible for preparing a Directors' Report.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2013. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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 Directors have reviewed budgets, projected cash flows, the current status of arrangements with the Group's bankers and other relevant information, and on the basis of this review, are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on a going concern basis.

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 2014.

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 12.

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 19 occasions during 2014. 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.

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 who was appointed on 26 May, 2015. During the year 2014, the previous chairman, Dr. Hillery, who retired from the board on 26 May 2015 was indisposed for a period of time and Mr James McCarthy acted as non-executive chairman in his absence. The Non-Executive Directors are independent of management and have no material interest or other relationship with the Group. The Board has not deemed it necessary to appoint a senior Non-Executive Director. However, this is subject to ongoing review.

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. James McCarthy is Chairman of the Audit Committee.

Remuneration Committee
The Remuneration Committee comprises four Non-Executive Directors 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 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 Scheme has now expired and no new options may be granted from that scheme.

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 9 to the financial statements.

Nomination Committee
At present the Board does not have a Nomination Committee and the authority to nominate new Directors for appointment therefore vests in the Board of Directors. Consideration to setting up a specific Nomination Committee is under continuous review.

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.

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.

Directors' Report continued

A review of the effectiveness of the system of internal control was carried out during the year 2003.

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

Providence'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 26 May 2015.

Shareholder	Number of shares	%
River & Mercantile Asset Management LLP	11,400,000	8.14%
Henderson Global Investors Limited	11,324,458	8.08%
Merseyside Pension Fund	10,086,363	7.20%
Harrington Global opportunities S.A.R.L.	8,006,727	5.72%
Sanlam FOUR Capital Partners Limited	7,608,317	5.43%
BlackRock Inc.	7,711,962	5.51%
Standard Life Investments	6,493,506	4.64%
Artemis Investment Management	4,893,002	3.49%
Dr. AJF O'Reilly	4,618,680	3.30%

Political Donations

There were no political donations during the year (2013 Nil).

Books and Accounting Records

The Directors are responsible for ensuring proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, 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 4.

Auditors

KPMG have indicated their willingness to continue in office in accordance with Section 160 (2) of the Companies Act,1963. Shareholders will be asked to authorise the Directors to fix their remuneration.

On behalf of the Directors

James McCarthy	Tony O'Reilly
Chairman	**Chief Executive**
26 May 2015	

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 P.l.c. for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position and Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the company financial statements, is Irish law and accounting standards issued by the Financial reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act 1990. 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of financial statements giving a true and fair view. 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 Ethical Standards for Auditors issued by the Auditing Practices Board.

Scope of the audit of the financial statements

An audit 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's 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.

Opinion on financial statements

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2014 and of its loss for the year then ended;
- the company balance sheet gives a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2014; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013.

Matters on which we are required to report by the Companies Acts 1963 to 2013

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

The company's balance sheet is in agreement with the books of account and, in our opinion, proper books of account have been kept by the company.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Conall O'Halloran
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
26 May 2015

Consolidated Income Statement

for the year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Continuing operations			
Revenue	2	**–**	–
Administration expenses	4	**(6,119)**	(6,484)
Pre-licence expenditure		**(245)**	(68)
Impairment of exploration and evaluation assets	12	**(99)**	(678)
Operating loss	10	**(6,463)**	(7,230)
Finance income	5	**39**	180
Finance expense	6	**(5,065)**	(713)
Loss before income tax		**(11,489)**	(7,763)
Income tax expense	7	**–**	(5)
Loss for year from continuing operations		**(11,489)**	(7,768)
Discontinued operations			
Result/profit from discontinued operations (net of income tax)	3	**–**	4,971
Loss for the financial year		**(11,489)**	(2,797)
Loss per share (cent) – continuing operations			
Basic and diluted loss per share	11	**(17.77)**	(12.03)
Earnings per share (cent) – discontinued operations			
Basic and diluted earnings per share	3,11	**–**	7.70
Loss per share (cent) – total			
Basic and diluted loss per share		**(17.77)**	(4.33)

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

On behalf of the board

James McCarthy
Chairman

Tony O'Reilly
Chief Executive

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Loss for the financial year		**(11,489)**	(2,797)
Continuing operations			
OCI items that can be reclassified into profit or loss			
Foreign exchange translation differences	6	**2,257**	1,426
Total income recognised in other comprehensive income from continuing operations		**2,257**	1,426
Total comprehensive expense for the year		**(9,232)**	(1,371)

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

On behalf of the board

James McCarthy
Chairman

Tony O'Reilly
Chief Executive

Consolidated Statement of Financial Position

as at 31 December 2014

	Note	**2014 €'000**	2013 €'000
Assets			
Exploration and evaluation assets	12	**89,733**	80,089
Property, plant and equipment	13	**31**	35
Total non-current assets		**89,764**	80,124
Trade and other receivables	14	**1,887**	2,891
Cash and cash equivalents	15	**5,256**	8,998
Restricted cash	15	**3,296**	–
Total current assets		**10,439**	11,889
Total assets		**100,203**	92,013
Equity			
Share capital	16	**18,151**	18,151
Capital conversion reserve fund		**623**	623
Share premium	16	**210,230**	210,230
Foreign currency translation reserve		**4,643**	2,386
Share based payment reserve		**4,282**	5,382
Retained deficit		**(176,339)**	(165,950)
Total equity attributable to equity holders of the Company		**61,590**	70,822
Liabilities			
Decommissioning provision	19	**6,034**	5,105
Total non-current liabilities		**6,034**	5,105
Loans and borrowings	18	**19,348**	–
Trade and other payables	21	**13,231**	16,086
Total current liabilities		**32,579**	16,086
Total liabilities		**38,613**	21,191
Total equity and liabilities		**100,203**	92,013

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 2014

	Share capital €'000	Capital conversion reserve fund €'000	Share premium €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
At 1 January 2014	18,151	623	210,230	2,386	5,382	(165,950)	70,822
Total comprehensive income							
Loss for financial year	–	–	–	–	–	(11,489)	(11,489)
Currency translation	–	–	–	2,257	–	–	2,257
Total comprehensive income	–	–	–	2,257	–	(11,489)	(9,232)
Transactions with owners, recorded directly in equity							
Share options lapsed in year	–	–	–	–	(1,100)	1,100	–
Revaluation reserve	–	–	–	–	–	–	
At 31 December 2014	**18,151**	**623**	**210,230**	**4,643**	**4,282**	**(176,339)**	**61,590**

	Share capital €'000	Capital reserve fund €'000	Share premium €'000	Singleton revaluation reserve €'000	Foreign currency translation reserve €'000	Share based payment reserve €'000	Retained deficit €'000	Total €'000
At 1 January 2013	18,136	623	209,975	2,471	(3,752)	4,942	(164,297)	68,098
Total comprehensive income								
Loss for financial year	–	–	–	–	–	–	(2,797)	(2,797)
Currency translation	–	–	–	–	1,426	–	–	1,426
Cashflow hedge	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,426	–	(2,797)	(1,371)
Transactions with owners, recorded directly in equity								
Shares issued in year	–	–	–	–	–	–	–	–
Share based payments	–	–	–	–	–	1,584	–	1,584
Share options exercised in year (Note 16)	15	–	255	–	–	–	–	270
Share options lapsed in year	–	–	–	–	–	(927)	927	–
Share options forfeited in year	–	–	–	–	–	(217)	217	–
Reclassified to gain on disposal (Note 3)	–	–	–	(2,471)	4,712	–	–	2,241
At 31 December 2013	18,151	623	210,230	–	2,386	5,382	(165,950)	70,822

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	2014 €'000	2013 €'000
Cash flows from operating activities		
Loss before tax for the year – continuing operations	**(11,489)**	(7,763)
Profit/(loss) before income tax for the year – discontinued operations	**–**	4,971
	(11,489)	(2,792)
Adjustments for:		
Depletion and depreciation	**18**	272
Gain on sale of discontinued operations	**–**	(6,096)
Abandonment provision	**–**	(379)
Impairment of exploration and evaluation assets	**99**	678
Impairment of development and production assets	**–**	–
Finance income	**(39)**	(180)
Finance expense	**5,065**	3,455
Equity-settled share based payment charge	**–**	1,584
Foreign exchange	**(441)**	101
Change in trade and other receivables	**1,004**	2,907
Change in trade and other payables	**(2,855)**	(8,869)
Interest paid	**(1,350)**	(363)
Hedge repayments	**–**	(33)
Net cash outflow from operating activities	**(9,988)**	(9,715)
Cash flows from investing activities:		
Interest received	**39**	180
Acquisition of exploration and evaluation assets	**(8,221)**	(13,691)
Acquisition of property, plant and equipment	**(14)**	(14)
Change in restricted cash	**(3,296)**	910
Disposal of development and production assets – Singleton	**–**	16,235
Net cash used in investing activities	**(11,492)**	3,620
Cash flows from financing activities:		
Proceeds from issue of share capital	**–**	270
Repayment of loans and borrowings	**–**	(1,565)
Proceeds from drawdown of loans and borrowings	**16,699**	–
Net cash from financing activities	**16,699**	(1,295)
Net decrease in cash and cash equivalents	**(4,781)**	(7,390)
Cash and cash equivalents at 1 January	**8,998**	16,831
Effect of exchange rate fluctuations on cash and cash equivalents	**1,039**	(443)
Cash and cash equivalents at 31 December	**5,256**	8,998

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1 Statement of accounting policies

Reporting entity

Providence Resources P.l.c. (the "Company") is a company domiciled in Ireland. The consolidated financial statements of the Company for the year ended 31 December 2014 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 which are measured at grant date fair value.

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 26 May 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 December 2016. The Group's cash on hand, including restricted cash (of €3.3 million), at 31 December 2014 was €8.6 million. This was increased in March 2015 by gross proceeds of c. €25.9 million (c. US$28 million) from the Group's equity placing offer. In February 2015, the group extended US$20 million of its loan facility out to May 2016 with the balance of US$4 million due on 1 June 2015. The Directors are satisfied that the Group will have sufficient cash resources to enable it to discharge all its commitments as they fall due, funded in the short term from existing cash resources.

As set out in more detail in the Chairman's and Chief Executive's review, the Group expects to incur sustaining capital expenditure in 2015 and 2016. The Directors are satisfied that, as a result of the available working capital facility, the proceeds that are expected to be received from a farm out of Barryroe, or proceeds from any other farm outs being considered, and the expected timing of other capital expenditure programmes which are planned, the Group will be in a position to fund this capital expenditure programme. The Directors note that should the farm out of Barryroe not be completed prior to repayment date of the US$20 million loan facility that they will seek alternative sources of funds to repay the loan and are satisfied that there are a number of options available to them this regard.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Group 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 2014:

- IFRS 10, 'Consolidated Financial Statements'
- IFRS 11, 'Joint Arrangements'
- IFRS 12, 'Disclosure of Interests in Other Entities'
- IAS 27 (2011), 'Separate Financial Statements'
- IAS 28 (2011), 'Investments in Associates'
- IFRIC 21, 'Levies'

The adoption of the above new standards and interpretations did not have a significant impact on the Group's consolidated financial statements.

New IFRSs not yet adopted

The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs which are not yet effective and have not been adopted early in these consolidated financial statements.

- IFRS 15, 'Revenue from Contracts with Customers' (effective for the Group's 2017 consolidated financial statements)
- IFRS 9, 'Financial Instruments' (effective for the Group's 2018 consolidated financial statements)

The directors do not believe that either 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.

1 **Statement of accounting policies** (continued)

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 has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 €89.9 million (2013: 80.1 million) at 31 December 2014. 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 €6.0 million (2013: €5.1 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.

Share based payment reserve

The share based payment reserve amounts to €4.3 million (2013: €5.4 million) at 31 December 2014. The fair value of share options granted after 7 November 2002 has been determined using appropriate option pricing valuation models. The significant inputs into the model include certain management assumptions with regard to the standard deviation of expected share price returns, expected option life and risk free rates of return. The assumptions for the valuations are set out in Note 22.

Going concern - refer to Basis of preparation note on page 24

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1 **Statement of accounting policies** (continued)

Employee benefits (continued)

(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 liabilties. Borrowing costs are recognised in profit or loss using the effective interest method.

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.

1 **Statement of accounting policies** (continued)

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'.

(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 is 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

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

1 Statement of accounting policies (continued)

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.

Restricted cash

Restricted cash comprises all cash balances that the Group does not have access to. Amounts are presented as restricted cash balances within current assets.

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.

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, 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.

The Group disposed of its UK onshore oil and gas portfolio of production assets in February 2013 (see Note 3).

2 Operating segments (continued)

Segment revenue

The Group generated no revenues during the period.

	2014 €'000	2013 €'000
Segment net loss for the year		
Republic of Ireland – exploration assets	**(99)**	(678)
Corporate expenses	**(6,364)**	(6,552)
Operating loss	**(6,463)**	(7,230)

	2014 €'000	2013 €'000
Segment assets		
Republic of Ireland – exploration assets	**88,095**	78,948
UK – exploration assets	**1,638**	1,141
US assets	**30**	189
Group assets	**10,440**	11,735
Total assets	**100,203**	92,013

	2014 €'000	2013 €'000
Segment liabilities		
Republic of Ireland – exploration assets	**(16,176)**	(21,047)
UK – exploration assets	**(37)**	(74)
US – liabilities	**–**	(7)
Group liabilities*	**(22,400)**	(63)
Total liabilities	**(38,613)**	(21,191)

* Relates primarily to the group's loan facility.

	2014 €'000	2013 €'000
Capital expenditure		
UK exploration assets	**417**	367
Republic of Ireland – exploration assets, net of cash calls	**7,804**	13,324
– property, plant and equipment	**14**	14
Total capital expenditure, net of cash calls	**8,235**	13,705
Impairment charge		
UK – exploration assets	**2**	–
Republic of Ireland – exploration assets	**97**	678
	99	678

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3 Discontinued operations

On 28 February 2013, the Group disposed of its UK producing operations to IGas Energy Plc for gross consideration of US$66.0 million (€50 million). The loans and borrowings held in the Company being disposed of were repaid by the purchaser from this gross amount, and the Group received a net consideration of US$21.4 million, realising a gain on disposal of €6.1 million. The disposal was treated as a discontinued operation in the 31 December 2012 financial statements, and the assets and liabilities were classified as held for sale.

The disposal group comprised the following assets and liabilities at 28 February 2013, and 31 December 2012 respectively.

3 (a) Assets and liabilities from discontinued operations

	2014 €'000	2013 €'000
Assets		
Development and production assets	–	39,637
Derivative instruments	–	1,411
Trade and other receivables	–	1,779
Cash and cash equivalents	–	1,425
	–	44,252
Liabilities		
Loans and borrowings	–	31,918
Decommissioning provision	–	822
Deferred tax	–	1,733
Trade and other payables	–	1,881
	–	36,354

3 (b) Results from discontinued operations – UK disposal

	2014 €'000	2013 €'000
Revenue	–	2,411
Cost of sales	–	(615)
Gross profit	–	1,796
Administration expenses	–	(179)
Impairment of assets	–	–
Result from operating activities	–	1,617
Finance expense	–	(2,742)
Result from operating activities before tax	–	(1,125)
Income tax credit	–	–
Result from operating activities after tax	–	(1,125)
Gain on sale of discontinued operation	–	6,096
Tax on gain on sale of discontinued operation	–	–
Profit/(loss) for the year	–	4,971

The profit/(loss) from discontinued operations is attributable entirely to the owners of the company. The results for 2013 represent two months of activity.

3 (c) Cash flows from discontinued operations

	2014 €'000	2013 €'000
Net cash from operating activities	–	1,772
Net cash used in investing activities	–	–
Net cash used in financing activities	–	(1,565)
Net cash flows for the year	–	207

3 (d) Earnings/(loss) per share from discontinued operations

	2014 € cent	2013 € cent
Basic earnings/(loss) per share (Note 11)	–	7.70
Diluted earnings/(loss) per share (Note 11)	–	7.70

4 Administration expenses

	2014 €'000	2013 €'000
Corporate, exploration and development expenses	**7,397**	8,028
Foreign exchange differences	**511**	392
Total administration expenses for the year	**7,908**	8,420
Capitalised in Exploration and Evaluation assets (Note 12)	**(1,789)**	(1,757)
Total charged to the income statement	**6,119**	6,663
Analysed as:		
Continuing operations	**6,119**	6,484
Discontinued operations (Note 3)	**–**	179
	6,119	6,663

5 Finance income

	2014 €'000	2013 €'000
Bank deposit interest income	**39**	180

6 Finance expenses

	2014 €'000	2013 €'000
Recognised in income statement:		
Amortisation of arrangement fees and other amounts	**516**	–
Unwind of discount on decommissioning provision (Note 19)	**929**	713
Interest charge	**1,467**	–
Foreign exchange loss on revaluation of loan, net	**2,153**	–
Total finance expense recognised in income statement	**5,065**	713

	2014 €'000	2013 €'000
Recognised in other comprehensive income:		
Foreign currency differences on foreign operations	**2,257**	6,138
Reclassified to gain on disposal (Note 3)	**–**	(4,712)
Total finance expense recognised in after comprehensive Income	**2,257**	1,426

7 Income tax expense/(credit)

	2014 €'000	2013 €'000
Current tax expense		
Current year	**–**	–
Adjustment for prior years	**–**	5
	–	5
Deferred tax result/charge		
Origination and reversal of temporary differences	**–**	–
Effect of change in tax rates	**–**	–
Adjustment in respect of prior year	**–**	–
Total income tax result/charge for year	**–**	5
Analysed as:		
Continuing operations	**–**	5
Discontinued operations (Note 3)	**–**	–

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7 Income tax expense/(credit) (continued)

A reconciliation of the expected tax benefit computed by applying the standard Irish tax rate to the loss before tax to the actual tax expense/(credit) is as follows:

	2014 €'000	2013 €'000
Loss before tax	**(11,489)**	(2,792)
Irish standard tax rate	**12.5%**	12.5%
Tax credit at the Irish standard rate	**(1,436)**	(349)
Expenses not deductible for tax purposes	**182**	204
Losses unutilised	**1,312**	213
Other timing differences	**(53)**	27
Effect of different tax rates in foreign jurisdictions	**(5)**	(95)
Adjustment in respect of prior periods	**–**	5
Tax result/charge for the year	**–**	5

8 Employee expenses and numbers

	2014 €'000	2013 €'000
Wages and salaries	**1,823**	1,753
Social welfare costs	**189**	183
Defined contribution pension costs	**208**	136
Share-based payment expense (Note 22)	**–**	1,584
	2,220	3,656

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

	2014 €'000	2013 €'000
Wages and salaries	**772**	666
Share-based payment expense	**–**	-

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

	2014 Number	2013 Number
Exploration, evaluation, production and development	**8**	9
Corporate management and administration	**7**	8
	15	17

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 €208,000 (2013: €136,000).

9 Directors' remuneration and transactions with key management personnel

Directors' emoluments are analysed as follows:

	Salaries & other emoluments		Fees		Share based payments		Total	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Executive								
Tony O'Reilly	**516**	494	**–**	–	**–**	209	**516**	703
John O'Sullivan*	**373**	296	**–**	–	**–**	209	**373**	505
Sub-total	**889**	790	**–**	–	**–**	418	**889**	1,208
Non-Executive								
Brian Hillery	**–**	–	**80**	80	**–**	52	**80**	132
Lex Gamble	**–**	–	**65**	45	**–**	52	**65**	97
James McCarthy	**–**	–	**45**	45	**–**	73	**45**	118
Philip Nolan	**–**	–	**45**	45	**–**	52	**45**	97
Philip O'Quigley	**–**	–	**45**	45	**–**	52	**45**	97
Sub-total	**–**	–	**280**	260	**–**	281	**280**	541
Total	**889**	790	**280**	260	**–**	699	**1,169**	1,749

* John O'Sullivan's figure includes pension contributions of €48,000 for 2014 (2013: €12,000).

(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. Other than the share option schemes (Note 22), the Group does not have any long term incentive scheme in place for 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 pages 14 and 15.

Transactions with key management personnel comprising directors and other senior management

Key management personnel compensation was as follows

	2014 €'000	2013 €'000
Wages, salaries and fees:		
Executive directors	**841**	779
Non-executive directors	**280**	260
Other key management salaries	**467**	433
	1,588	1,472
Social welfare costs	**90**	82
Defined contribution pension costs	**121**	65
Share-based payment expense	**–**	900
	1,799	2,519

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10 Statutory and other information

	2014 €'000	2013 €'000
Auditor's remuneration		
— Audit	**42**	42
— Other assurance services, being audit of subsidiary entities	**38**	48
Taxation services	**10**	10
Operating lease rentals on property	**223**	195
Depreciation on property, plant and equipment	**18**	21
Impairment of evaluation and exploration assets	**99**	678
Pre-licence exploration expenditure	**245**	68
Gains on sale of discontinued operations (UK assets)	**–**	6,096
Directors' emoluments		
— Fees	**280**	260
— Salaries and other emoluments	**889**	790
— Share-based payments	**–**	699

11 Earnings per share

Earnings per share is 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.

	2014			2013		
	Continuing operations €'000	**Discontinued operations €'000**	**Total €'000**	Continuing operations €'000	Discontinued operations €'000	Total €'000
(Loss)/profit attributable to equity holders of the Company	**(11,489)**	**–**	**(11,489)**	(7,768)	4,971	(2,797)

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

	2014 €'000	2013 €'000
In issue at beginning of year ('000s)	**64,649**	64,498
Adjustments for shares issued in year ('000s)	**–**	64
Weighted average number of ordinary shares ('000s)	**64,649**	64,562

	2014			2013		
	Continuing operations €cent	**Discontinued operations €cent**	**Total €cent**	Continuing operations €cent	Discontinued operations €cent	Total €cent
Basic and diluted (loss)/profit per share (cent)	**(17.77)**	**–**	**(17.77)**	(12.03)	7.70	(4.33)

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 1,428 (2013: 1,996) anti-dilutive share options in issue at 31 December 2014.

12 Exploration and evaluation assets

	Republic of Ireland €'000	UK €'000	Total €'000
Cost and net book value			
At 1 January 2013	66,302	774	67,076
Additions	13,006	127	13,133
Cash calls received in year	(1,199)	–	(1,199)
Administration expenses	1,517	240	1,757
Impairment charge	(678)	–	(678)
At 31 December 2013	78,948	1,141	80,089
Additions net of settlement	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**

The exploration and evaluation asset balance at 31 December 2014 primarily relates to the Barryroe (€52.9 million), Dunquin (€13.1 million), Spanish Point (€10.6 million), Dragon (€3.6 million) and Rathlin (€1.2 million) license areas, Drombeg (€5.5million) and Newgrange (€1.4 million). The remaining €1.4 million relates to other license areas held by the Group in the Republic of Ireland and the UK.

Net spend on exploration and evaluation assets during the year amounted to €8.2 million, with the majority of spend relating to the Drombeg license area and the Spanish Point license areas in the Porcupine basin.

The resolution of Transocean UK Limited legal case, as referred to in the Chairman and Chief Executive's review, resulted in a reduction in the carrying value of costs previously capitalised to the Barryroe license by c. €5.5 million.

The Group acquired the 100% ownership in Chrysaor E&P Ireland Limited ("CEPIL") for US$1. CEPIL owns 26% of FEL 2/04 and FEL 4/08 and 11% of FEL 1/14 licences relating to the Spanish Point assets.

The Directors have assessed the current activities ongoing within exploration and evaluation assets and have determined that an impairment charge of €99,000 is required at 31 December 2014. 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.

13 Property, plant and equipment

	Furniture & equipment €'000
Cost	
At 1 January 2013	465
Additions in year	14
At 31 December 2013	479
Additions in year	14
At 31 December 2014	**493**
Depreciation	
At 1 January 2013	423
Charge for year	21
At 31 December 2013	444
Charge for year	18
At 31 December 2014	**462**
Net book value	
At 31 December 2014	**31**
At 31 December 2013	35

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14 Trade and other receivables

	2014 €'000	2013 €'000
VAT recoverable	**54**	41
Prepayments and accrued income	**86**	90
Amounts due from joint operation partners	**1,747**	2,760
	1,887	2,891

15 Cash and cash equivalents

	2014 €'000	2013 €'000
Cash held in bank accounts (a)	**8,552**	8,998
Less: Restricted bank balances (b)	**(3,296)**	–
Cash and cash equivalents	**5,256**	8,998

(a) Included in the cash and cash equivalents balance are amounts totaling €0.6 million (2013: €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

16 Share capital and share premium

	Number 000	€'000
Authorised		
Deferred shares of €0.011 each (a)	**1,062,442**	11,687
Ordinary shares of €0.10 each	**123,131**	12,31

(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.

Issued:

	Total number 000's	Share capital €'000	Share premium €'000
Deferred shares of €0.011 each	1,062,442	12,750	5,691
Ordinary shares of €0.10 each	123,131	5,386	204,284
At 1 January 2013	64,498	18,136	209,975
Share options exercised in year (Note 22)	151	15	255
At 31 December 2013 and 31 December 2014	64,649	18,151	210,230

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 (a) €'000	Melody Bank loan fees €'000	Total €'000
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**

In June 2014, the company entered into two loan facilities with Melody Finance LLC totalling US$24m. The loans mature on the 1 June 2015. The interest rate on the US$20m facility is 10% while on the US$4m facility it is 33.428%. Refer to Note 26 for further details on loan facilities.

The borrowings are secured by way of a floating charge on the assets of the Group.

19 Decommissioning provisions

	2014 €'000	2013 €'000
At beginning of year	**5,105**	4,738
(Credit)/charge for year	**–**	(379)
Unwind of discount – continuing operations (Note 6)	**929**	713
Foreign exchange differences	**–**	33
At end of year	**6,034**	5,105

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.

20 Deferred taxation

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

The group is not carrying a deferred tax assets of €23.3 million (2013: €25.5 million) which mainly relates to unutilised tax losses available to carry forward, all of which arose in Ireland, on basis that it is not probable that the Group will have taxable profits available in future periods against which this asset could be utilised.

	2014 €'000	2013 €'000
One year	**505**	988
Two years	**1,977**	505
Three years	**376**	1,977
Four years	**193**	376
Five years	**157**	193
More than five years	**177,955**	168,871
Total	**181,163**	172,910

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

	2014 €'000	2013 €'000
Capital expenditure payable	**11,099**	13,829
Accruals	**661**	1,219
Other payables	**1,471**	1,038
	13,231	16,086

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22 Share schemes

The Group has the following employee share schemes::

1997 Scheme

All remaining outstanding options under the 1997 scheme expired during the year.

2005 Scheme

In May 2005, the Directors adopted a share option scheme which contains similar provisions to the 1997 Scheme except that under the 2005 Scheme there are share growth performance criteria to the exercise of the options and the option price is 90% of the market price immediately preceding the date of grant

(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 50% 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 100% 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 2014 or 2013 under this scheme. At 31 December 2014, options over 70,000 (2013: 372,000) shares remained outstanding at subscription prices ranging from €4.05 to €9.79. These options expire at varying dates up to October 2015.

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 2014 or 2013 under this scheme. At 31 December 2014, options over 1.358 million (2013: 1.483 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 the share options outstanding during the year are as follows:

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	7.01	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 was 1,428,750 at exercise prices ranging from €1.27 to €9.79.

22 Share schemes continued

For the year ended 31 December 2013

	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 2013	318	2.93	802	6.91	1,546	4.68
Granted during year	–	–	–	–	–	–
Expired during year	(25)	5.00	(430)	6.82	(63)	5.66
Exercised during year	(151)	1.79	–	–	–	–
At 31 December 2013	142	4.18	372	7.01	1,483	4.62
Of which exercisable at year end	142	4.18	–	–	–	–

The total number of options outstanding at 31 December 2013 1,997,597. 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 respect of the Group's 2005 and 2009 share based schemes is recorded as follows:

	2014 €'000	2013 €'000
Administration expenses	**–**	1,584
Capitalised within exploration and evaluation assets	**–**	–

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:

	2014 €'000	2013 €'000
Variable rate instruments		
Financial assets – cash and cash equivalents	**5,256**	8,998
Financial assets – restricted cash	**3,296**	–
Fixed rate instruments		
Financial liabilities – loans and borrowings	**19,727**	–

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23 Financial instruments continued

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ('bps') in interest rates at 31 December 2014 and 31 December 2013 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.

	Loss		OCI	
	100 bps increase €'000	100 bps decrease €'000	100 bps increase €'000	100 bps decrease €'000
31 December 2014				
Variable rate instruments	**(63)**	**7**	**–**	**–**
31 December 2013				
Variable rate instruments	(85)	57	–	–

(b) Foreign currency risk

The Group is exposed to currency risk on purchases 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 2014 and 2013 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 2014					31 December 2013				
	Euro €'000	GBP €'000	USD €'000	Not at risk USD €'000	Total €'000	Euro €'000	GBP €'000	USD €'000	Not at risk USD €'000	Total €'000
VAT recoverable	**–**	**–**	**–**	**54**	**54**	–	–	–	41	41
Other debtors	**–**	**551**	**447**	**835**	**1,833**	–	–	–	2,850	2,850
Cash and cash equivalents	**105**	**468**	**3,608**	**1,075**	**5,256**	42	907	6,963	1,086	8,998
Restricted cash	**–**	**–**	**3,296**	**–**	**3,296**	–	–	–	–	–
Loans & borrowings	**–**	**–**	**(19,727)**	**–**	**(19,727)**	–	–	–	–	–
Trade and other payables	**–**	**(3,498)**	**(9,555)**	**(178)**	**(13,231)**	–	(1,606)	(11,808)	(2,672)	(16,086)
Total exposure	**105**	**(2,479)**	**(21,931)**	**1,786**	**(22,519)**	42	(699)	(4,845)	1,305	(4,197)

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

	Average rate		Spot rate	
	2014	2013	**2014**	2013
1 GBP	**0.8031**	0.8501	**0.7789**	0.8337
1 USD	**1.3211**	1.3308	**1.2141**	1.3791

Sensitivity analysis

A 10% strengthening and weakening of the euro against the following currencies, based on outstanding financial assets and liabilities at 31 December 2014 and 31 December 2013 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 2014				
GBP	**238**	**(238)**	**69**	**(151)**
USD	**1,908**	**(1,908)**	**(84)**	**185**
31 December 2013				
GBP	70	(70)	–	–
USD	484	(484)	–	–

23 Financial instruments continued

(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. 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 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**	**–**	**–**	**–**

Contractual maturities of financial liabilities as at 31 December 2013 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
Trade and other payables	16,086	16,086	16,086	–	–	–
Total	16,086	16,086	16,086	–	–	–

(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:

	2014 €'000	2013 €'000
Cash and cash equivalents	**5,256**	8,998
Restricted cash	**3,296**	–
VAT recoverable	**53**	41
Other receivables	**1,834**	2,850
Maximum exposure to credit risk	**10,439**	11,889

(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 2014, 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, placings 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2014

24 Commitments and contingencies

(a) Exploration and evaluation activities

The Group has capital commitments of approximately €8.1 million to contribute to its share of costs of exploration and, evaluation activities during 2015.

(b) Operating leases

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

	€'000
Payable:	
Within one year	1
Between two and five years	297
After five years	–
Total operating lease commitments	**298**

(c) Contingencies

Transocean UK Limited ("Transocean"), has been granted the right to appeal the 2014 court decision in relation to the Barryroe legal case in the Commercial Court in London, England. The directors have considered this and are satisfied on the basis of all information available to them that no provision is required to be recorded in the financial statements.

From time to time, 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 Chrysaor E&P Ireland Limited ("CEPIL") acquisition agreement the Group 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.

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 1 September 2013. The amount paid under the contract in the year ended 31 December 2014 was €446,775 (2013: €448,500). The contract was renewed in May 2015. It is of two years duration and is subject to one year's notice period.

26 Post Balance Sheet Events

Equity Fundraising:

The Company raised aggregate gross proceeds of approximately €25.9 million (US$28 million) through a placing offer and an open offer for its ordinary shares. On 20 March 2015 the Company increased its authorised ordinary share capital to 223,131,360 ordinary shares of €0.10 each.

Debt Refinancing:

The Company entered into a new term sheet with its principal lender to refinance US$20 million of its debt facility. The facility has been extended out to May 2016. The second facility of US$4 million remains due for repayment on 1 June 2015 and will be paid out of restricted cash.

27 Approval of financial statements

The financial statements were approved by the Directors on 26 May 2015.

Company Balance Sheet

at 31 December 2014

	Note	2014 €'000	2013 €'000
Fixed Assets			
Oil and gas interests	2	**35,866**	78,948
Tangible assets	3	**31**	35
Financial assets	4	**2**	2
		35,899	78,985
Current assets			
Debtors	5	**97,898**	46,528
Cash at bank and in hand (including restricted cash of €3.3 million)		**8,225**	8,684
		106,123	55,212
Creditors: amounts falling due within one year	6	**(31,784)**	(17,779)
Net current assets		**74,339**	37,433
Total assets less current liabilities		**110,238**	116,418
Provision for liabilities	7	**(4,945)**	(5,105)
Net assets		**105,293**	111,313
Capital and reserves			
Called up share capital	8	**18,151**	18,151
Share premium	8	**210,230**	210,230
Capital conversion reserve	9	**623**	623
Share based payment reserve	9	**4,282**	5,382
Profit and loss account	9	**(127,993)**	(123,073)
Shareholders' funds - equity		**105,293**	111,313

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

Notes to the Company Financial Statements

for the year ended 31 December 2014

1 Statement of accounting policies

Basis of preparation

The financial statements of the Company are prepared in accordance with Generally Accepted Accounting Practice in Ireland under the historical cost convention except for share options and warrants which are measured at grant date fair value, and comply with financial reporting standards of the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in Ireland.

Going concern

The Directors have considered carefully the financial position of the Company and, in that context, have prepared and reviewed cash flow forecasts for the period to 31 December 2016. The Company's cash on hand, including restricted cash (of €3.3 million), at 31 December 2014 was €8.6 million. This was increased in March 2015 by gross proceeds of c. €25.9 million (c. US$28 million) from the Company's equity placing offer. In February 2015, the Company extended US$20 million of its loan facility out to May 2016 with the balance of US$4 million due on 1 June 2015. The Directors are satisfied that the Company will have sufficient cash resources to enable it to discharge all its commitments as they fall due, funded in the short term from existing cash resources.

As set out in more detail in the Chairman's and Chief Executive's review, the Company expects to incur sustaining capital expenditure in 2015 and 2016. The Directors are satisfied that, as a result of the available working capital facility, the proceeds that are expected to be received from a farm out of Barryroe, or proceeds from any other farm outs being considered, and the expected timing of other capital expenditure programmes which are planned, the Company will be in a position to fund this capital expenditure programme. The Directors note that should the farm out of Barryroe not be completed prior to repayment date of the US$20 million loan facility that they will seek alternative sources of funds to repay the loan and are satisfied that there are a number of options available to them this regard.

On this basis, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

Cash flow statement

Under the provisions of FRS 1, "Cash Flow Statements", a cash flow statement has not been prepared as the Company itself publishes consolidated financial statements that include a cash flow statement in the required format.

Pension costs

The Company provides for pensions for certain employees through defined contribution pension schemes.

The amount charged to the profit and loss account in respect of the scheme is the contribution payable in that year.

Any difference between amounts charged to the profit and loss account and contributions paid to the pension scheme is included in 'Debtors' or 'Creditors' in the balance sheet.

Share based payment

The Company's "2005 Scheme" and "2009 Scheme" falls within the scope of and are accounted for under the provisions of FRS 20. Accordingly the fair value of the options granted under these schemes, after 7 November 2002 and those not yet vested as at 1 January 2007 (the effective date of FRS 20), are recognised as a personnel expense with a corresponding increase in the "Share based payment reserve" within equity. The fair value of these options are measured at grant date and spread over the period during which personnel become unconditionally entitled to the options - the vesting period. The fair value of the options granted is measured using an 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 forteiture is only due to share prices not achieving the threshold for vesting.

Taxation

Current tax is provided on taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1 Statement of accounting policies (continued)

Oil and gas interests

The Company accounts for oil and gas expenditure under the 'full cost' method of accounting.

(i) Exploration, appraisal and development expenditure

Exploration, appraisal and development expenditure is incurred either through consortium operations or directly on acquiring, exploring or testing exploration prospects. All lease, licence and property acquisition costs, geological and geophysical costs and other direct costs of exploration, appraisal and development are capitalised. The amount capitalised includes operating expenses directly related to these activities, interest expense and foreign exchange differences incurred on loans prior to the commencement of production.

(ii) Cost pools

Costs are capitalised within separate geographic cost pools, which comprise Ireland in one pool and the Rest of the World in the other pool.

Costs relating to the exploration and appraisal of oil and gas interests which the Directors consider to be unevaluated are initially held outside the cost pools. Costs held outside cost pools are reassessed at each year end. When a decision to develop these interests has been taken, or there is evidence of impairment, the related costs are transferred to the relevant cost pools.

(iii) Depreciation

Expenditure within each cost pool is depreciated using the unit of production method based on commercial reserves. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future costs of development of the undeveloped reserves at current year end unescalated prices. Changes in cost and reserve estimates are dealt with prospectively.

(iv) Abandonment

Provision is made for the anticipated costs of future restoration. Management estimate the future costs associated with removal of production facilities discounted to take account of risk and the time value of money. These costs have been determined with reference to current legal requirements and current technology. The present value of those future costs is recorded as a provision in the balance sheet.

A corresponding abandonment asset is recorded in Oil and Gas Interests and is depreciated in accordance with the Company's depreciation policy set out at (iii) above.

Annually, the unwinding of the discount factor is recorded as an expense in the profit and loss account and disclosed under 'Interest payable and similar charges'. Changes in estimates which result in a revision of the net present value of the provision are accounted for by adjusting the provision, with a corresponding entry to Oil and Gas Interests.

(v) Impairment test

An impairment test is carried out at each balance sheet date to assess whether the net book value of capitalised costs in each pool, together with the future costs of development of undeveloped reserves, is covered by the discounted future net revenues from the reserves within that pool, calculated at prices prevailing at the year end. Any deficiency arising is provided for to the extent that, in the opinion of the Directors, it is considered to represent a permanent diminution in the value of the related asset, and, where arising, is dealt with in the profit and loss account as additional depreciation.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provisions for impairment.

Depreciation is provided on all tangible assets on a straight line basis to write off the cost (net of estimated residual value) over the expected useful economic lives of these assets as follows:

Furniture and equipment	3–10 years

Financial fixed assets

Financial fixed assets consist of the Company's investments in equity instruments and its subsidiaries and are stated at cost less, where considered necessary in the opinion of the Directors, provisions for impairment.

Leases

Rentals under operating leases are charged on a straight line basis over the lease terms.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to the Company Financial Statements continued

for the year ended 31 December 2014

1 Statement of accounting policies (continued)

Issue expenses and share premium account

Issue expenses arising on the issue of equity securities are written off against the share premium account.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where a financial instrument that contains both equity and financial liability components, exists these components are seperated and accounted for individually under the above policy.

2 Oil and gas interests – exploration expenditure

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

	Ireland €'000
Cost	
At 1 January	78,948
Exploration and appraisal expenditure	12,577
Cash call received in year	(750)
Impairment charge	(97)
Administration expenses	1,588
Disposal to subsidiary undertaking	(56,400)
At 31 December	**35,866**

The exploration and evaluation asset balance at 31 December 2014 primarily relates to Dunquin (€13.1 million), and Spanish Point (€10.6 million) and Drombeg (€5.5 million) and Newgrange (€1.4 million) and Dragon (€3.2 million) license areas. The remaining €2 million relates to other license areas held by the Group in the Republic of Ireland.

Net spend on exploration and evaluation assets during the year amounted to €13.3 million, with the majority of spend relating to the Drombeg (€5.5 million), Newgrange €1.4 million and the Spanish Point license areas FEL 2/04, FEL 1/14 and FEL 4/08 in the Porcupine basin (€6.0 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 2014. 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.

On 1 August 2014 the company dispensed of its interest in the Barryroe license, at its carrying value, to its 100% owned subsidiary, Exola Limited, for €56.4 million.

3 Tangible fixed assets

	Furniture & equipment €'000
Cost	
At 1 January 2014	434
Additions in year	14
At 31 December 2014	**448**
Depreciation	
At 1 January 2014	399
Charge for year	18
At 31 December 2014	**417**
Net book value	
At 31 December 2014	**31**
At 31 December 2013	35

4 Financial fixed assets

	2014 €'000
Investments in subsidiaries at start and end of year	**2**

At 31 December 2014, 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	13 Lombard Street, Belfast, Northern Ireland	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. Oil & Gas Indonesia Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Providence Resources (US Holdings) Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Providence Resources (GOM) LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Holding company	100%
Providence Resources (Trading) Limited	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	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 (Holding USA) LLC	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware, USA	Holding company	100%
Providence Resources (Gulf) Limited	Airfield House, Airfield Park, Donnybrook, Dublin 4	Holding company	100%
Eirgas Limited	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands	Holding company	100%
Exola Limited	Airfield House, Airfield Park Donnybrook, Dublin 4	Oil and Gas exploration	100%

5 Debtors

	2014 €'000	2013 €'000
VAT	**48**	39
Prepayments and accrued income	**83**	90
Amounts due from subsidiaries	**97,241**	43,639
Amounts due from joint operation partners	**526**	2,760
	97,898	46,528

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. The directors are satisfied that the subsidiaries will generate sufficient cash flows from these assets to repay amounts due to the parent company in full.

6 Creditors: amounts falling due within one year

	2014 €'000	2013 €'000
Trade creditors	**11,883**	13,724
Accruals	**553**	1,203
Other creditors	**–**	1,013
Amounts owed to subsidiaries (a)	**–**	1,839
Bank loan (b)	**19,348**	–
	31,784	17,779

(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.

Notes to the Company Financial Statements continued

for the year ended 31 December 2014

7 Provision for liabilities – Decommissioning

	2014 €'000	2013 €'000
At 1 January	**5,105**	4,392
Unwind of discount	**830**	713
Disposal to subsidary	**(990)**	–
Balance at 31 December	**4,945**	5,105

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.

8 Share capital and share premium

See note 16 to the Group financial statements.

9 Movement on reserves

	Capital conversion fund €'000	Share based payment reserve €'000	Profit & loss account €'000
At 1 January 2014	623	5,382	(123,073)
Share options lapsed	–	(1,100)	1,100
Loss for financial year	–	–	(6,020)
At 31 December 2014	**623**	**4,282**	**(127,993)**

See note 23 to the group financial statements for further details of the company's share option schemes.

10 Commitments and contingencies

(a) Exploration and evaluation activities

The Company has capital commitments of approximately €5.9 million to contribute to its share of costs of exploration and, evaluation activities during 2015.

(b) Operating leases

Annual commitments exist under non-cancellable property leases expiring as follows:

	2014 €'000	2013 €'000
Within one year	**1**	1
Between two and five years	**163**	163
Total	**164**	164

(c) Contingencies

Transocean UK Limited ("Transocean") has been granted the right to appeal the 2014 court decision in relation to the Barryroe legal case in the Commercial Court in London, England. The directors have considered this and are satisfied on the basis of all information available to them that no provision is required to be recorded in the financial statements.

From time to time, 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 Chrysaor E&P Ireland Limited ("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 148(8) of the Companies Act, 1963, the Company has not presented its own profit and loss account. A loss of €6,020,000 (2013: €8,556,000) for the financial year ended 31 December 2014 has been dealt with in the separate profit and loss account of the Company.

	2014 €'000	2013 €'000
Auditors' remuneration	42	42

During the year the Company employed 15 people (2013: 15 people) and incurred payroll costs of €2 million (2013: €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 €208,000 (2013: €136,000).

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 September 2013. The amount paid under the contract in the year ended 31 December 2014 was €446,775. The contract was renewed in May 2015. It is of two years duration and is subject to one year's notice period.

13 Post Balance Sheet Events

Equity Fundraising:

The Company raised aggregate gross proceeds of approximately €25.9 million (US$28 million) through a placing offer and an open offer for its ordinary shares. On 20 March 2015 the Company increased its authorised ordinary share capital to 223,131,360 ordinary shares of €0.10 each.

Debt Refinancing:

The Company entered into a new term sheet with its principal lender to refinance US$20 million of its debt facility. The facility has been extended out to May 2016. The second facility of US$4 million remains due for repayment on 1 June 2015 and will be paid out of restricted cash.

14 Approval of financial statements

The financial statements were approved by the Directors on 26 May 2015.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Providence Resources P.l.c. will be held in, the Clyde Court Hotel, Ballsbridge, Dublin 4 on Friday 26 June 2015 at 11.00am for the purpose of transacting the following ordinary business:

(1) To receive and consider the Directors' Report and Financial Statements for the year ended 31 December 2014.

(2) (a) To re-elect Mr. Lex Gamble as a Director.
(b) To re-elect Mr. Philip O'Quigley as a Director.

(3) To authorise the Directors to fix the remuneration of the auditors.

(4) To transact any further ordinary business.

As special business to consider and, if thought fit, to pass the following resolution.

As a Special Resolution:

(5) That:
subject to, and taking effect only from the commencement of, Section 1022 and Section 1023 of the Companies Act 2014, the Directors be and are hereby further empowered, pursuant to the said Section 1022 and Section 1023(3), to allot, on and from that date of commencement, equity securities (as defined by the said Section 1023) for cash pursuant to the authority conferred on them by resolution of the shareholders passed on 20 March 2015, as if Section 1022(1) of the Companies Act 2014 did not apply to any such allotment, such power being limited to:

(i) 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;

(ii) pursuant to the terms of any scheme for Directors and/or employees etc. of the Company and/or its subsidiaries; and

(iii) otherwise than pursuant to sub-paragraphs (i) and (ii) above, having, in the case of relevant shares (as defined by the said Section 1023), a nominal amount or, in the case of any other equity securities, giving the right to subscribe for or convert into relevant shares, having a nominal amount, not exceeding a sum equal to €1,400,766 (corresponding to 10%) of the aggregate nominal value of the issued ordinary share capital of the Company.

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.

Dated 26 May 2015

By order of the Board
M. Graham, Secretary, Airfield House, Airfield Park, Dublin 4.

Note 1: A member entitled to attend and vote at the above General Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. The appointment of a proxy does not preclude a member from attending and voting at the meeting should he/she so wish.

Note 2: In accordance with the requirements of The Stock Exchange, copies of the Directors' service contracts, if any, will be available for inspection by members at the registered office of the Company during normal business hours from the date of this notice and at the place of the Annual General Meeting for a period of 15 minutes prior to the said meeting until the conclusion of the meeting.

Note 3: A Form of Proxy for use at the AGM is enclosed. To be effective, the Form of Proxy, together with any Power of Attorney or other authority under which it is executed, or a notarially certified copy thereof, must be completed and reach the Company's Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 not less than 48 hours before the time for the holding of the meeting.

Note 4: The Form of Proxy must (i) in the case of an individual member be signed by the member or his/her attorney duly authorised in writing; or (ii) in the case of a body corporate be given either under its common seal or signed on its behalf by its duly authorised officer or attorney.

Note 5: 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 joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

Note 6: Only those shareholders on the register of members of the Company as at 6:00pm on 24 June 2015 will be entitled to attend and vote at the Annual General Meeting and may also only vote in respect of the number of shares registered in their name at that time.

Shareholder notes

Shareholder notes

Corporate Information

Board of Directors

James S.D. McCarthy
(Chairman), appointed May 2015 [1,2,3]
(Non-executive Director), appointed 2005

Dr Philip Nolan
(Non-Executive Director), appointed 2004 [1,2,3]

Lex Gamble
(Non-Executive Director), appointed 2005 [1,2,3]

Tony O'Reilly
(Chief Executive), appointed 1997 (Non-executive), appointed 2005 (Executive Director)

Philip O'Quigley
(Non-Executive Director 2012), appointed 2008 [1,3]

Dr. John O'Sullivan
(Technical Director), appointed 2010

[1] Non-Executive

[2] Member Audit Committee

[3] Member Remuneration Committee

Secretary and Registered Office

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Registrar

Computershare Investor Services (Ireland) Limited
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18
Ireland

Nominated Adviser

Cenkos Securities Limited
6-7-8 Tokenhouse Yard
London
EC2R 7AS
United Kingdom

Irish Stockbrokers

J&E Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

UK Stockbrokers

Cenkos Securities Limited
6-7-8 Tokenhouse Yard
London
EC2R 7AS
United Kingdom

Principal Bankers

Allied Irish Banks Plc
Bank of Ireland
DnB NOR

Auditors

KPMG
Chartered Accountants
and Registered Auditors
1 Stokes Place
St. Stephen's Green
Dublin 2

Financial PR

Murray Consultants Dublin
Latin Hall
Golden Lane
Dublin 8

Powerscourt Media London
1 Tudor Street
London EC4Y OAH
United Kingdom

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