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PROVIDENCE RESOURCES (PVR.L)

BUY

Cenkos Securities Limited is stockbroker to Providence Resources and makes a market in the company's shares

ACTIVITIES

Providence Resources ("Providence" or the "Company") is exploring for oil and gas in offshore Ireland, offshore and onshore UK and offshore Nigeria. It is listed on the Irish Stock Exchange and recently listed on AIM in June 2005.

DIRECTORS AND MANAGEMENT

Dr Brian Hillery (Chairman)
Tony O'Reilly Jnr. (Chief Executive)
Stephen Carroll (Finance Director)
Lex Gamble (Non-Exec Director)
Peter Kidney (Non-Exec Director)
James McCarthy (Non-Exec Director)
Dr Philip Nolan (Non-Exec Director)

Tony O'Done (Chief Operating Officer)
Barry Ridley (Commercial Manager)
John O'Sullivan (Exploration Manager)

SUMMARY

- Providence Resources has portfolio approach towards development and as such has a significant diversification of risk, any one of a number of projects could be a major asset to the company
- The company has planned that 2006 would be a consolidation year and as 2007 approaches it aims to start the drillbits turning and bring a move into cashflow
- The current investment climate of Offshore Ireland has changed significantly with ExxonMobil now active in the area and the supply of gas to Western Europe coming under pressure
- Seismic completed on Dunquin Prospect off the west coast of Ireland with ExxonMobil
- Spanish Point is the company's focus where the data room has opened for farm out discussions
- 20% Farm out deal agreed with Challenger Minerals Inc. on Celtic Sea Licensing Options 03/8 and 03/1
- Long Offset seismic survey completed in the Celtic Sea using "new" techniques
- Significant program of 2D and 3D Seismic planned to start later this month in the Celtic Sea and St. George's Channel
- Apollo farm out underway and attracting attention
- €50m revolving credit facility with Macquarie Bank Limited – drive to get access to production
- Two new production wells completed and bought on line at Singleton
- We believe that Providence has a significant portfolio of potentially company making projects any number of which may be positive. We are currently valuing the company at £347m or 17p per share on a risk weighted basis. With a significant percentage of the value coming from Dunquin and Spanish Point it should be noted that a minor change in risk factors has a major effect on valuation. 17p is not however a ceiling for such a diversified portfolio of assets.

SHARE PRICE PERFORMANCE



Market Cap	£106m
Shares Issued	2097m
Recent Price	5.2p



PROJECTS

PORCUPINE BASIN

The 700 km² Dunquin Prospect off the west coast of Ireland is a farm in arrangement with ExxonMobil funding exploration work in return for 80% of the prospect. Providence holds a 16% interest, while Sosina Exploration holds 4%. The Dunquin prospect covers five exploration blocks with an estimated 14 trillion cubic feet of gas and 500 million barrels of liquids.

Following signing of the Exxon deal in February 2006 Providence has completed a high quality 1,500km 2D seismic program on time and in budget. This data is currently being evaluated. It is understood that the quality of data exceeded expectations with the structure as expected. This program will be used to plan initial well locations. ExxonMobil may then finance and operate the drilling of up to two exploratory wells on the Dunquin Prospect at an estimated cost of \$50m each. Exxon's advanced technologies are well known and as it is reported that Exxon has an improved success rate of drilling. ExxonMobil, Providence and Sosina have also agreed to extend exploratory efforts into various other areas within the southern Porcupine Basin and more news on this is expected soon.

North of Dunquin Providence holds 80% of the Spanish Point discovery, which was drilled in 1981 by Philips and Atlantic Resources, with an estimated median resources vase of 1.4 trillion cubic feet of gas and 160 million barrels of liquids with significant upside potential. Sosina is again the junior holding 20%. The 35/8-2 well tested 3 sandstone intervals, uppermost 'A' Sand flowed at 925 BOPD 40° A.P.I. and 4.85 MMSCFGD. Reservoir fluids may be gas condensate or volatile oil. TRACS International in Aberdeen have completed a reservoir architecture and well productivity study. Spanish Point is currently being evaluated and is a priority for Providence. This may not be a farm out as concluded with ExxonMobil on Dunuin as Spanish Point is a proven discovery where as Dunquin was an exploration project and so it is likely that Providence will retain a larger equity percentage. The data room is currently open and news on this front is expected toward Q1 2007.

MACQUARIE REVOLVING CREDIT FACILITY

Providence has arranged a €50m revolving credit facility with Macquarie Bank Limited. €5m will be available to fund general working capital and development opportunities. With the balance to fund oil and gas acquisitions, investments and development which allows Providence to progress with its aim of acquiring access to production on a suitable asset.

UK ONSHORE - SINGLETON

Providence has 20% of the Singleton production field in the south of England,

ExxonMobil may finance two exploratory wells at Dunquin.

Exxon exploration success rate

Spanish Point discovery, which was drilled in 1981, with an estimated 1.8 trillion cubic feet of gas and 200 million barrels of liquids

€50m revolving credit facility with Macquarie Bank Limited

Two production wells at Singleton bought on-stream

which produces about 550bopd (100bopd net to Providence) The two horizontal wells (X-8x, X-9), where designed to develop reserves not presently accessed by the existing revenue-generating production wells.

OFFSHORE NIGERIA – AJE FIELD

Providence entered into a consortium to explore offshore Nigeria and more specifically the appraisal of the AJE structure in 2005. The Aje field is situated in Oil Mining Lease (OML) 113 in water depths of between c.200ft to c. 3,000 feet and is 15 miles offshore 40 miles southwest of Lagos. The companies other partners in the consortium are Lundin Petroleum, CMI, Syntroleum, Palace Exploration and the Nigerian YFP.

Under the terms of the agreement, Providence contributes 14% of the costs of exploration and development. After these costs have been recovered, it will receive 7% of the revenues from the block.

The AJE system has been confirmed to be petroliferous and a further well into the prospect is expected to be announced later this year in order to test the shallow northwest extent of the field. At present reprocessing of the 3D seismic survey nears completion. Providence and the international consortium believe there is still upside to be seen and drilling is expected to be announced on AJE4 in 2007.

CELTIC SEA

Providence recently announced on 5th September 2006 that it had agreed a 20% Farm-out Deal with Challenger Minerals Inc. ("CMI"), a wholly owned subsidiary of GlobalSantaFe Corporation, one of the world's largest international oil & gas drilling contractors on Celtic Sea Licenses. CMI will farm into 20% of the Celtic Sea interests 03/8 and 03/1 in return for CMI paying 26.7% of the costs of the seismic program in 2006. Thereafter, CMI will be responsible for 20% of all future license, drilling and development costs. As a result of this farm-out, Providence will retain a stake of 75% in these Celtic Sea interests with its partner, Midmar Energy Limited, retaining a 5% stake.

Gardline is expected to commence a major seismic survey later this month. The survey will comprise a mixture of 2-D and 3-D surveys. The program will comprise a total of 500 km of high resolution 2-D seismic data (on the Hook Head & Pegasus structures) together with a 16 km² 3-D seismic survey over the Ardmore gas field. The survey is planned to take approximately 3 weeks to acquire.

Further seismic mapping and petrophysics has been carried out on the Rushane prospect, an existing discovery within the Blackrock Licensing Option 03/1. Originally drilled in 1992 by Marathon, the 48/30-2 discovery well encountered a 900ft gross hydrocarbon column within sands of Lower Cretaceous/Upper Jurassic

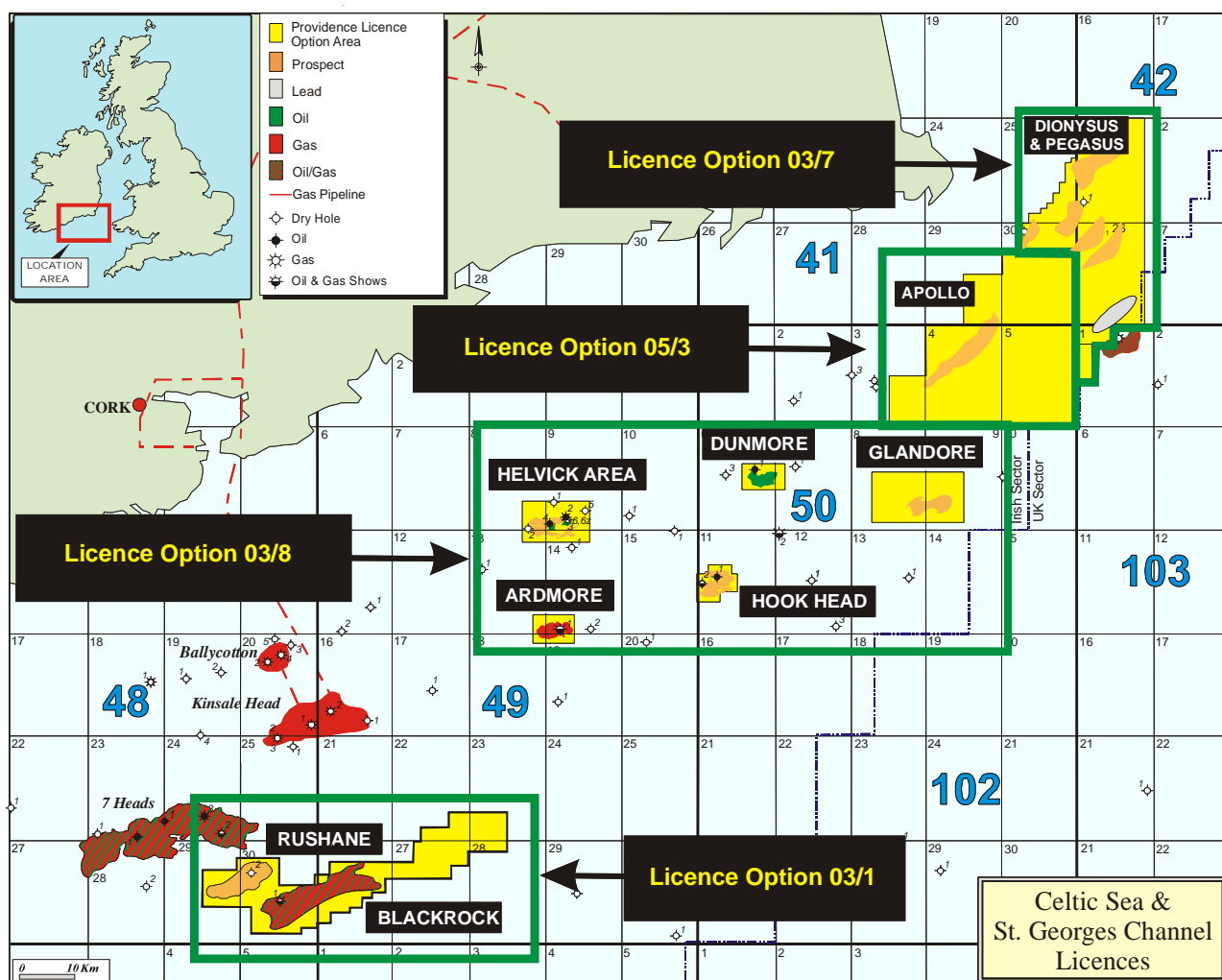
Fourth well planned

Farm out deal with CMI

Major seismic survey later this month

Further appraisal/development plan planned in light of nearby existing infrastructure

age. A net c.30ft pay zone interval has been independently identified from petrophysical logs acquired in the well. The Rushane structural trap has been mapped over a 6,500 acre area with nearby wells testing at rates of up to c. 2,100 BOEPD (48/24-3) from similar reservoir sequences. Initial scoping total resource estimates suggest that Rushane could contain c. 80 MMBOE with c. 20 MMBOE recoverable. A further appraisal/development plan for this discovery will now be planned in light of nearby existing infrastructure together with strong projected global oil/gas prices.



Celtic Sea and St. Georges Channel Licences (Source: Providence)

Long Offset seismic survey completed in the Celtic Sea using "new" techniques

In the North Celtic Sea and St. George's Channel Basins an offshore seismic survey has been completed with a 'long offset' technique being used for the first time in the Celtic Sea. The initial phase is 1,700 km of 2D seismic data. With the completion of the more project specific Gardline survey, the company will be in a position to amalgamate the results to plan future work programs, including drilling.

VALUATION

District	Project	Status	Plans	PVR % Holding	PVR % Expected Holding	Target Size Oil (MMBO)	Target Size Gas (BCF)	Oil (MMBO)	Gas (BCF)	Risk Factor	Attributable Oil (MMBO)	Attributable Gas (BCF)	Estimated Value (m\$)	VPS (US\$)	VPS (£)
UK Onshore	Singleton	Production	Possible development drilling 2007	20%	20%	7.4		7.4		100%	1.5		4.44	0.002	0.001
UK Offshore	Crosby	Exploration	2D Seismic 2007	10%	10%	15		15		20%	0.3		0.9	0.000	0.000
Nigeria	Aje	Appraisal	Well Evaluation - drilling AJE 4 2007	7%	7%	50	500	50	500	50%	1.8	17.6	14.08	0.007	0.004
Ireland - Celtic Sea	Dunmore – 50/6	Appraisal	Possible drilling 2007	75%	40%	12		12		25%	1.2		3.6	0.002	0.001
	Ardmore	Appraisal	3D Seismic 2006 Possible future drilling	75%	40%		30		30	25%		3	1.5	0.001	0.000
	Blackrock	Appraisal	2D Seismic 2006 Possible future drilling	75%	40%	180		50		25%	5.0		15	0.007	0.004
	Helvick Head	Appraisal	Possible drilling 2007	75%	40%	1.5		1.3		25%	0.1		0.39	0.000	0.000
	Hook Head - 50-11	Appraisal	2D Seismic 2006 Possible future drilling	75%	40%	300	300	70	40	25%	7.0	4	23	0.011	0.006
	Glandore	Exploration		75%	75%					0%					
Ireland St. Georges Channel	Dionysus	Exploration	Possible future drilling	95%	95%		800		780	3%		22.23	11.115	0.005	0.003
	Pegasus South	Exploration	Seismic planned Possible future drilling	95%	95%		400		300	10%		28.5	14.25	0.007	0.004
	Pegasus North	Exploration	Seismic planned Possible future drilling	95%	95%		400		150	10%		14.25	7.125	0.003	0.002
	Apollo	Exploration	2D Seismic 2006 Possible future drilling	100%	100%	400		300		3%	9.0		27	0.013	0.007
	51/1	Appraisal	Development evaluation	95%	95%		20		20	50%		9.5	4.75	0.002	0.001
Ireland - South Porcupine	Dunquin North	Exploration	2D Seismic completed possible drilling 2007/8	16%	16%	300	9000	300	9000	15%	7.2	216	129.6	0.062	0.033
	Dunquin South	Exploration	2D Seismic completed possible drilling 2007/8	16%	16%	200	5000	200	5000	15%	4.8	120	74.4	0.035	0.019
Ireland - Central Porcupine	Spanish Point	Appraisal	Data room open	80%	80%	160	1400	160	1400	20%	25.6	224	188.8	0.090	0.048
	Spanish Point Deep	Appraisal	Data room open	80%	80%				3000	8%		192	96	0.046	0.025
	Burren	Appraisal	Data room open	80%	80%			60	600	8%	3.8	38.4	30.72	0.015	0.008
Total											67	889	647	0.31	0.17

ExxonMobil's president of exploration Tim Cejka said Dunquin was a "welcome addition" to the company's deepwater portfolio.

Possible regional basin play

Focus on Spanish Point

A growth company working from a strong foundation and portfolio approach with the support of significant partners in the Oil and Financial industries.

OUTLOOK

The partnership with ExxonMobil will provide significant exploration in the Dunquin area and has opened up the Irish deepwater hydrocarbon provinces and provides Providence a strong foundation to work forward on a regional basin play. ExxonMobil does not enter into a farm-in lightly and its involvement is a significant endorsement. The estimated 25 trillion cubic feet of gas and 4 billion barrels of liquids represent significant value for all partners with the added benefit to Providence of Exxon's advanced technologies and so improved success rate.

Further studies are underway at Spanish Point and this is Providence's main focus. The data room is currently open and a number of parties have expressed significant interest. The company has assigned an NPV^{10%} to Spanish Point of US\$2.5 billion after finance costs and corporation tax at 25% using an oil price of \$50 and recoveries of 527 mmbœ.

The farm out agreement with CMI in the Celtic sea validates the work carried out by Providence and following the completion of seismic the company will commence the final analysis prior to appraisal drilling to assess multiple development opportunities.

At AJE following reprocessing of 3D seismic data the company believes that it has a higher confidence in the system and so drilling is expected soon.

Providence now has growing production at Singleton and is planning on continuing to grow through acquisition, with the Macquarie revolving €50m facility we believe the company is in a strong position for growth. The company has a diverse portfolio and has shown with Dunquin they now have the backing of majors which validates much of the work carried out by Providence.

Providence has achieved a significant amount in recent months and establishes a good basis for future progress; as such we believe that further news on any number of its assets is expected from Nigeria to farm outs and developments in the UK 24th Licensing Round.

We believe that Providence has a significant portfolio of potentially company making projects any number of which may be positive. We are currently valuing the company at £347m or 17p per share on a risk weighted basis. With a significant percentage of the value coming from Dunquin and Spanish Point it should be noted that a minor change in risk factors has a major effect on valuation. 17p is not however a ceiling for such a diversified portfolio.

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