



Job Langbroek

job.langbroek@davy.ie +353 1 6148914

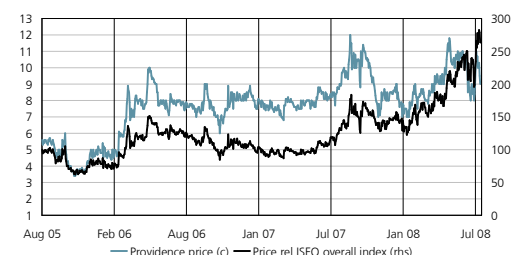
Caren Crowley

caren.crowley@davy.ie +353 1 6148923

James McCullough

james.mccullough@davy.ie +353 1 6148921

Share Price Performance



Recent research and research resources

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

Sector research and data on [Resource](#)

Providence valuation

Asset	US\$m risked valuation	Euro cents per share
Production		
US	154.5	4.0
UK onshore	74.2	1.9
Exploration and appraisal		
Offshore Ireland		
Celtic Sea		
2008 well – Hook Head	275	7.0
2008 well – Dunmore	82.5	2.1
Remaining targets	223.1	5.7
Porcupine	535.1	13.7
Nigeria		
UK offshore	13.9	0.4
Total	1410	36.2
Net cash/(debt)	(77.9)	(2.0)
NAV	1333	34.2
FD	1405	30.0

Source: Davy

Flash Note: Start-up of drilling programme

Providence

Price: 9c

Hook Head hopes: follow-on appraisal well (50/11-4) has started

Hook Head appraisal starts

- Providence Resources has announced the start-up of the Hook Head appraisal well in the Celtic Sea offshore southern Ireland. Providence has a 48.7% interest in this well, which is targeted at a 60m barrel oil prospect.
- If the Hook Head appraisal well results in a successful flow test, it will be a major result for Providence and the Irish offshore in general. This should point the way to Hook Head being a development nucleus for a number of other prospects in the Celtic Sea.
- The well is likely to take three weeks to drill and 30 days if it is tested. After this, a second well is scheduled to appraise the former Dunmore discovery on block 50/6. This is an 18m barrel target and is also located in the Celtic Sea.

Providence is now much more diversified

- Whatever the outcome of the current drilling programme, Providence is now a far more diversified group.
- In addition to its Celtic Sea activities, Providence has built up a portfolio of licences on the high-risk/high-reward Atlantic margin. Its international portfolio has also grown with production in the US and onshore UK, and it has a small but strategic stake in the Aje appraisal programme offshore western Nigeria.

Funded, producing and with exploration upside

- Providence's share of the costs of the Hook Head well and the second Dunmore well were financed through a recent €42m convertible bond issue.
- Group production is running at 2,000 barrels of oil equivalent per day.
- We value Providence's share of the Hook Head prospect at 7c per share. In the event of a successful outcome, this would increase to 11c per share as our risk factor unwinds. Our risked valuation of the group is 30.0c per share on a fully diluted basis.

Please refer to important disclosures at the end of this report.

Davy is regulated by the Financial Regulator and is a member of the Irish Stock Exchange and London Stock Exchange. Davy is authorised by the Irish Financial Regulator and regulated by the Financial Services Authority for the conduct of business in the UK. All prices as of close of previous trading day unless otherwise indicated. For the attention of US clients of Davy Securities, this third-party research report has been produced by our affiliate, J & E Davy.

Important disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report certifies that: (1) the views expressed in this research report accurately reflect his or her personal views about any or all of the subject securities or issuers referred to in this report and (2) no part of his or her compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this report.

Regulatory and other important information

Davy is regulated by the Financial Regulator and is a member of the Irish Stock Exchange and London Stock Exchange. Davy is authorised by the Irish Financial Regulator and regulated by the Financial Services Authority for the conduct of business in the UK. No part of this document is to be reproduced without our written permission. This publication is solely for information purposes and does not constitute an offer or solicitation to buy or sell securities. This document does not constitute investment advice and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities/strategy discussed in this report may not be suitable or appropriate for all investors. The value of investments can fall as well as rise and there is no guarantee that investors will receive back their capital invested. Past performance and simulated performance is not a reliable guide to future performance. Projected returns are estimates only and are not a reliable guide to the future performance of this investment. Forecasted returns depend on assumptions that involve subjective judgment and on analysis that may or may not be correct. Any information related to the tax status of the securities discussed herein is not intended to provide tax advice or to be used as tax advice. You should consult your tax adviser about the rules that apply in your individual circumstances.

This document has been prepared and issued by Davy on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst all reasonable care has been taken in the preparation of this document, we do not guarantee the accuracy or completeness of the information contained herein. Any opinion expressed (including estimates and forecasts) may be subject to change without notice. We or any of our connected or affiliated companies or their employees may have a position in any of the securities or may have provided, within the last twelve months, significant advice or investment services in relation to any of the securities or related investments referred to in this document.

Share Ownership Policy

Davy allows analysts to own shares in companies they issue recommendations on, subject to strict compliance with our internal rules governing own-account trading by staff members.

We are satisfied that our internal policy on share ownership does not compromise the objectivity of analysts in issuing recommendations.

Conflicts of interest

Our conflicts of interest management policy is available at www.davy.ie/ConflictsOfInterest.

Davy acts as stockbroker to Providence.

The remuneration of the analyst(s) who prepared this report is based on various factors including company profitability, which may be affected to some extent by revenues derived from investment banking.

Davy is a registered market-maker in the securities of Providence on the Irish Stock Exchange.

Davy is a registered market-maker in the securities of Providence on the London Stock Exchange.

Davy may have acted, in the past 12 months, as lead manager/co-lead manager of a publicly disclosed offer of the securities in Providence.

Investors should be aware that Davy may have provided investment banking services to, and received compensation from Providence in the past 12 months or may provide such services in the future. The term investment banking services includes acting as broker as well as the provision of corporate finance services, such as underwriting and managing or advising on a public offer. From time to time, Davy may hold a position or deal in the securities referred to in this report. Should an instance arise where Davy has a holding that exceeds 5% of the issued share capital of a company, this will be disclosed in this report.

Other important disclosures

A description of this company is available at www.davy.ie/RegulatoryDisclosures.

A summary of our standard valuation methods is available at www.davy.ie/ValuationMethodologies. All prices used in this report are as of close on the previous trading day unless otherwise indicated. A summary of existing and previous price targets for each company under coverage, together with an indication of which of these companies Davy has provided investment banking services to is available at www.davy.ie/PriceTargets.

US Securities Exchange Act, 1934

This report is only distributed in the US to major institutional investors as defined by S15a-6 of the Securities Exchange Act, 1934 as amended. By accepting this report, a US recipient warrants that it is a major institutional investor as defined and shall not distribute or provide this report or any part thereof, to any other person.

Distribution of research to clients of Davy Securities in the US

Davy Securities distributes third-party research produced by its affiliate, J & E Davy.

Davy Securities is a member of FINRA and SIPC and is regulated by the Financial Regulator.

Davy Securities does not act as a market-maker.

Neither Davy Securities nor its affiliates beneficially own more than 1% of any class of common equity securities of this company/these companies.

This information was current as of the last business day of the month preceding the date of the report.

An affiliate of Davy Securities may have acted, in the past 12 months, as lead manager/co-lead manager of a publicly disclosed offer of the securities in Providence.

Investors should be aware that an affiliate of Davy Securities may have provided investment banking or non-investment-banking services to, and received compensation from, Providence in the past 12 months or may provide such services in the next three months. The term investment banking services includes acting as broker as well as the provision of corporate finance services, such as underwriting and managing or advising on a public offer.

Confidentiality and copyright statement

Davy, Research Department, Davy House, 49 Dawson St., Dublin 2, Ireland.

Confidential © Davy 2008.