

14th August 2009

Providence Resources – Phase Two Development at Dunquin Could Provide Ammunition for Company Re-rating. Buy with 16p Target Price

Investors have been served with a stark reminder of the enormous potential of Providence's activities in the Porcupine Basin (offshore west coast Ireland) during August as announcements on the 10th and 12th revealed significant progress at the company's Dunquin licence. While the news that operating partner and 80% licence owner ExxonMobil Exploration and Production Ireland (Offshore) Limited had farmed out half of its interest to the major Italian energy company ENI demonstrates wider interest in the prospect, the fact that the partners have enough evidence and confidence to commit to the second development phase at Dunquin suggests exploration results have been positive on a prospect with mean recoverable estimates of 8.8 TSCF (trillion cubic feet of gas) and 316 MMBO (million barrels of oil). In addition, the original Dunquin partners ExxonMobil, Providence and Sosina have agreed to take 36%, 3.2% and 0.8% interests respectively in ENI's adjacent Frontier Exploration Licence 1/99 (FEL 1/99).

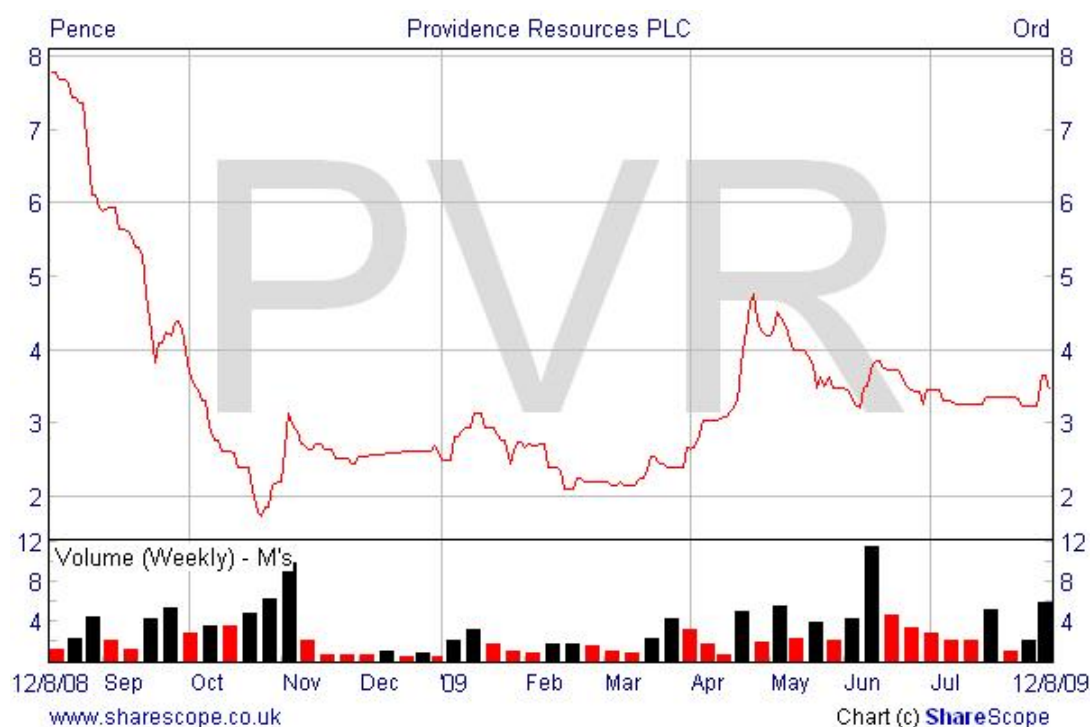
Key Data

EPIC	PVR
Share Price	3.5p
Spread	3.4p – 3.6p
Total no of shares	2,922 million
Market Cap	£104 million
12 Month Range	1.73p – 7.78p
Net Debt	€80 million (est)
NMS	25,000
Market	AIM / IEX
Website	www.providenceresources.com
Sector	Oil & Gas Producers
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Having farmed down its interest in Dunquin to 16%, the involvement of ExxonMobil and now ENI provide strong evidence of Providence's prospect identifying skills. Providence was one of the first companies to identify the potential along the East Atlantic basin fringe and has since secured similarly prospective sites at Spanish Point, Drombeg and Newgrange. The second development phase at Dunquin carries a firm commitment to drill a well and we expect that any positive results to be very well received by the market and likely prompt a re-rating of Providence stock.

FEL 1/99 comprises of a total of 6 blocks covering a total of 1,500 square kilometres. The licence will continue to be operated by ENI, but as a friendly neighbourly gesture, ENI has invited ExxonMobil, Providence and Sosina to take positions alongside the Italian group. While the gesture no doubt has commercial motivations, the new interest further broadens Providence's licence holding and solidifies its association with major hydrocarbon partners; no bad thing when seeking out attractive business opportunities.

Providence has ambitious plans to increase production rates to 5,000 BOEPD (barrels of oil per day) by 2012 and 10,000 BOEPD by 2014, and while the Atlantic fringe licences may not be contributing much to these more immediate targets, they will form a critical part of any similarly ambitious targets beyond 2014. Providence recently secured an option to acquire Kinsale Head, Ireland's only producing gas production and storage operation. Gas storage will become more important as supply struggles to meet demand and, while Kinsale Head is not currently included in our valuation, it will add significant value if the option is exercised. We eagerly await the results of Dunquin's phase 2 development, and with a maintained target price of 16p, at a current share price of 3.5p, Providence is a **buy**.



Forecast Table

Year to 31st Dec	Sales (€ Million)	Pre-tax Profit (€ Million)	Earnings Per Share (cents)	Price Earnings Ratio	Dividends Per Share (cents)	Dividend Yield (%)
2007A	4.3	1.5	0.04	87	0	0.0
2008A	24.8	(50.0)^	(2.06)	NA	0	0.0
2009E	40	10	0.29	14.0	0	0.0
2010E	50	20	0.48	8.5	0	0.0

^includes asset impairment of €49.7 Million

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