

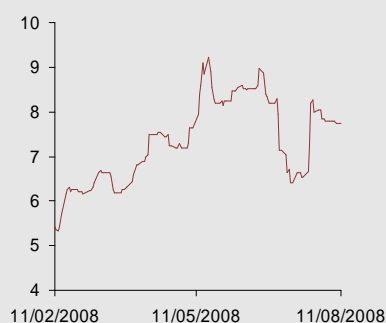
18 August 2008

UNITED KINGDOM • OIL & GAS

Buy

- Carbon Sequestration
- Natural Gas Storage
- 50/50 joint venture with Star/Petronas

Share Price Performance



Source: Fidessa

Providence Resources

'ULYSSES' Project

Providence and Star/Petronas have commenced the "ULYSSES Project", a study to evaluate the carbon sequestration and natural gas storage potential of the Kish Bank Basin, offshore Ireland.

The study is being carried out on a 50/50 joint venture basis with Star Energy Group plc, which is a wholly-owned subsidiary of Petronas, the Malaysian National Oil Company. Star Energy is a leading UK gas storage company, with gas storage developments both onshore and offshore United Kingdom and Western Europe.

Providence and Star Energy were recently awarded a three year Licensing Option over eight blocks in the Kish Bank Basin by the Irish Government Department of Energy, Communications & Natural Resources. The agreed work programme will focus on the oil and gas exploration potential of the basin while the ULYSSES Project will specifically assess the potential for underground saline reservoirs in the Kish Bank Basin to be used as sites for CO₂ sequestration as well as natural gas storage.

Comment

CO₂ sequestration or "storage" is the storage of carbon in a solid as a pure by-product in processes related to power generation. For example carbon generated as a by product of power generation could be captured and then stored in geological formations. These same formations could also be used to store natural gas to mitigate the reliance on imports.

The **Undersea Large-scale Saline Sequestration and Enhanced Storage** (or ULYSSES) Project has been designed to assess the potential use of Triassic aged saline sandstone reservoir sequences as possible sites for carbon sequestration. The presence of saline reservoirs which are located c.1.5 km below the seabed together with overlying sealing shale has been demonstrated in a number of oil and gas exploration wells which have been drilled in the Kish Bank Basin over the past c.30 years. The project area is located less than 20 km offshore from Dublin.

A similar offshore saline reservoir CO₂ sequestration project known as Sleipner has been successfully operated in the Norwegian North Sea by StatoilHydro since 1996. This project was designed to offset carbon tax liabilities estimated to be c.US\$50 million/year. StatoilHydro recently (April 2008) reported that it had to date sequestered 10 million tonnes of carbon dioxide since project start-up. Other partners in the Sleipner Project include ExxonMobil and Total.

Marathon Oil operates Ireland's only gas storage facility at the SW Kinsale Head field, offshore Cork. This facility which has been operational since 2001 has a storage capacity of 5-7 BSCF. The latest Irish Governmental Green Paper on Energy recommends that Ireland should have at least 3 months of reserve/ storage capacity which equates to c. 45 BSCF. In this regard, Providence and Star are also planning to evaluate other saline offshore reservoirs in terms of their conventional natural gas storage potential.

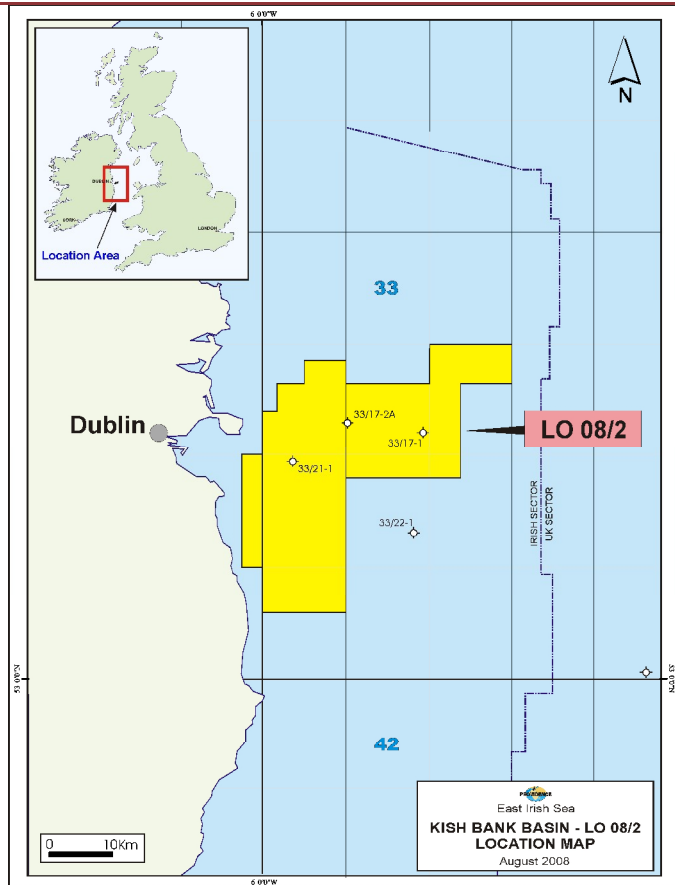
This development is a natural progression for Providence as it marries their extensive Irish offshore experience with the gas storage know how of Star Energy and the financial strength of Petronas, one of the world's largest national oil companies. In addition to acquiring Star Energy earlier this year, Petronas also owns Dragon LNG in Milford Haven which is not far from the Celtic Sea where Providence is the largest acreage holder. We wouldn't be surprised if there were more opportunities arising from this new marriage.

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Kish Bank



Source: Providence

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