11 April 2012

Daniel Stewart & Company

Initiation of Coverage

Providence Resources

Oil & Gas Exploration and Production
PVR (FTSE AIM 100)

Buy

Upside 137%

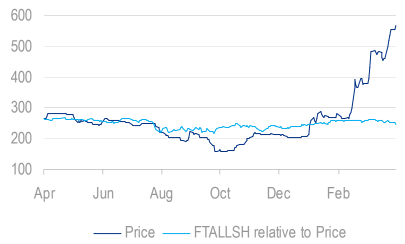
Two years, seven projects

Production, Appraisal, Exploration: Game-changing potential

Investment Case

- Extensive portfolio of exploration and appraisal assets offshore Ireland, an underexplored hydrocarbon frontier
- High impact drilling campaign in progress, targeting seven projects - six offshore and one onshore - in two years
- Each well presents a clear, independent catalyst for share price as demonstrated by the stellar results from Barryroe
- The campaign is supported by production onshore UK, which currently yields 900 boepd. 1,500 boepd targeted by year-end.
- Favourable fiscal regime in Ireland; low tax rate and no royalties due to the government

Price	**567p**
Target Price	**1,344p**



Source: Proquote

Shares in issue	63.4m
Net Debt/(Cash)	£26.4m
Market Cap	£358.9m
Enterp. Value	£385.3m

Net Debt is current year estimated

Forecasts (€m)	12/09A	12/10A	12/11E	12/12E
Turnover	11.8	11.1	16.4	27.8
EBITDA	3.5	1.5	4.3	18.7
PBT	(6.4)	(6.0)	(8.0)	6.8
Tax (%)	15	64	35	(44)
EPS (c)	(36.0)	(125.3)	(21.6)	6.1
DPS (c)	0.0	0.0	0.0	0.0

Ratios (x)	12/09A	12/10A	12/11E	12/12E
P/E	n/a	n/a	n/a	111.9
EV/DACF	0.0	0.0	0.0	0.0
Yield (%)	n/a	n/a	n/a	n/a
Price/NAV	4,383.7	(9.4)	31.6	5.0

Data is adjusted

Company Description

Providence is an Irish based E&P company with exploration and appraisal projects offshore Ireland and production onshore UK. It is undertaking a significant drilling campaign www.providenceresources.com

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Two Years, Seven Projects; Production, Appraisal, Exploration

Providence Resources has an extensive asset portfolio offshore Ireland. Its near-term drilling campaign targets seven independent projects in seven distinct basins

Providence has commenced an extensive drilling campaign offshore Ireland

Providence has embarked upon an extensive drilling campaign for 2012 and 2013. The campaign targets seven distinct prospects, of which we believe six offer game changing potential. These six prospects span the compass in terms of their locations offshore Ireland, providing geological diversification of risk. The projects also offer diversification across the development spectrum; drilling targets range from pure frontier exploration through to appraisal of existing discoveries, and now, development at Barryroe. Risk is transfused across high-risk, high-prize frontier targets offshore western Ireland and lower risk plays that are underpinned by existing discovery wells. The remaining drilling objective targets increased production at the company's producing asset onshore UK, which should provide cash flows to fuel drilling.

Providence's current drilling campaign targets six different basins offshore Ireland, comprising exploration, appraisal and development projects

Success already achieved at Barryroe

Providence drilled its first well of the campaign in early 2012. The well has yielded exceptional results with an upgrade to estimated recoverable resources the likely upshot. The Barryroe appraisal well flowed high quality light oil at a stabilised rate of 3,514 bopd, with associated gas of 2.93 mmcf/day from the lower basal sands. The rate was twice pre-drill estimates and is highly likely to render the field a commercial discovery. An additional 17 foot thick section of the well was also perforated to test the potential of the upper basal sandstone, and also achieved highly productive flow of 7mmcfd and 1,350 bopd, once again exceeding expectations. In all, the well flowed better quality oil, at a better rate, from a higher quality, thicker reservoir than anticipated, overcoming historic barriers to commerciality.

Providence has demonstrated early success at its Barryroe prospect, which flowed hydrocarbons at a much higher rate than anticipated

Drilling results provide clear catalysts for share price

We believe that each well and its associated results presents a clear catalyst for share price. Each has the potential to drive a step-change in the market's valuation of the company.

This has been demonstrated early-on by the market's reaction to the Barryroe appraisal well results. The highly positive outcome drove an increase in share price from a plateau of around 270 pence experienced during the first two months of the year, to a high of 486 pence in March. The share price has continued its climb since as the market reacted well to the additional fund raise. The numbers speak for themselves, clearly showing that a step-change has occurred in the market's assessment of company value.

The Barryroe well drove a step-change in the market's valuation of the company. We believe that Providence's five further drilling targets have the potential to recapitulate this type of response

We believe that each well in Providence's drilling programme offers similar potential for step-change; five further revaluation opportunities are presented by the Company's drilling objectives in 2012 and 2013.

Our target price comprises a NAV of Providence's producing asset and a risked valuation of those targeted by the current drilling campaign

Our near term target price embodies our core NAV and the exploration and appraisal assets targeted by this drilling campaign.

Our target price comprises a risked NAV of the prospects targeted under the prevailing drilling programme. Development assets comprise the vast majority of our target price

Our core NAV incorporates Providence's net debt position and our valuation of its producing asset, Singleton. We then value the Company's appraisal assets which account for the vast majority of our target price. We also attribute some value to the exploration assets. A depiction of the composition of our target price as segregated between these three elements is provided in Chart 1.

Providence is undervalued at its current share price

Providence is trading at a significant discount to our target price. We believe that the market is valuing the company purely on the basis of production at Singleton and its success at Barryroe. We no not believe that it has yet recognised any value in the remaining game-changing opportunities, nor do we believe that it has accounted for the likelihood of enhanced resource numbers at Barryroe.

We believe that the market is valuing Providence based on its core NAV and Barryroe alone

We believe that the market is wary of the oil and gas industry offshore Ireland, primarily due to its embryonic stage of development as compared to nearby offshore activity, for example the North Sea and Norway. Providence's success at Barryroe should serve to allay some of these fears, at least in respect of the potential offered by the Celtic Sea Basin.

The campaign is supported by onshore UK production

We see the remaining project as a partial enabler to these game changing opportunities. Singleton is located onshore UK and is currently produces over 900 boepd. Providence is undertaking an enhanced drilling programme which targets increased production at the asset. This should strengthen the company's operating cash flow, and should provide funding support for the extensive drilling programme.

Providence is currently producing 900 boepd from its Singleton field. It is targeting 1,500 boepd under its field development plan

Providence is a member of a relatively small group of small and mid cap exploration-focussed companies with substantial game-changing acreage which also benefit from a constant stream of revenue. At 900 boepd we estimate that Providence will be earning revenues in excess of $110k per day at the prevailing oil price. The company is targeting increased production of 1,500 boepd, which we anticipate will boost gross revenues by around two-thirds. Although insufficient to fully fund the drilling campaign, we believe that revenues should cover G&A and should go some way towards funding new activity.

Tantalizing upside lies beyond our target price

Table 1 shows our value appraisal of the seven projects to be targeted by Providence's current campaign. We believe that significant mid and long-term upside potential exists beyond this valuation. Vast upside potential exists in de-risking each of the appraisal and exploration targets. We risk the discovery prospects at between 53% and 70%, clearly indicating that attributable value has the potential to increase. We risk Dragon and Spanish Point to 53% and 56%% respectively, which indicates the potential for an almost two-fold increase in value. We believe we are being conservative in our risking compared to the Company's risking of 75% and 80%, respectively.

Project de-risking bears vast upside potential to our target price

Upside potential is more acute in the exploration prospects, to which we apply an 8% commercial chance of success. Complete de-risking of these prospects would indicate in excess of a nine-fold increase in attributable value. Again, we believe we are being conservative in our risking as the company risks Dunquin to 16% and Dalkey Island to 20%.

Success at any one prospect has the potential to significantly de-risk proximate assets

Currently unquantified upside exists in that success at any one of these prospects has the potential to significantly de-risk proximate, analogous targets. Providence has a vast resource base offshore Ireland, and at present we are valuing only a portion of its portfolio.

Drilling success may have a knock-on effect for proximate resource plays

Our valuations are underpinned by the company's own best estimate of recoverable resources and where available, CPR results. Positive well results have the potential to drive upgraded resource estimates and this would confer corresponding increases to our valuations. We anticipate that this may be the case at Barryroe and have incorporated an increased resource base in out NAV calculation.

Positive results could upgrade resource estimates

Providence mitigates the common funding risk through a policy of farm-downs

Extensive offshore drilling campaigns are notoriously expensive and funding through development often presents the greatest risk to oil and gas exploration companies in realising the value of their assets.

We believe that funding presents the greatest risk to Providence

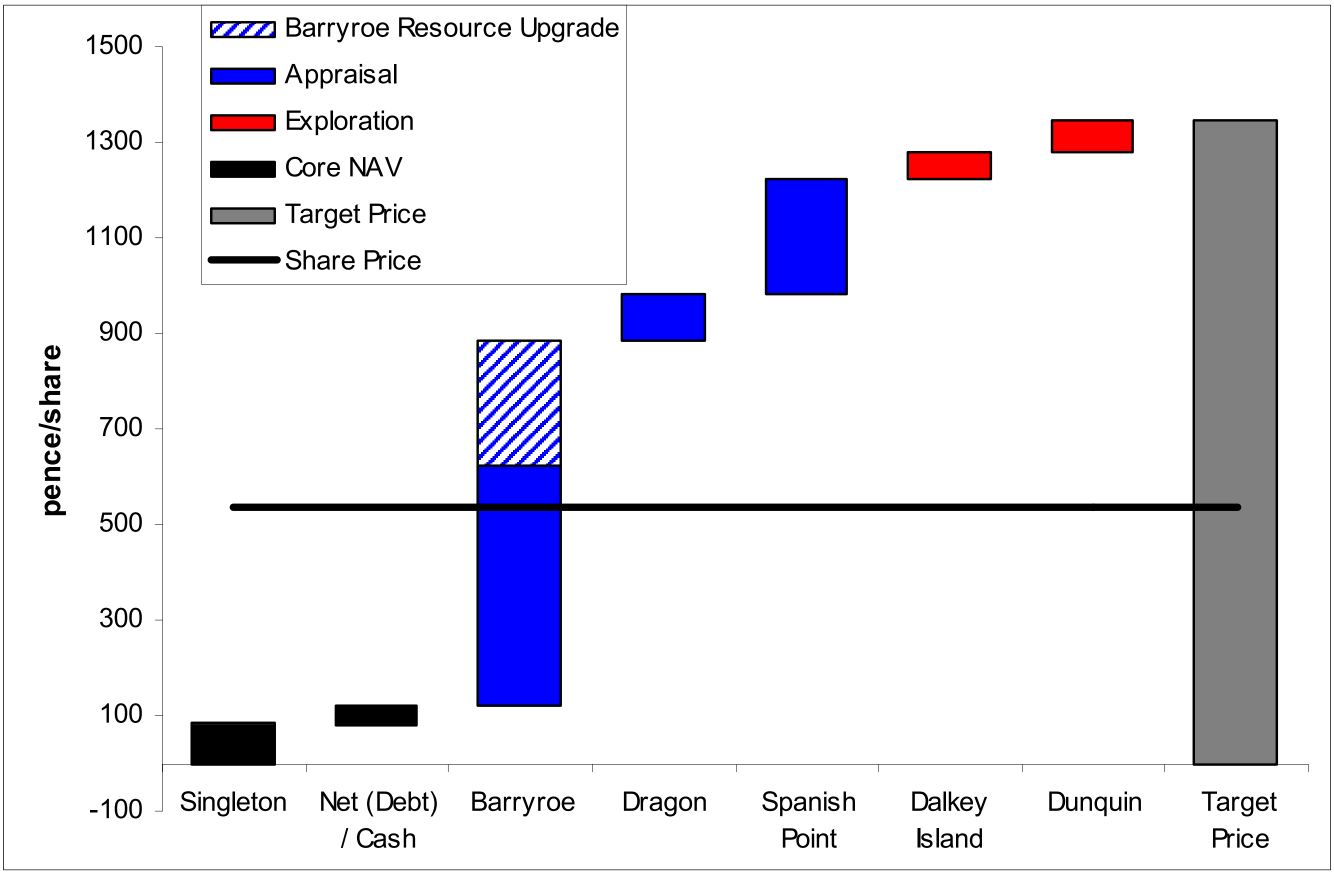
Providence believes that it will need to spend between $80m and $120m over the next two years to complete the programme, being its share of the $500m total spend. We estimate that it has spent $60m on the Barryroe well to date, indicating that it needs a further $60m to complete the programme.

Funding through development in any one play will be costly. We believe that farm down transactions will be necessary

Operating cash flow from Singleton will fund this to an extent but is clearly insufficient to fund the whole campaign. The Company recently raised $100m through a share placing. Around 40% is intended to be used in repaying the convertible loan, leaving circa $60m for the drilling programme. Some of this will be directed towards costs incurred at Barryroe and we anticipate $30m will remain. Combined with existing cash, we believe that Providence is now funded through the majority of campaign, barring no cost overruns or overseen expenditure. We have included no capex for Rathlin in our calculations but believe that drilling will be low cost in this Basin and that Providence will be able to fund this through existing cashflows.

Beyond this campaign, development of any one prospect will be expensive. Providence's stated strategy is to farm-down its prospects on exploration success, enabling the company to realise value whilst minimising development capital expenditure. Concurrent to Providence's strategy, farm-out transactions will be key enablers for the Company in realising value from its discoveries. Thus Providence's strategy mitigates the risks associated with funding through development to an extent; the risk lies more in attracting development partners and the economic terms associated with any such agreements made.

Chart 1: Target Price Composition based on a Risked NAV assessment (pence/share)



Source: Daniel Stewart

Valuation

We base our near-term target price on the discoveries and prospects to be drilled as part of the current campaign

Our net asset valuation for Providence is underpinned by its drilling programme for 2012 and 2013

We have performed a risked sum of parts valuation which has yielded a total valuation equivalent to 1,344 pence/share. Our core valuation is borne out by the producing asset at Singleton which yields 81 pence/share. This is offset by our estimate of Providence's net cash position which we base on our balance sheet projections. We have calculated the net cash position according to our estimated position following April's $100m fund raise, Barryroe well funding and settlement of the convertible bond.

The producing asset plus 2012-2013 drilling campaign underpins a two-fold increase in share price.

The bulk of our target price is borne out by discoveries, in which hydrocarbons have been encountered before

Our development NAV contributes a further 1,102 pence/share. Barryroe, Dragon and Spanish Point are included as development and appraisal assets within this category as successful historic drilling has yielded a discovery in each. The fields were not considered commercially viable in the past for a variety of factors, which are discussed in depth later in this report. However, times have changed and the environment now indicates that commerciality may be achievable; the oil price is high, offshore and deepwater technologies have advanced, and Ireland's gas infrastructure has matured. This is discussed in more detail later in this report.

Development assets, in which one or more wells have previously encountered hydrocarbons, comprise the bulk of our target price

We have assigned 53% and 56% commercial chances of success to the Dragon and Spanish Point gas discoveries and thus almost two-fold upside potential lies within de-risking. We apply these values taking into account company guidance on chance of success and applying a further 70% risk factor to account for farm-down and commercialisation risks. Our commercial chance of success for Barryroe is higher, at 70%, based on this year's successful drilling results.

Our risking of these targets could be seen as conservative when compared to the Company's figures.

We apply a nominal value to Providence's exploration assets, which could bear vast upside

We value Providence's exploration assets at a nominal 119 pence per share. Our assessment is based on the Dalkey Island and Dunquin prospects. We do not currently attribute a value to the Rathlin Basin as information on the basin, including potential volumetrics, is currently unavailable. We have assigned an 8% commercial chance of success to each of the Dalkey Island and Dunquin prospects. We thus see in excess of nine-fold upside potential linked to de-risking of these assets. We illustrate the composition of our share price in Chart 1.

Exploration assets currently make up a minority portion of our target price, but bear vast upside potential

Again, our level of risking is conservative when compared to Providence's risking. It applies16% to Dunquin and 20% to Dalkey Island.

The market is undervaluing Providence

Based on the current share price we believe that the market is basing its assessment of Providence purely on the pre-drill value of Barryroe and its core NAV. This is unsurprising given that the well has been at the forefront of the Company's news flow recently and is the first in the portfolio to be drilled.

We believe that the market is valuing Providence based on its core NAV and Barryroe alone

We believe that the market has yet to recognised the upside potential conferred by the positive Barryroe results. We base our target price on estimated recoverable resources of 100mm boe, rather than the pre-drill estimate of 58mm boe. We have increased this value on the back of the stellar well results, and it now nears the pre-drill p10 volumetrics.

Our pre-drill estimate of the Barryroe discovery was in the region of 500p/share when risked at 70%. We anticipate that the market's perception of value will change in the near-term as the drilling programme progresses and updated results are released for Barryroe. We believe that the market will then start to price in the potential of Providence's remaining targets.

Table 1: Providence Resources NAV

	NAV10 $m	NAV10 £m	Pence per share	Risk	Risked pence per share at present equity stake pence/share	Upside Potential from de-risking
Core NAV						
Singleton	83	52	81	100%	81	0
Net (Debt) / Cash	42	26	41	100%	41	0
Core NAV					**123**	
Development NAV						
Barryroe Oil Discovery	1105	690	1,090	70%	763	327
Dragon Gas Discovery	189	118	187	53%	98	89
Spanish Point Gas Discovery	437	273	431	56%	242	190
Core + Development NAV					**1,225**	
Exploration NAV						
Dalkey Island Oil Prospect	705	440	695	8.0%	56	640
Dunquin Oil/Gas Prospect	804	502	793	8.0%	63	730
Rathlin Basin Oil Prospects	N/A	N/A	N/A	N/A	N/A	
Exploration NAV					**1,344**	

Source: Daniel Stewart

Clear upside potential beyond our target price

In Table 1 we present our full assessment of net asset valuation of Providence's drilling targets. We see several avenues for upside potential;

- Project de-risking provides upside potential across the board. We currently risk two development assets at 53% and 56%% which demonstrates that there is almost two-fold upside potential in complete de-risking of these targets. A further 30% upside potential underlies the Barryroe discovery at our current valuation. Our level of risking is more conservative than the level of risk applied by the Company.
- The potential inherent in the risking of the exploration assets is more acute. Our 8% application of commercial chance of success indicates that in excess of nine-fold upside potential exists.
- Commercial success at any one asset has the potential to unlock value in nearby, on trend targets. A later section of our report outlines the extent of Providence's portfolio, giving an idea of the scale of follow-on activity that may exist.
- We also envisage that there is potential for resource upgrade in the event of better than expected well results. Increased recoverable hydrocarbon content should translate directly into additional value. We anticipate that this may be the outcome of the Barryroe appraisal results and as such, have included an estimate of the scale of upgrade within our Barryroe NAV.

Clear upside potential exists in de-risking of assets targeted by the current appraisal campaign, unlocking value in the rest of Providence's vast portfolio and potential for resource upgrade, brought about by superior drilling results

Assumptions

Resource Base

One crucial question of all oil company valuations concerns which resources to include. We have modelled Providence's value based on the Company's best estimates recoverable resources or CPR documentation where available. We have increased the company's pre-drill estimate of recoverable resources at Barryroe from 58mm boe to 100mm boe based on the successful drilling results.

We have included only the assets targeted by the Company's drilling campaign rather than assigning value to the entire asset base. This is because we see a clear route to monetisation for these assets.

Project economics

Our economic assumptions for capex and opex within each of the plays are based vary according to the environment in which each play is located. Our estimated F&D costs for Providence's appraisal and development opportunities range from $8 - $15/boe, with the lower end of the scale applicable to the discoveries, and the upper to the pure exploration plays. Our estimate of opex ranges between $15 and $20/boe.

Financing

We have made the assumption that Providence is able to fully fund the current drilling campaign through production, working capital and debt.

Project Ownership

At present we have valued the company based upon existing project interests. We have assumed no further farm-out transactions. We believe however, that farm-outs will be likely beyond the current drilling campaign.

Project Risking

We have risked each project according to our understanding and interpretation of commercial chance of success. In most cases this will differ from the geological chance of success which may be given in technical reports.

Commodity Pricing

Oil and gas pricing has been run on a flat line basis. We price oil at $110/bbl for the remainder of 2012 and 2013 and then at $90/bbl thereafter. We price UK/Irish gas at $8/mcf.

Production Metrics

We have assumed that time to first oil is between three and six years from the date of drilling of the first well on each prospect. We have generally applied a three year period to discoveries, and six years to exploration prospects. We have generated our own estimates of production rates and exponential decay curves.

Foreign Exchange

Foreign exchange has been charged at USD/GBP = 1.6 and USD/EUR = 1.3

We make a number of assumptions surrounding the resource base and potential production profiles, project economics, financing and ownership, and degree of risk

An extensive asset base lies beyond Providence's near-term drilling targets

Providence has an extensive asset base offshore Ireland and a number of assets onshore UK

Whilst we have focused this report on the assets which Providence is targeting as part of its 2012/2013 drilling campaign, it has an extensive portfolio beyond this. Despite operating in a limited geographical area relative to many globally operating E&P companies, Providence's vast array of assets provides a compelling degree of diversification;

- Providence's assets are split across the development spectrum. They range from development and appraisal opportunities to high risk exploration whilst being backed up by a production asset onshore UK. This confers diversification of risk across the project lifecycle.

Providence's portfolio shows geological and developmental diversification

- Geological diversification stems from the location of Providence's assets. They are located in an array of eight distinct sedimentary basins, spanning the compass offshore Ireland. Effective geographical diversification is somewhat limited as while geology varies around Ireland, the majority of the assets will be subject to the same laws and regulations, and macroeconomic drivers. We do not see this as a problem; we believe that it retains focus within diversity and allows easier management of operations.

- Equity holdings vary across the portfolio from a low of 3.2% to a high of 100%. A number of licenses are held with majority ownership and this points towards the potential for hefty development costs. However, Providence has stated its intentions as regards farm-out transactions and we believe that such deals will be key for the Company in monetising its opportunities. High percentage holdings also confer the ability to farm-down licenses, while retaining meaningful holdings and we believe this will be important for Providence in extracting as much value from its portfolio as possible. It is notable that the Company is also presently the operator of most of its licenses.

- Dunquin, one of the larger and likely more expensive to appraise and develop prospects in Providence's portfolio benefits from super-major support. Exxon is the operator and has a 27.5% equity stake. ENI (27.5%) and Repsol (25%) also hold interests. Super major participation should serve to endorse the prospectivity of the play. We also believe that it will prove to be of vast operational benefit due to the wealth of deepwater experience and economies of scale that Exxon brings to the table.

The Dunquin prospect has the support of super majors Exxon Mobil, ENI and Repsol

- Petronas, Malaysia's National Oil Company is also on board. It is a partner in the Dragon gas discovery and the Dalkey Island prospect. Petronas has appreciable deepwater operating experience and we believe it to be a suitable and beneficial partner for the exploration and appraisal of these opportunities.

Petronas, the Malaysian NOC, is involved in Dragon and Dalkey Island

Asset Location

Table 2 outlines the location of Providence's Irish assets, which are located in eight basins offshore Ireland. Providence has a very strong footprint offshore Ireland and we estimate that it holds over 75% of the licensed areas. This clearly offers vast potential for follow on work.

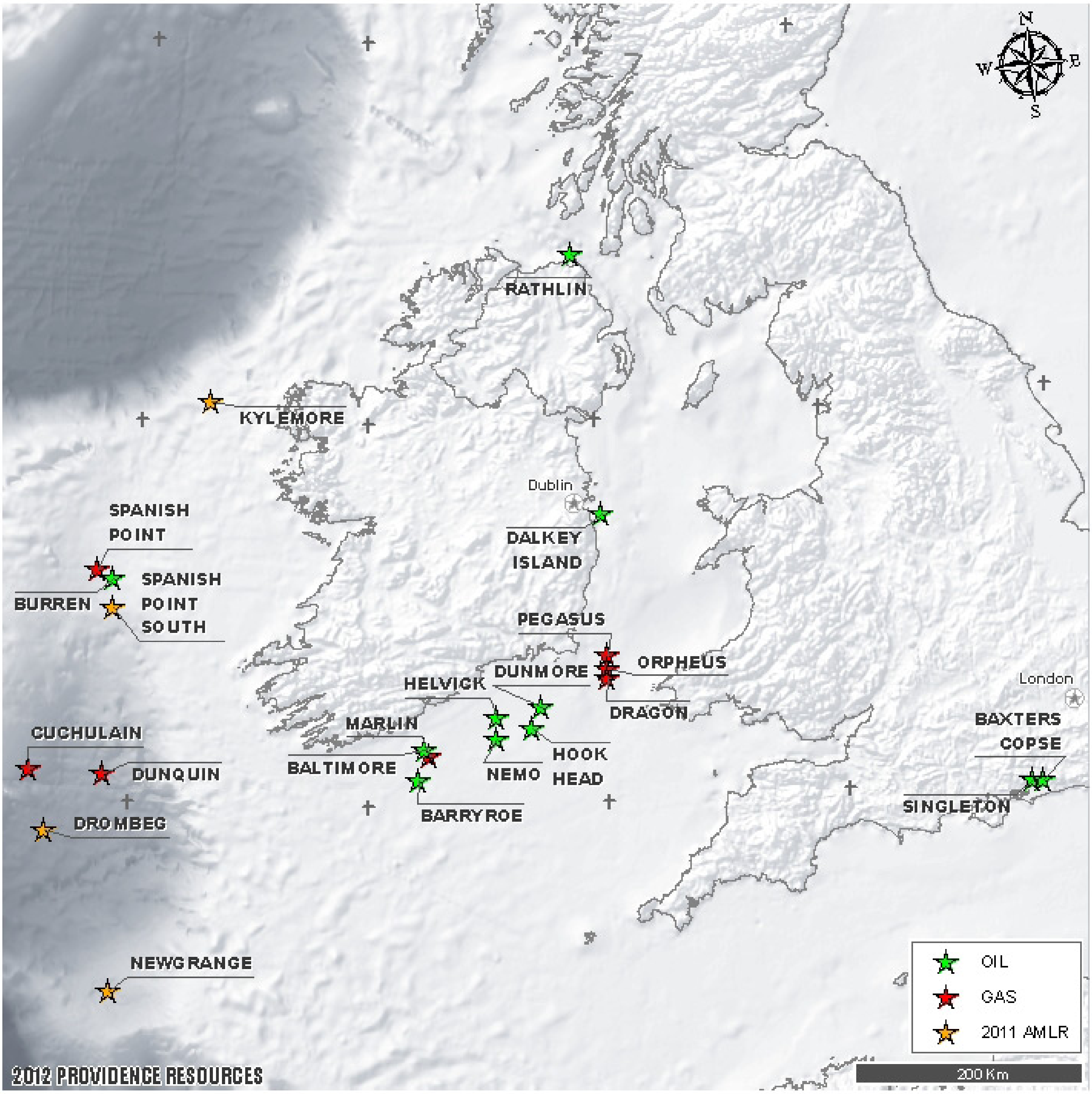
Table 2: Providence Resources Irish Assets

License	Asset	Basin	Operator	Partners	Providence Holding	Type
Appraisal Assets						
SEL 1/11	Barryroe*	Celtic Sea	Providence	Lansdowne	80.00%	Oil Discovery
SEL 2/07	Dunmore	Celtic Sea	Providence	Atlantic; Sosina	72.50%	Oil Discovery
LO 10/1	Baltimore	Celtic Sea	Providence	Nautical	60.00%	Oil Discovery
FEL 2/04	Burren	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil Discovery
FEL 2/04	Wilde/Beehan	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil Discovery
SEL 1/07	Dragon*	St George's Channel	Providence		100%	Gas Discovery
FEL 2/04	Spanish Point*	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil & Gas Discovery
SEL 2/07	Hook Head	Celtic Sea	Providence	Atlantic; Sosina	72.50%	Oil & Gas Discovery
SEL 2/07	Helvick	Celtic Sea	Providence	Atlantic; Sosina; Lansdowne	62.50%	Oil & Gas Discovery
SEL 2/07	Nemo	Celtic Sea	Providence	Atlantic; Sosina; Nautical	54.40%	Oil & Gas Discovery
Exploration Assets						
LO 10/1	Marlin	Celtic Sea	Providence	Nautical	30.00%	Oil & Gas Exploration
SEL 2/11	Dalkey Island*	Kish Bank	Providence	Petronas	50.00%	Oil & Gas Exploration
LO 11/12	Kylemore	Main Porcupine	Providence	First Oil	66.66%	Oil & Gas Exploration
FEL 4/08	Cama (Nth & Sth)	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil & Gas Exploration
FEL 4/08	Rusheen	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil & Gas Exploration
FEL 4/08	Costelloe (Main, Nth, Sth)	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil & Gas Exploration
FEL 4/08	Shaw	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil & Gas Exploration
FEL 4/08	Synge	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil & Gas Exploration
LO 11/2	Spanish Point South	Main Porcupine	Providence	Chrysaor; Sosina	32.00%	Oil & Gas Exploration
FEL 3/04	Dunquin*	South Porcupine	Exxon Mobil	Eni; Repsol; Sosina	16.00%	Oil & Gas Exploration
FEL 1/99	Cuchulain	South Porcupine	ENI	Exxon Mobil; Sosina	3.2%	Oil & Gas Exploration
LO 11/9	Drombeg	South Porcupine	Providence	Sosina	80%	Oil & Gas Exploration
LO 11/11	Newgrange	Goban Spur	Repsol	Sosina	40%	Oil & Gas Exploration
SEL 1/07	Pegasus	St George's Channel	Providence		100%	Oil & Gas Exploration
SEL 1/07	Orpheus	St George's Channel	Providence		100%	Oil & Gas Exploration
SEL 1/07	Dionysus	St George's Channel	Providence		100%	Oil & Gas Exploration
SEL 2/11	ULYSSES	Kish Bank	EIRGAS		100.00%	Gas Storage Evaluation

Source: Providence Resources
* Asset is part of current drilling campaign

Location Map

Figure 1: Providence Resources Asset Location



Source: Providence Resources

Narrowing down the portfolio – a focused campaign

Providence's operations for 2012 and 2013 target seven projects which span the entire upstream lifecycle. Production, appraisal and exploration are key components, with development at Barryroe now on the cards

Providence's activity plan for the next two years comprises seven discrete projects in seven discrete locations in six distinct basins offshore Ireland and one onshore UK. We base our NAV and target price on these seven objectives.

Providence is targeting seven projects over the next two years

We outline the seven project programme in Table 4. It comprises;

- Targeting enhanced production at Providence's producing asset, Singleton.
- Appraisal of three discoveries in three different basins at Barryroe, Dragon and Spanish Point. Barryroe has already been drilled and proved to be a huge success.
- Exploration of three high impact oil prospects offshore Ireland at Dalkey Island, Dunquin and the Rathlin Basin

Success at any one of Providence's appraisal and development prospects could have a significant knock-on effect in de-risking proximate analogous prospects.

The projects comprise increasing production, appraisal of existing discoveries and wildcat frontier exploration

Extensive offshore drilling campaigns are notoriously expensive. We believe that funding presents the largest risk to Providence. The company believes that it will need to spend between $80m and $120m over the next two years to complete the programme, being its share of the $500m total spend. We estimate that it has spent $60m on the Barryroe well to date, indicating that it needs a further $60m to complete the programme.

Operating cash flow from Singleton will fund this to an extent but is clearly insufficient to fund the whole campaign. The Company recently raised $100.0m through a share placing. Around 40% is intended to be used in repaying the convertible loan, leaving circa $60m for the drilling programme. Some of this will be directed towards costs incurred at Barryroe and we anticipate $30m will remain. Combined with existing cash, we believe that Providence is now funded through the majority of campaign, barring no cost overruns or overseen expenditure.

Table 3: Seven Project Activity Plan

Target	Drill Date	Status	Providence %	Type of Target	In place MMBOE	Recoverable MMBOE
Barryroe	Complete	Complete	80	Oil Discovery	373	58
Singleton	Ongoing	Ongoing	99.1	Producing Asset		
Dalkey Island	H2 2012	Prep Works	50	Oil Prospect	850	250
Dragon	H2 2012	Prep Works	75	Gas Discovery		33
Spanish Point	Q2/3 2013	Prep Works	32	Gas Condensate Discovery	510	200
Dunquin	Q2 2013	Prep Works	16	Gas Condensate Prospect		1,716
Rathlin Basin	H2 2013	Scoping	100	Oil Prospect		
Total						2,257

Source: Providence Resources; Daniel Stewart

The Discoveries

Barryroe – stellar results already achieved

Barryroe is the most progressed of Providence's appraisal and exploration targets. Drilling and testing was undertaken in Q1 2012 and yielded extremely positive results which drove a step-change in the market's assessment of Company value.

Barryroe is located in the Celtic Sea basin, offshore southern Ireland

The discovery is located in the Celtic Sea, offshore southern Ireland. The reservoir lies in a relatively shallow 80m of water and is located at a depth of 1,500 – 2000m.

Barryroe was discovered by Esso in 1973. Well 48/28/1 targeted the Middle Wealden Sands and flowed at 1,300 bopd. A second well flowed from the same formation at 1,527 bpd and a third targeted the Lower Wealden and tested at 1,619 bopd. Two further wells were drilled but were not flow tested. Despite the favourable flow rates, the reservoir was not deemed commercially viable. This was primarily due to concerns over reservoir continuity and the high pour point of the oil.

Three wells had previously encountered oil in the field, but it was not deemed commercially viable due to concerns over reservoir continuity and the high pour point of the oil

Providence drilled and tested its Barryroe appraisal well, the sixth well to be drilled to the reservoir, in Q1 2012. The results were highly successful. The well encountered a light crude which flowed at over 3,500 bopd and 2.93mmcfd. This doubled expectations and the rate penned as indicative of commercial viability. Logs confirmed the presence of 41 feet of net pay in the lower basal sandstone, averaging 15% porosity and 87% hydrocarbon saturation. The oil was of much higher quality than expected, recorded at 42 API, 0.68 viscosity and 20% wax with a gas to oil ratio of 800 scf/stb, indicating that sufficient flow can be achieved despite the waxy nature of the oil, removing one of the barriers historically preventing commerciality. Reservoir development was described by the Company as 'better than expected', removing the second barrier which had previously limited commerciality.

Providence's well flowed at rates which far exceeded expectation and reservoir continuity appeared 'better than expected', overcoming one of the previous barriers to commerciality. Flow rates also exceeded expectations, indicating that the waxy nature of the oil will not be a significant issue

Following initial testing, Providence perforated an additional 17' thick net gas bearing section to test the potential of the upper part of the basal sandstone. Again, productivity far exceeded expectations, achieving a flow rate of 1,350bopd and 7mmcfd.

In all, the results indicate that Barryroe is highly likely to be a commercial discovery.

We believe that pre-drill p50 reserve estimates will be upgraded consequent to the characteristics and qualities of the reservoir and hydrocarbons encountered. The sands were thicker than originally modelled, the oil-water contact was not encountered and the hydrocarbons flow more productively than anticipated. As such, we believe that both the amount of oil in place and recoverability will be enhanced. To this extent, we have modelled Barryroe based on recoverable resources of 100mm boe, which is close to the original p10 resource value of 104mm boe. We anticipate an update from Providence at some point in the next 12 months.

Providence is the operator at Barryroe and has an 80% working interest. Lansdowne Oil and Gas, also listed on AIM, own the remaining 20%. San Leon Energy, another AIM listed company, has a 4.5% net profit interest on the full field as compensation for transferring its 30% working interest to Providence in December 2011.

Providence operates Barryroe with an 80% interest

Dragon gas discovery – chance of commerciality enhanced through proximity to Milford Haven LNG facilities

The Dragon field is located in the St George's Channel Basin, around 40km offshore south-east Ireland. It is situated in water of approximately 90 -100m deep and the reservoir is found at 2,500m. The field straddles the Irish - UK meridian line. Providence holds 100% of the Irish side of the field and 50% of the UK side, both as operator. The residual 50% of the 'English' side of the Dragon field is held by Star Energy, a subsidiary of Petronas. The partners' application for the English license was approved in early 2012, as part of a UK government out-of-round process. Providence plans to drill its first well at the Dragon gas discovery in H2 2012.

The Dragon gas field straddles the UK-Ireland meridian in the St George's Channel

Marathon Oil discovered the English side of the field in 1994 following acquisition of 3D seismic and a two well drilling programme. The original discovery well flowed 22 mmcfd and 120 bopd from Upper Jurassic sands, but the field was not considered commercially viable at the time as there was no clear route to market. Development of LNG facilities at Milford Haven provides a clear option for monetisation and enhances the commercial viability of any potential discovery. Development of gas as a power source in Ireland also renders tieback to the Irish coast an alternative route to market.

The Dragon field was discovered in 1994 but was not considered commercially viable due to a lack of route to market opportunities. Milford Haven LNG facilities remove this barrier today

Ikon has independently assessed the Dragon field as having an in place resource base of up to 300 Bcf, 75% of which is believed to be located in the Irish proportion of the licenses. The Company estimates that 200 Bcf of this resource base will be recoverable.

GIIP has been independently assessed at 300 Bcf

The licenses in which Dragon is located also contain the deeper Jurassic aged Orpheus and Pegasus prospects and the Triassic Dionysus play. Pegasus has estimated resource potential of 300 Bcf. Orpheus has 290 Bcf and as it is located directly beneath the Dragon field, could be drilled in conjunction with Dragon.

Spanish Point gas-condensate discovery

The Spanish Point discovery is located in the Main Porcupine Basin, offshore western Ireland in 400m water. The overpressured reservoir is located at 4,200m and is a deepwater turbidite sandstone of Upper Jurassic age.

The original Spanish Point discovery well was drilled by a consortium led by Phillips Petroleum in 1981. It flowed at 2,000 boepd from the shallowest of four logged pay zones in the Upper Jurassic. The discovery was deemed uneconomic due to a combination of low commodity prices, high production costs, the relatively hostile deepwater environment and the lack of gas infrastructure in Ireland. Although the deepwater environment remains, industry experience has advanced significantly since discovery. Coupled with higher commodity prices and the development of gas infrastructure in Ireland, it appears the market has moved, rendering Spanish Point potentially commercially viable.

Spanish Point was discovered in 1981 but was not deemed commercially viable due to high production costs, low commodity prices and the absence of gas infrastructure in Ireland. High commodity prices, industry progression in deepwater operational capabilities and the development of Ireland's gas infrastructure combine to make the discovery interesting

Senergy has conducted an independent assessment of the resource potential of the license. The report attributes gross contingent recoverable resources of 100 to 200mboe to Spanish Point and potential for up to 750m boe recoverable resource in the wider license area. This figure hints at vast upside potential in the event that Spanish Point is deemed commercial.

Providence is the operator of the field and has a 32% working interest. Its partners are private companies Chrysaor (60%) and Sosina (8%). Providence farmed out to Chrysaor in 2008 in return for a partial well carry and funding of a 3D seismic programme. Consequent to the transaction, Providence's exposure to the next well is limited to $20m. Chrysaor has the option to earn up to a maximum of 70% interest by agreeing to drill a further well.

An independent resource report assessed recoverable resources to be 200m boe at Spanish Point, and 750m boe in the wider license area

Providence's Prospects

Dalkey Island oil prospect – a shallow water prospect in proximity to a major market

Dalkey Island is located in the Kish Bank Basin in, 10km offshore eastern Ireland in shallow water of 25m depth. Proximity to the coast and shallow depth of water combine to indicate that development costs would be lower than at Dalkey Island than those in the majority of Providence's other drilling targets. Dalkey Island is located in proximity to Dublin and thus a market is readily available on its doorstep. The Kish Bank Basin is geologically akin to the prolific East Irish Sea Basin, which produces large volumes of oil and gas offshore Liverpool Bay, indicating the scope of prospectivity that exists.

Dalkey Island is located in shallow water in proximity to Dublin

The Dalkey Island prospect is a large structural closure at the lower Triassic level. Four wells have been drilled in the basin to date and have proved the presence of excellent quality Sherwood Sandstone reservoir, Mercia Mudstone caprock and gas prone Carboniferous source rocks. A third party geochemical study on residual oil samples from a well near to the prospect has confirmed the presence of a mature Palaeozoic marine oil prone source rock in the Kish Bank Basin.

Wells drilled to date have proved the presence of source rock, reservoir and a cap rock

In 2010 a seismic inversion study revealed the presence of a potential direct hydrocarbon indicator at the top of the primary Lower Triassic reservoir interval at Dalkey Island. This information was highlighted by well 33/22-1 that was drilled on the edge of the basin, encountering oil in Upper Carboniferous Sands.

Direct hydrocarbon indicators have been identified on a seismic inversion study

Providence estimates that the field has oil in place of 850m bbls oil, with 250m bbls considered recoverable.

Providence estimates that Dalkey Island contains 250m bbls recoverable resources

Providence plans to drill an exploratory well in 2012 in attempt to de-risk the prospect. The company holds a 50% interest in the licensing option and is the operator. Star Energy Group, a subsidiary of Petronas, holds the remaining 50% interest.

Dunquin gas-condensate prospect – high-risk, high reward

The Dunquin gas-condensate prospect is located in the South Porcupine Basin, 200km offshore south-western Ireland in water of 1,500m depth. It is an isolated carbonate platform of Middle Cretaceous age with a structural/stratigraphic trap. The reservoir is located at a depth of 5,000m. Dunquin is the largest in Providence's current drilling campaign at an estimated 1.7bn boe recoverable, a large prospect by any standards, but is also high risk.

Dunquin is a large prospect with estimated recoverable resources of 1.7boe

By virtue of Dunquin being Providence's largest opportunity and its location, it will likely be the most expensive to develop. This is true deepwater frontier territory and infrastructure is non existent.

Providence holds a 16% interest in the Dunquin prospect, with the option to trim this to 8% in return for a carry through the next two wells. Exxon is the operator with a 27.5% interest; ENI holds 27%, Repsol 25% and Sosina 4%.

Exxon, ENI and Repsol are involved with Dunquin, providing Super Major endorsement of prospectivity

The consortium has conducted a 2D seismic programme, the results of which drove the decision to opt into a second phase of exploration. Under the terms of the exploration contract, the deadline for drilling a well is 2013 and Providence anticipates that the well will spud in Q2 2013. We understand that at present, the well location has been agreed, the well survey site has been completed and planning and pre-drill operations have commenced, and therefore believe that the anticipated spud date is reasonable. Providence has a partial carry through this first well, which is good news for its balance sheet as wells in such a hostile and deepwater environment are likely to be very costly, and could tip $175m per well.

Rathlin Basin oil prospects

Providence is the 100% owner-operator of the Rathlin Basin oil prospects. The prospects comprise an onshore license over Rathlin Island on the coast of Northern Ireland and six offshore licenses in the Rathlin Basin. We anticipate future farm-out of the licenses to diversify Providence's exposure to the basin and to assist with exploration and development costs.

The Rathlin Basin oil prospects are primarily located offshore Northern Ireland

The six offshore blocks were awarded to Providence by the UK Government's Department of Energy & Climate Change (DECC) as part of the second tranche of awards under the UK's 26th seaward oil and gas licensing round. The license term is for six years, and Providence is committed to drilling a well within this period in order to progress to the next phase.

Exploration is at a very early stage but analysis shows possible large structural subsurface features

Exploration of the licenses is at an early stage but analysis suggests possible large structural features directly underlying the island and in the basin. Providence plans to undertake sub-surface evaluation prior to drilling an exploration well in 2013.

Providence plans to drill an exploration well in 2013

Why Ireland?

We've all heard of oil and gas in the UK North Sea and offshore Norway. So why does Ireland seem to be an E&P black hole?

Vast hydrocarbon potential

Ireland is encircled by sedimentary basins and has large and often untested hydrocarbon potential. However despite the recognised potential, its upstream petroleum industry is relatively immature. Exploratory drilling has historically been low and offshore basins are lightly explored. The Irish Offshore Operators Association estimates that around 130 exploration wells have been drilled to date. This compares to over 4,200 exploration and appraisal wells having been drilled offshore UK.

Ireland's upstream petroleum industry is relatively immature

The Department of Communications, Energy and Natural Resources (DCENR) estimates that Ireland's offshore area has potential, 'yet-to-find' recoverable resources upwards of 10bn boe. Exploration success over the forthcoming years will determine the extent to which offshore Ireland is developed as a hydrocarbon province and how many of those 'yet-to-find' barrels are converted into 'found' barrels.

The DCENR estimates that offshore Ireland has 'yet-to-find' recoverable resources upwards of 10bn boe

Lack of infrastructure poses a catch-22 situation

Consequent to the low level of activity, offshore Ireland suffers from a relative absence of infrastructure and support facilities. In turn this deters companies from investing in the region. The situation is most acute in the basins offshore western Ireland; the Celtic Sea benefits from the few discoveries that have been made there. By comparison, in much of the North Sea, historic commercial finds have forged an appreciable infrastructure network of pipelines, installation and support facilities. As such even small finds are often commercial as they can be tied into existing infrastructure. This contrasts to the situation in Ireland where hefty development costs mean that a larger size is likely to be demanded for fields to be considered economic.

Lack of infrastructure has deterred companies from exploring offshore Ireland

Offshore Western Ireland presents difficult operating conditions; The Celtic Sea is milder

Compounding the lack of infrastructure is the fact that offshore western Ireland offers a relatively harsh operating climate. The deepwater environment drives high capital costs. Seas offshore western Ireland also experience heavy swell which adds another element of difficulty to operations. Milder conditions are experienced in the Celtic Sea. The water is shallower and sea conditions are calmer, a combination endowing easier and cheaper operating conditions than those to the West. A degree of infrastructure is also already present in the Celtic Sea, reducing initial capital costs and enabling commerciality of smaller fields.

Offshore western Ireland offers a relatively harsh operating environment. The Celtic Sea presents milder conditions

What makes offshore Ireland a more attractive prospect today?

Despite being a relatively harsh environment when compared to the North Sea, offshore Ireland is opening up. Technological advances and greater expertise in deepwater drilling have deemed some of the fields offshore western Ireland technologically exploitable. The sustained high oil price also provides inroads

Technological advances, industry deepwater experience and high oil prices are opening up plays offshore western Ireland towards pushing commerciality of these fields; at $100+ per barrel, higher capital costs can be covered.

Highly attractive fiscal regime

Ireland offers a highly favourable fiscal regime. The tax regime administered to petroleum companies offers some of the most economically beneficial terms in the world. Corporation tax is charged at a base rate of 25% and there are no royalties payable to the government. PRRT is charged between 5% and 15% depending on field profitability relative to capital investment.

Ireland offers a highly attractive fiscal regime to E&P companies

There is a risk that the prevailing beneficial terms could be reformed in light of the economic difficulties faced by the country. Hydrocarbon development could afford welcome revenue to the Irish government in the event of industry progression, and the government could increase its take. However, we believe it would be a very fine balancing act between the need to attract companies and maximising government take. Additionally, the tax treatment is specifically written into each licensing authorisation issued pre-2008 and thus the risk of it being altered is limited.

Existing commercial fields

Only a handful of fields have been declared commercial in Ireland to date. All of them are gas fields.

1. The Kinsale Head Gas field is situated off the southern coast of Ireland in the Celtic Sea in 100m of water depth. It was discovered in 1973; production commenced in 1978 and met Ireland's gas needs until 1996. Total recoverable reserves were originally estimated at 1.65 Tcf gas. Seven Heads gas field is located south of Cork in the Celtic sea and is a satellite of Kinsale.

2. Ballycotton was discovered in March 1989 and came onstream in 1991 adjacent to the nearby Kinsale Head Field in the Celtic Sea. As the reservoir begins to reach the end of its economic life, Kinsale Energy plans to transform it into Ireland's largest gas storage facility. Recoverable resources were estimated at 55 Bcf gas.

3. The Corrib gas field is the only commercial development to date in the Atlantic Margin section of offshore Ireland. It is approximately 50 miles offshore and lies in the Slyne Trough Basin at a water depth of 355m. It was discovered in 1996. Shell is the operator (45%), partnered by Statoil (36.5%) and Marathon (18.5%). Reserves are estimated at 1 Tcf gas.

Existing players

Only a handful of fields have been declared commercial in Ireland to date. All of them are gas fields

International Oil Companies operating in Ireland include ENI, Repsol-YPF, ExxonMobil, Shell and Statoil.

Petronas is the only National Oil Company with operations in Ireland

AIM Listed Companies include San Leon Energy, Lansdowne Oil and Gas, Europa Oil & Gas, Antrim Energy, Petrel Resources and Serica Energy.

Private Companies include Chrysaor, Sosina, Bluestack Energy Ltd and Two Seas.

Many of these companies, including ExxonMobil, Repsol, Petronas, Sosina and Nautical, have entered offshore Ireland through Providence, once again demonstrating the Company's status as an early mover.

Risks

Financial

Deepwater exploration and production is expensive. Providence's current drilling programme is estimated at a gross $500m and full field development costs will extend much farther. In our eyes, Providence's income from Singleton and existing capital employed is insufficient to fund a project through to development. We therefore anticipate that the Company will either need to raise further funding, either through debt or equity, or enter into farm-out transactions. It has already stated its intentions to seek farm-out partners for Barryroe and we believe that this will be the focus of the Company's development financing strategy going forwards, in line with its guidance. Providence has also recently raised $100 in an oversubscribed placing which was conducted at a premium to the last share price. This demonstrates the market's appetite for the stock.

Funding any one of Providence's prospects through development will be expensive

Exploration Risk

Exploration is a major component of risk for all E&P companies. Providence has drilling targets in a number of existing discoveries, which limits exploration risk somewhat. Further, the targets are in a variety of geologically distinct basins, which provides a degree of risk diversification. Success at Barryroe has reduced the company's overall exposure to exploration risk, as it now has a discovery which is highly likely to be deemed commercially viable.

Exploration is a primary component of risk for all E&P companies

Development Risk

Even once hydrocarbons have been discovered, the nature of Providence's resources mean that development risk is high. This is especially true offshore West Ireland, where the water depth and lack of support and infrastructure will make break-even price for commercialisation high. Development and commerciality of development risks exist in other targets also, for example, Barryroe was not previously developed due to the high pour point of the oil.

A lack of infrastructure poses development risks

Long lead time to first production

We estimate that the majority of Providence's projects have long lead-times of up to six years to first oil for its exploration projects, although development of appraisal projects should be shorter and we envisage around three years for Barryroe. There is a risk that the market will overlook value to the long time until potential profit inflows are in the near-term.

Ireland fiscal environment

At present, Ireland's tax regime is highly attractive to E&P companies. There is a risk that it will revoke these rates in the future, in order to gain a greater take which is more akin to other companies. However, the risk is mitigated as the tax treatment is written into licensing agreements issued pre-2008.

There is a risk that the Irish government will revoke its favourable tax regimes

Cash flow

Table 4: Historic and Projected Cash Flow Statement

	31 Dec 09 (A)	31 Dec 10 (A)	31 Dec 11 (E)	31 Dec 12 (E)	31 Dec 13 (E)
	€'000	€'000	€'000	€'000	€'000
LOSS BEFORE TAX	**(11)**	**(34)**	**(8)**	**7**	**20**
ADJUSTMENTS FOR;					
Depletion and Depreciation	7	8	3	4	4
Loss on abandonment of development and production assets	2	-	-	-	-
Impairment of exploration and evaluation assets	0	1	-	-	-
Impairment of development and production assets	-	27	4	-	-
Finance Income	(0)	(0)	(0)	(0)	(0)
Finance Expense	10	8	9	8	7
Equity settled share-based payment charge	1	1	-	-	-
FX	1	1	-	-	-
CASH FROM OPERATIONS BEFORE CHANGES IN WC	**10**	**12**	**9**	**19**	**31**
Change in trade and other receivables	(0)	2	-	-	-
Change in restricted cash	11	-	-	-	-
Change in trade and other payables	(16)	(2)	-	-	-
NET CASH GENERATED BY/(USED IN) OPERATIONS	**4**	**11**	**9**	**19**	**31**
Interest Paid	(8)	(8)	(3)	(3)	(12)
Tax Paid	(1)	(0)	(3)	(3)	(12)
NET CASH GENERATED BY/(USED IN) OPERATIONS	**(4)**	**3**	**6**	**16**	**19**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	0	0	0	0	0
Acquisition of exploration and evaluation assets	(0)	(2)	(17)	(47)	(30)
Acquisition of development and production assets	(12)	(9)	(4)	(8)	-
Acquisition of property, plant and equipment	(0)	-	-	-	-
Disposal of assets - Nigeria	-	-	12	-	-
Disposal of USA assets	0	-	11	-	-
NET CASH USED IN INVESTING ACTIVITIES	**(12)**	**(10)**	**3**	**(54)**	**(30)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital	17	17	48	76	-
Interest Paid	-	-	(9)	(8)	(7)
Share capital issue costs	(1)	(1)	(2)	(5)	-
Payment of loan transaction costs	(3)	0	-	-	-
Repayment of loans and borrowings	(56)	(0)	(14)	(40)	(3)
Proceeds from drawdown of loans and borrowings	50	-	-	-	-
NET CASH USED IN FINANCING ACTIVITIES	**7**	**16**	**23**	**23**	**(10)**
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**(9)**	**8**	**31**	**(16)**	**(21)**
Effect of FX Fluctuation on Cash & Cash Equivalents	0	0	-	-	-
Cash & Cash Equivalents at Start of the Year	10	1	9	40	25
CASH & CASH EQUIVALENTS AT END OF YEAR	**1**	**9**	**40**	**25**	**4**

Source: Providence Resources; Daniel Stewart

Income Statement

Table 5: Historic and Projected Income Statement

	31 Dec 09 (A)	31 Dec 10 (A)	31 Dec 11 (E)	31 Dec 12 (E)	31 Dec 13 (E)
	€'000	€'000	€'000	€'000	€'000
REVENUE	12	11	16	28	42
Cost of Sales	(4)	(5)	(6)	(8)	(10)
GROSS PROFIT	***8***	***6***	***10***	***20***	***33***
Admin Expenses	(3)	(4)	(4)	(5)	(6)
Pre-License Expenditure	(1)	(0)	(0)	(0)	(0)
Impairment of E&A Assets	(0)	(1)	-	-	-
Impairment of D&P Assets	-	-	(4)	-	-
Other Gains & Losses	-	-	-	-	-
RESULTS FROM OPERATING ACTIVITIES	***3***	***1***	***1***	***15***	***27***
Finance Income	0	0	0	0	0
Finance Expense	(10)	(8)	(9)	(8)	(7)
LOSS BEFORE TAX	***(6)***	***(6)***	***(8)***	***7***	***20***
Income Tax Expense	(1)	(4)	(3)	(3)	(12)
LOSS FROM CONTINUING OPERATIONS	***(7)***	***(10)***	***(11)***	***4***	***8***
Loss From Discontinued Operations	(2)	(32)	-	-	-
LOSS FOR THE FINANCIAL YEAR	***(10)***	***(42)***	***(11)***	***4***	***8***

Source: Providence Resources; Daniel Stewart

Balance Sheet

Table 6: Historic and Projected Balance Sheet

	31 Dec 09 (A)	31 Dec 10 (A)	31 Dec 11 (E)	31 Dec 12 (E)	31 Dec 13 (E)
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
NON CURRENT ASSETS					
E&A and D&P Assets	101	68	68	118	144
PPE	0	0	0	0	0
Derivatives	1	0	0	0	0
Deferred Tax Asset	7	3	3	3	3
TOTAL NON-CURRENT ASSETS	**109**	**71**	**72**	**122**	**147**
CURRENT ASSETS					
Trade & Other Receivables	5	4	4	4	4
Derivative Instruments	2	1	1	1	1
Restricted Cash	3	3	3	3	3
Cash& Cash Equivalents	1	9	40	25	4
TOTAL CURRENT ASSETS	**11**	**16**	**47**	**31**	**10**
Held For Sale Assets	-	14	-	-	-
TOTAL ASSETS	**119**	**101**	**119**	**153**	**158**
EQUITY					
Share Capital	15	15	17	18	18
Share Conservation Reserve Fund	1	1	1	1	1
Share Premium	72	87	131	200	200
Other Reserves	12	10	10	10	10
Retained Profit / (Loss)	(95)	(136)	(147)	(143)	(135)
TOTAL EQUITY	**4**	**(24)**	**11**	**85**	**93**
CURRENT LIABILITIES					
Loans & Borrowings	81	83	72	32	29
Decommissioning Provision	5	4	3	3	3
Deferred Tax	15	19	19	19	19
Derivative Instruments	2	3	3	3	3
TOTAL CURRENT LIABILITIES	**103**	**109**	**97**	**57**	**54**
NON-CURRENT LIABILITIES					
Trade & Other Payables	11	9	9	9	9
Derivative Instruments	1	2	2	2	2
Loans & Borrowings	-	3	-	-	-
TOTAL NON CURRENT LIABILITIES	**12**	**14**	**11**	**11**	**11**
Liabilities Classified as Held For Sale	-	2	-	-	-
TOTAL LIABILITIES	**115**	**124**	**108**	**68**	**65**
TOTAL EQUITY & LIABILITIES	**119**	**101**	**119**	**153**	**158**

Source: Providence Resources; Daniel Stewart

Management

Brian Hillery – Chairman

Mr Hillery has served as chairman on the Providence Board since the incorporation of the Company. He is Non-Executive Chairman of the Independent News & Media Plc and is a member of the National Pensions Reserve Fund commission.

Tony O'Reilly – Chief Executive

Mr O'Reilly is Chief Executive of Providence Resources Plc having served on the Board since incorporation. He has previously worked in M&A and corporate finance advising natural resource companies. He served as Chairman of Arcon International Resources Plc until April 2005 and he was Chief Executive of Wedgwood between 2002 and 2005.

Philip O'Quigley – Finance Director

Mr O'Quigley is a Fellow of the Institute of Chartered Accountants in Ireland. He moved into finance positions within the oil and gas industry in the early 1990's. He joined Glencar Mining plc in 1997 as Finance Director. In 2002 he left Glencar Mining plc as an Executive Director and has since been involved in a number of private and public companies in the oil and gas industry, including Petroceltic International plc.

John O'Sullivan – Technical Director

Mr O'Sullivan is a geology graduate of University College, Cork and holds a Masters in Applied Geophysics from the National University of Ireland, Galway. He has 20 years' experience in the oil and gas exploration and production industry with both Mobil and Marathon and is a qualified person as defined in the guidance note for Mining Oil & Gas Companies, March 2006 of the London Stock Exchange.

Lex Gamble - Non Executive Director

Mr Gamble was appointed as a non-executive director of the Company in August, 2005. Mr. Gamble has been an investment banker for over 35 years and has provided strategic advice to more than 200 U.S. and international companies.

James McCarthy – Non Executive Director

Mr McCarthy was appointed as a Non-executive Director of the Company in May 2005. Mr McCarthy holds a Bachelor Degree in Civil Law, an MBA from the University of Pittsburgh and is a qualified solicitor.

Philip Nolan – Non Executive Director

Dr Nolan was appointed as a Non-executive Director of the Company in May 2004. He was CEO of Eircom Plc from 2002 to 2006. He is currently Chairman of J.LAING Plc and is also a Non executive Director of the Ulster Bank Group and a former director of De La Rue Plc.

Michael Graham – Company Secretary

Michael Graham has been Secretary of the Company from its inception. He has over thirty years experience in the natural resources sector having commenced his professional career with PricewaterhouseCoopers where he qualified as a Chartered Secretary.

Disclosure Checklist

Company	Code	Disclosure
Providence Resources	PVR	3, 10

Source: Daniel Stewart

1. Within the past twelve months Daniel Stewart & Co plc and/or its affiliates has managed or co-managed a public offering for this Company, for which it received fees or the promise of fees
2. Daniel Stewart & Co plc and/or its affiliates act as corporate broker or nominated advisor to this Company
3. Daniel Stewart & Co plc and/or its affiliates regularly hold/may hold in future trading positions (which may include options) in this Company
4. Daniel Stewart & Co plc and/or its affiliates holds more than 5% of the securities of this Company
5. The Company holds more than 5% of the securities of Daniel Stewart & Co plc and/or its affiliates
6. Daniel Stewart & Co plc and/or its affiliates may currently be providing, expects to provide within the next three months or may have provided within the previous twelve months, investment banking services to this Company, which have given rise to payment or the promise of payment
7. The author and/or an individual responsible for production of this report has direct ownership of stock in this Company
8. The author responsible for the production of this report received or purchased shares in the issuer, prior to a public offering of the shares.
9. Daniel Stewart and Company is party to an agreement with this company for the publication of research on it
10. This research note has been disclosed to the Company, with resulting amendments, prior to its dissemination
11. Daniel Stewart & Co and/or its affiliates act as financial advisor to this company

The Daniel Stewart recommendation structure is based on relative upside/downside to target price. The target price is set on a rolling 12 month view. Upside or downside of 10% or more is categorised as Buy or Sell respectively, and less than 10% a Hold. Our Distribution of Recommendation statistics table can be viewed at
http://www.danielstewart.co.uk/Footers/Legal__Regulatory/default.aspx

We aim to cover company's results or major events, but we do not guarantee to do so and coverage may cease at any time.

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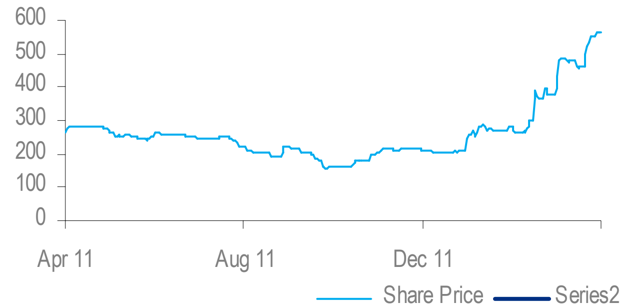
Recommendation History



Source: Daniel Stewart

11 April 2012

Providence Resources
Initiation of Coverage

Key Assumptions

- Seven well drilling programme undertaken in 2012-2013

Income (€m)	12/09A	12/10A	12/11E	12/12E
Turnover	11.8	11.1	16.4	27.8
Gross Profit	7.7	6.4	9.9	20.0
EBITDA	3.5	1.5	4.3	18.7
EBIT	3.5	1.5	0.8	14.7
PBT	(6.4)	(6.0)	(8.0)	6.8
EPS (Adj.) (c)	(36.0)	(125.3)	(21.6)	6.1
EPS (c)	(36.0)	(125.3)	(21.6)	6.1
DPS (c)	0.0	0.0	0.0	0.0

Ratios (x)	12/09A	12/10A	12/11E	12/12E
P/E	n/a	n/a	n/a	111.9
EV/DACF	0.0	0.0	0.0	0.0
Div. Yield (%)	n/a	n/a	n/a	n/a
P/NAV	4,383.7	(9.4)	31.6	5.0
EV/Gross profit	59.9	72.1	46.6	23.1
EV/EBIT	133.6	315.5	545.4	31.5
P/FCF	n/a	n/a	n/a	n/a
FCF Yield (%)	(0.1)	(3.4)	(4.5)	(9.0)
NAV (c)	0.1	(70.4)	21.5	134.6
EV($)/ 2P bbl	0.0	0.0	0.0	0.0

Cash Flows (€m)	12/09A	12/10A	12/11E	12/12E
Op.CF	(4.2)	3.0	5.9	15.7
FCF	(16.1)	(7.7)	(15.2)	(38.7)
FCFPS (c)	(0.6)	(22.8)	(30.5)	(61.1)

Balance Sheet (€m)	12/09A	12/10A	12/11E	12/12E
Fixed Assets	101.5	67.7	68.2	118.4
Current Assets	10.8	16.0	47.2	31.4
Current Liabilities	103.2	108.6	97.3	57.1
Capital Employed	(1.6)	(40.9)	(29.1)	61.3
Long-term Liabilities	12.1	13.6	10.9	10.9
Net Assets	4.2	(23.7)	10.7	85.3
Net Debt/(Cash)	79.8	76.6	31.7	7.6

Data is adjusted
DSC EPS is fully diluted

Recent News / Events

March '12 – Barryroe appraisal well results
22 Mar '12 – Repsol assumes operatorship of Newgrange
13 Feb '12 – Commencement of Dunquin well activities
12 Jan ' 12 – Offered new license over Dragon gas discovery
4 Jan '12 – Secures six new block licenses in Rathlin Basin

Management Team

Dr Brian Hillery – Chairman
Tony O'Reilly – Chief Executive
Philip O'Quigley – FD
John O'Sullivan – Technical Director
Lex Gamble – NED
James McCarthy – NED
Philip Nolan – NED
Michael Graham - CoSec

Major Shareholders

Sir Anthony O'Reilly	20.0%
JP Morgan Asset Management UK Ltd	9.18%
Henderson Global Investment Limited	5.01%
BlackRock Investment Management	8.63%

Consensus and DSC Estimates

	12/11E
PBT(€m)	-
DSCe	**(8.0)**
EPS (c)	(28.0)
DSCe	**(21.6)**
DPS (c)	-
DSCe	**0.0**

Source: Fidessa