

12 August 2008

UNITED KINGDOM • OIL & GAS

Buy

- Signed staged farm-out agreement
- Chrysaor Holdings Limited
- Cost of 3D is up to \$12 million

Share Price Performance



Source: Fidessa

Providence Resources

Spanish Point Farm Out

Providence has signed a staged farm-out agreement with Chrysaor Holdings Limited, a privately owned development led company, on its Spanish Point Field, in the Porcupine Basin, off the west coast of Ireland.

The terms of the farm-out agreement provide for Chrysaor to conduct a significant appraisal work programme on the Spanish Point Field in return for a minimum 30% interest in Spanish Point. Chrysaor then has the option to earn up to a maximum 70% interest in the event that two wells are subsequently drilled on the Spanish Point Field.

The agreement is subject to certain milestones being achieved with an initial commitment by Chrysaor to fund the budgeted cost of a 3D seismic programme on Spanish Point as consideration for the initial 30% interest. Providence will retain a 56% interest in, and the Operatorship of, Spanish Point for the upcoming 3D seismic programme, with Chrysaor taking a 30% interest. Sosina will retain a 14% interest.

Dependent on the results of the 3-D seismic programme, Chrysaor may then undertake to finance the drilling of up to two appraisal wells where it will commit not less than 60% cost share, whilst also capping the other partners' cost share, to earn an additional interest of up to 40%, thereby reducing the other partners' stakes pro rata.

The proposed assignment of the initial 30% interest to Chrysaor is subject to Irish governmental approval.

Comment

The signing of this staged farm out of Spanish Point is the culmination of a long marketing programme and will advance the development of Spanish Point through the appraisal drilling stage. The initial 3D seismic program is expected to cost in the region of \$12m and is planned for next summer. This will earn Chrysaor a minimum 30% working interest. Subsequent drilling will probably take place in 2010 subject to rig and Chrysaor then has the option to earn up to a maximum 70% interest.

The farm out transaction is a staged de-risking approach by Providence on its assets and re-affirms the Company's portfolio approach and opens up yet another asset for realisation and bringing a third Irish offshore district into play for Providence, the other two being the current multi-well drilling programme at Hook Head and Dunmore (drilling began last week) in the Celtic Sea and the 3 major projects with ExxonMobil in the south Porcupine Basin (Dunquin, Goban Spur and Drombeg).

The Company has commenced drilling operations on the initial Hook Head appraisal well (50/11-4). Following completion of this well, a further appraisal well, (50/6-4), is planned to be drilled on the nearby Dunmore oil accumulation, located approximately 20 kilometres to the north of the Hook Head oil accumulation. It is anticipated that the multi-well drilling programme will take up to 3 months, which includes a provision for a comprehensive wireline logging and testing programme.

Chrysaor is a privately owned exploration and production company backed by the commodities principal investment team of Barclays Capital and Natural Gas Partners. Chrysaor is currently funded by a £100 million equity facility committed by the management team, Barclays Capital and NGP. Chrysaor Limited is a wholly owned subsidiary of

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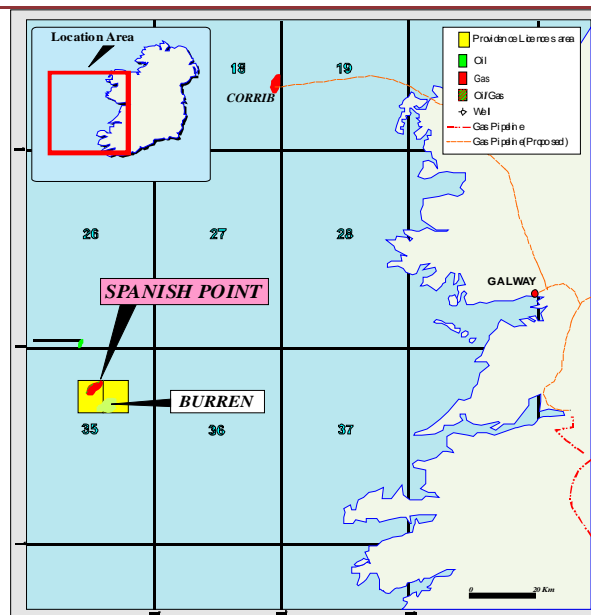
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Chrysaor Holdings Limited and owns 100% of the Solan licence P164 covering UK block 205/26a. The company is drilling an appraisal well on Solan, in the West of Shetlands, which, if successful, should lead to an early development of the field. At the present time there are no other companies in the Chrysaor group.

The Spanish Point field was discovered in 1981 and flowed circa 1,000 BOPD and 5 MMSCFGPD from one of four logged payzones in the 35/8-2 well. The well encountered a hydrocarbon column (total thickness of c. 1,400 ft) in sandstones of Upper Jurassic age. Providence's predecessor company, Atlantic Resources, was part of the original consortium that drilled the discovery well. Due to a combination of low commodity prices and production tests at that time, the project was not declared economic and the licence was subsequently relinquished. Chevron then held the licence until 2001. The combination of new analysis, coupled with advances in technology and an improved oil/gas price, suggest that the commercial development of Spanish Point is now possible. In the summer of 2007, Providence carried out a long offset 2D seismic survey over Spanish Point.

Spanish Point



Source: Providence

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