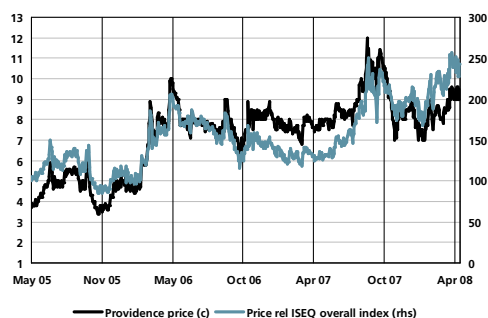




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Share Price Performance



Recent research and research resources

Recent research and financial data on [Providence](#)

Sector research and data on [Resource](#)

Flash Note: Triangle acquisition

Providence

Price: 10c

Gulf of Mexico assets will lead to a step change in production; increasing our valuation to 24c per share

Acquisition of US oil and gas company is a good deal for Providence

- Providence has bought 5.9m barrels of oil equivalent of proven reserves in the Gulf of Mexico for \$67.5m, or \$11.44 per boe, by acquiring Triangle Oil and Gas Inc.
- Current production from Triangle's assets is 1,300 boepd, forecast to rise to 4,000 boepd by the end of 2010.
- We expect that the cash generated by this incremental production will contribute significantly to Providence's exploration and appraisal spend over the next three to five years.

Financial flexibility has proved to be critical

- Providence has a \$250m revolving credit facility with Macquarie Bank. This means a small company has the capacity to buy assets that are material to its overall scale.
- Even after this deal, Providence will still have considerable financial resources to pursue further opportunities to increase near-term cashflow.

Deal marks an ambitious step up the E&P ladder

- This acquisition, along with last year's acquisition of the Singleton Oil Field in the UK, shows Providence's intention to diversify its asset base and grow out of the small-cap space.
- The cashflow generated as a result of this deal will allow the company to test the prospectivity of its exploration assets with minimum shareholder dilution.
- Although the real value leverage in our valuation for Providence is related to high-impact exploration, a first pass estimate of cashflows net to Providence from this deal indicates that it is worth some 2.1c per share net of debt. We are reflecting this in our new risked valuation of 24c per share.

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Proven oil and gas reserves

- Providence has bought 5.9m barrels of oil equivalent in the Triangle deal; 1.7m barrels of oil and 25.4bn standard cubic feet of gas.
- These reserves are spread over eight producing fields and two development assets, all but one of which are in shallow water offshore (the Ridge property being onshore).
- Triangle's equity interests range from 12.5% to 50%. It operates one of the offshore properties entirely as well as drilling operations on another three. Triangle's three key personnel are being retained for a minimum of two years to run and expand the portfolio.

Production to increase

- Production from the Triangle assets is forecast to increase from 1,300 boepd in 2008 to c.4,000 boepd in 2010
- This deal will increase Providence's current production rate to c.2,000 boepd
- Providence forecasts its net production to increase from 1,300 boepd in 2008 to 2,500 boepd in 2009 and 4,000 boepd in 2010.
- This will be achieved both by producing from "Proven Developed not Producing" (PDNP) reserves and by developing and producing "Proven Undeveloped" (PUD) reserves.
- A concentrated drilling programme is planned on the PUD reserves over the next 18 months.
- Drilling in the shallow water of the Gulf of Mexico is relatively cost effective, and available infrastructure means that development times are very short.

Increasing our risked valuation to 24c per share

- We are increasing our risked valuation from 22c per share to 24c per share as a result of the Triangle acquisition
- We have estimated a five-year production profile for the new assets peaking at 4,000 boepd in 2010.
- At an oil price of \$85/barrel and a gas price of \$9/mcf, we estimate that the NPV of future cashflows from these Triangle assets, less the acquisition cost, is some \$82m.
- This equates to approximately 2.1c per share.

Newsflow expected this summer

- Providence will drill at least two wells in the Celtic Sea this summer, starting in July/August.
- We hope to have an update from ExxonMobil on its plans for the Atlantic Margin assets after seismic acquisition on the Drombeg prospect is complete.
- Further plans for the AJE project offshore Nigeria are also expected over the coming months following the successful AJE-4 well in April.

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