PROVIDENCE

Resources P.l.c.

Annual Report and
Financial Statements - 2003

Providence Resources P.l.c. is an Irish registered hydrocarbon company, which is quoted on the Exploration Securities Market of the Irish Stock Exchange. It has a producing interest onshore UK and undeveloped discoveries on the Irish Continental Shelf and in the UK North Sea

Providence Resources P.l.c.

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Non executive
* Member of Audit Committee
+ Member of Remuneration Committee

Providence Resources P.l.c.
Corporate and Other Information

Board of Directors
Dr. Brian Hillery (Chairman)#*+
Stephen Carroll (Finance Director)
Peter Kidney #*+
Dr. Philip Nolan #
Tony O'Reilly Jnr. #*+

Bankers
AIB Bank Plc
Bankcentre
Ballsbridge
Dublin 4

Solicitors
Matheson Ormsby Prentice
30 Herbert Street
Dublin 2

Auditors
KPMG
Chartered Accountants
St. Stephen's Green
Dublin 2

www.providenceresources.com

Company Secretary
Michael G. Graham A.C.I.S.

Stockbrokers
Davy Stockbrokers
Davy House
Dawson Street
Dublin 2

Registered Office
30 Herbert Street
Dublin 2

Registrars
Capita Corporate Registrars Plc
Unit 5
Manor Street Business Park
Dublin 7

Board of Directors

Dr. Brian Hillery, B.Comm, MBA, Ph.D - Chairman
Brian Hillery is an Emeritus Professor at the Graduate School of Business, University College Dublin. He has served as a member of the Irish Parliament as a TD and Senator (1977-1994). He was an executive director of the European Bank for Reconstruction and Development (EBRD) London (1994 – 1997) and is currently Chairman of UniCredito Italiano Bank (Ireland) Plc. and a director of Independent News & Media Plc. Chairman of Audit Committee and Remuneration Committee.

Stephen Carroll, B.Comm, FCA
Stephen Carroll was appointed Finance Director of Providence in July 2000 having been Group Finance Manager since 1999. Having started his professional career at PricewaterhouseCoopers, he has subsequently held senior finance positions in a number of public companies focussing on natural resources and investment interests.

Peter Kidney, B.Comm, FCA
Peter Kidney is currently Finance Director of ARCON International Resources P.l.c. He has been involved for over twenty years in senior positions in natural resources finance and accounting, both in Ireland and Canada. He previously worked with Arthur Andersen, Canada. Member of Audit Committee and Remuneration Committee.

Dr. Philip Nolan, B.Sc, MBA, Ph.D
Philip Nolan is currently Chief Executive of eircom plc. He is a graduate of Queen's University, Belfast with a B.Sc and Ph.D in geology and has an MBA from the London Business School. He has held senior positions with BP, British Gas and more recently was Chief Executive of Lattice Group plc. Non executive director.

Tony O'Reilly Jnr., BA
Tony O'Reilly is currently Chief Executive of Wedgwood. He is also Chairman of ARCON International Resources P.l.c., and a director of Independent News & Media PLC, Waterford Wedgwood plc, Fitzwilton Limited and a number of other companies. Member of Audit Committee and Remuneration Committee.

Licence Interests (see map on page 7)

Licence No./Block No.	Interest	Location	Working Interest	Operator
Producing Assets				
PL240	Singleton	Onshore UK	20%	Star Energy
Undeveloped, Appraisal and Exploration Interests				
Licensing Option 03/1 Block 48/29(p), 30(p), 49/22(p), 23(p), 26, 27(p), 28(p) 57/4(p), 5(p), 58/1(p), 2(p)	Blackrock	Celtic Sea Offshore Ireland	75%	Providence
Licensing Option 03/8 Blocks 49/8(p), 9(p), 13(p), 14(p)	Helvick	Celtic Sea Offshore Ireland	80%	Providence
Blocks 49/13(p), 14(p), 18(p), 19(p)	Ardmore	Celtic Sea Offshore Ireland	80%	Providence
Block 50/11(p)	Hook Head	Celtic Sea Offshore Ireland	80%	Providence
Block 50/6(p), 7(p)		Celtic Sea Offshore Ireland	80%	Providence
Block 50/8(p), 9(p)	Glandore	Celtic Sea Offshore Ireland	80%	Providence
Licensing Option 03/7 Block 41/25(p), 30(p), 42/21(p), 26(p), 51/1(p)	Dionysus	Celtic Sea Offshore Ireland	80%	Providence
P1087 Block 14/24a	Skye	UK North Sea	45%	Midmar

CHAIRMAN'S STATEMENT

During 2003, your Company made significant progress on its Celtic Sea activities through work programmes and expansion of areas under licence and is now actively progressing towards the July 2004 Blackrock drilling programme.

Last month, Providence successfully raised a total of €13.35 million gross through a placing primarily with new institutional shareholders and a rights issue to existing shareholders plus a conditional €5 million by way of warrants exercisable at €0.045 per share up to April 2005.

The result of these fundraisings has been to re-finance the Group's balance sheet, eliminating all corporate debt and providing adequate working capital resources to fund its share of the Blackrock drilling programme, as well as funding the ongoing work programmes on Providence's other licencing interests.

Operations

Blackrock Prospect (Licensing Option 03/1)

The 2003 work programme on the Blackrock prospect demonstrated a substantial (c. 30,000 acres) hydrocarbon structure with five separate target horizons (estimated to contain an unrisked potential recoverable volume of up to 613 million barrels of oil) which prompted an acceleration of drilling plans for Blackrock. In December 2003, Providence exercised its option to increase its interest in Licensing Option 03/1 from 50% to 75% prior to farming out the Blackrock prospect.

Providence was pleased to announce a farm out in March 2004 whereby it had reached agreement with Challenger Minerals Inc and Palace Exploration Company (collectively referred to as the CMI JV). Under the terms of the agreement,the CMI JV has the right to earn a 50% interest in Licensing Option 03/1 in return for the CMI JV part funding the drilling of a test well in 2004 on the Blackrock Prospect and funding 100% of the costs of drilling a second well, if the CMI JV elects to exercise the second well option to earn its interest. Once the CMI JV has earned its 50% interest, Providence will retain a 37.5% interest with Midmar retaining a 12.5% interest in the Blackrock prospect and Licensing Option 03/1.

Challenger Minerals Inc is a wholly owned subsidiary of GlobalSantaFe Corporation, one of the largest international oil and gas drilling contractors, and Palace Exploration Company is an independent US oil and gas company with worldwide interests.

Providence, as Operator, is advancing the legal agreements with the CMI JV and the drilling contract for the 2004 Blackrock drilling programme for which a drilling rig is expected to be on location in July.

Collective Strategy (Licensing Options 03/8 and 03/7)

The collective approach adopted by Providence reflects the Company's Celtic Sea appraisal and development strategy to combine existing discoveries with new large prospects to improve overall economics and reduce risk.

In pursuit of this strategy, Providence applied for and was granted two new Licensing Options 03/8 and 03/7 in October 2003 taking in significant tranches of acreage in the North Celtic Sea Basin and in St. George's Channel Basin. Providence, as Operator, holds an 80% interest in these two Licensing Options.

Licensing Option 03/8 (covering an area of 340 sq kms) in the North Celtic Sea Basin contains a combination of oil and gas discoveries and prospects known as Block 50/11 (Hook Head prospect), Blocks 50/6&7, Ardmore, Helvick and Glandore. Licensing Option 03/7 (covering an area of 560 sq kms) in St. George's Channel Basin contains a number of potential gas prospects known as Dionysus.

Licensing Options 03/8 and 03/7 are each for a 3 year term reflecting the phased planned work programme over that period, including first improving the quality of existing available seismic and well data using modern analytical techniques and then optimising techno-economics within a collective drilling and development approach.

UK Skye oil prospect

Providence was granted a 45% interest in Licence P1087 which is for a 2 year term commencing 1 October 2003 in part-block 14/24a located in the UK Central North Sea adjacent to the Witch Ground Graben which is a prolific hydrocarbon producing area.

The block contains the Skye prospect from which both oil and gas were recovered from the 1973 Shell operated 14/24-1 well. However, this well was never tested as the anticipated Jurassic reservoir target was not present. The work programme currently underway, and expected to be completed in the second half of 2004 involves a re-evaluation of existing data on the block, in relation to the potential recoverable oil encountered in the Devonian reservoir, which is the primary interval at the nearby Buchan oil field. In addition, the work programme during the licence term will evaluate high potential exploration targets around the flanks of the Skye structure.

Financial

Turnover for the year ended 31 December 2003 of €757,000 (2002: €864,000) was generated from the Group's producing interest in the onshore UK Singleton oil field which performed in line with expectations. The average oil price achieved in 2003 was US$29 per barrel compared to US$25 in 2002. The Group recorded an operating loss of €163,000 (2002: operating profit of €36,000). The loss on ordinary activities after taxation was €580,000 (2002: €397,000) due primarily to a non-cash interest charge arising on convertible capital bonds of €361,000 (2002: €393,000) which will be satisfied by the issue of ordinary shares in Providence Resources P.l.c.

Since the year end, the Group strengthened its balance sheet by completing new equity fundraisings totalling €13.35 million gross in May 2004 and also issued warrants to conditionally raise a further €5 million at €0.045 per share if exercised at any time up to April 2005. Also since the year end all corporate debt has been eliminated and convertible capital bonds of US$8.7 million were converted and the remainder will mature in July 2004.

Outlook

The Company is looking forward to a period of high activity during 2004, the most important of which is the Blackrock drilling programme this summer.

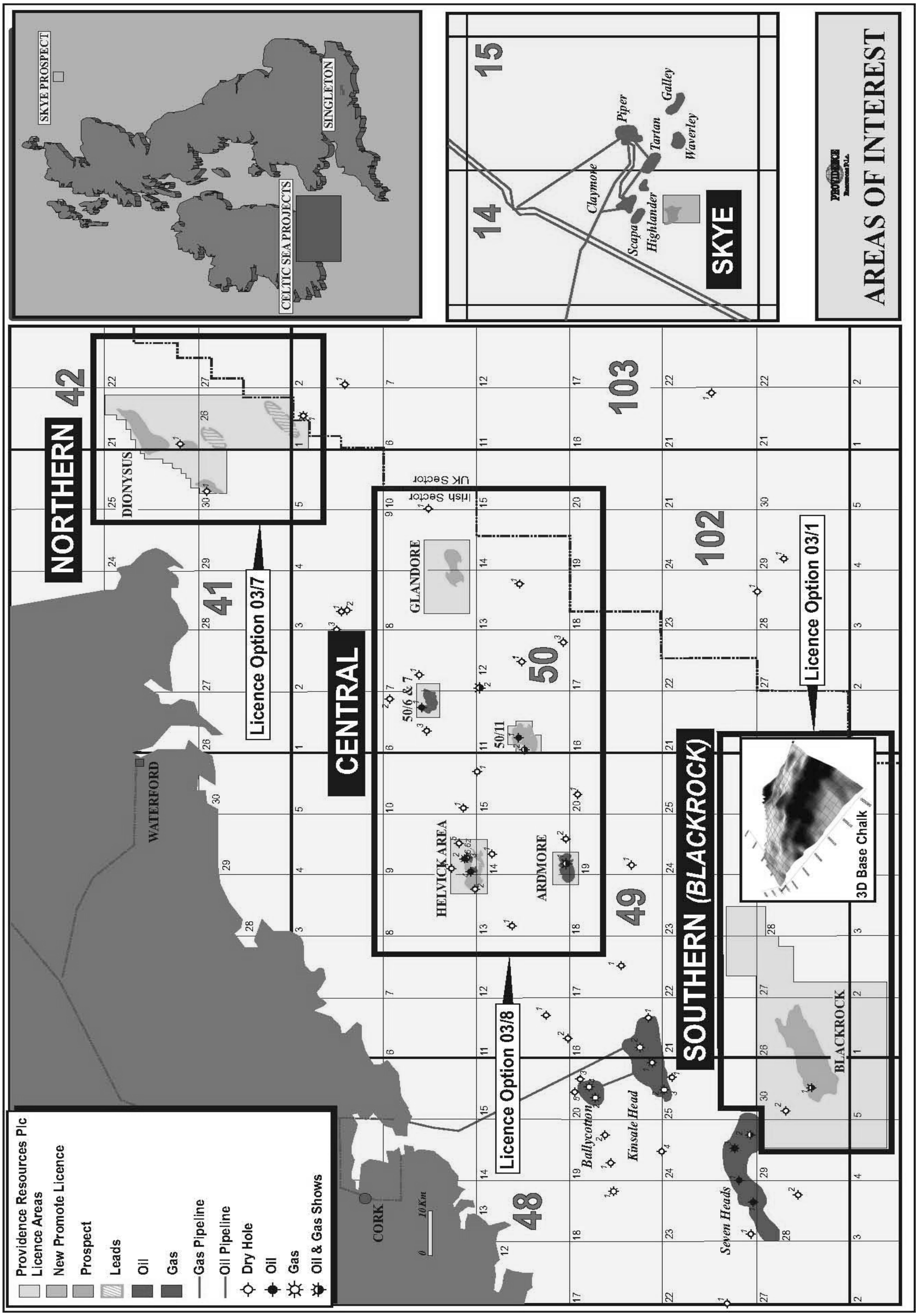
Additionally, the Company will continue its work programmes on its undeveloped hydrocarbon discoveries in the Celtic Sea and St. George's Channel licence interests offshore Ireland as well as the UK Skye prospect.

I look forward to reporting on these various activities over the coming months.

Finally, I would like to welcome Dr. Phil Nolan who joined our Board recently. He is currently chief executive of eircom plc, holds a BSc and a PhD in geology and has extensive prior experience in the oil and gas industry, which will benefit Providence as we move forward.

Dr. Brian Hillery, Chairman

14 June 2004


AREAS OF INTEREST
Providence Resources Plc Licence Areas
New Promote Licence
Prospect
Leads
Oil
Gas
Gas Pipeline
Oil Pipeline
Dry Hole
Oil
Gas
Oil & Gas Shows
NORTHERN
CENTRAL
SOUTHERN (BLACKROCK)
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Providence Resources P. l. c.
Directors' Report

The Directors submit their annual report together with the audited financial statements of Providence Resources P.l.c. ("the Company") and its subsidiaries ("Providence" or the "Group") for the year ended 31 December 2003.

Principal Activities, Business Review and Future Developments

Information with respect to the Group's principal activities and the review of the business and future developments as required by the Companies (Amendment) Act, 1986 is contained in the Chairman's Statement on pages 4 to 6. During the period under review, the principal focus of management has been on the Group's hydrocarbon interests in the Celtic Sea and on the Group's producing interest in the onshore UK Singleton oil field.

Results for the Year and State of Affairs at 31 December 2003

The consolidated profit and loss account for the year ended 31 December 2003 and the consolidated balance sheet at that date are set out on pages 21 and 22. The loss for the year amounted to €580,000.

The movement on the consolidated profit and loss account for the year is as follows:

	€'000
Balance 1 January 2003	(24,138)
Retained loss for the year	(580)
Balance 31 December 2003	(24,718)

No dividends or transfers to reserves are recommended by the Directors.

Important Events since the Year End

Since the year end the Group has raised €13.35 million cash gross of expenses which will be utilised primarily on our Celtic Sea licences.

Directors

Dr. Philip Nolan, who was appointed an additional director on 5 May, 2004, now retires from the Board in accordance with the Articles of Association of the company and being eligible offers himself for re-election. Mr. Peter Kidney retires from the Board by rotation and being eligible offers himself for re-election.

No Director has a service contract with the Company.

Health and Safety

The Company has implemented a Corporate Safety Statement under the Safety, Health and Welfare at Work Act, 1989. This is a basis for ensuring safe working practice by its employees.

Directors' and Secretary's Shareholdings and Other Interests

The interests of the Directors, the Secretary and their spouses and minor children in the share capital of the Company, all of which were beneficially held, were as follows.

	Number of Ordinary Shares			
Directors	31-Dec 2002	31-Dec 2003	31-May 2004	31-May 2004 Warrants
Dr. Brian Hillery	966,856	966,856	1,034,696	16,960
Stephen Carroll	-	-	828,528	13,582
Peter Kidney	371,465	371,465	781,779	12,816
Tony O'Reilly Jnr.	3,737,467	3,737,467	7,868,053	128,984
Dr. Philip Nolan *	-	-	-	-
Secretary				
M.G. Graham	325,754	325,754	348,610	5,714

* Appointed a Director 5 May, 2004

Details of the movement on outstanding options, and those exercised during the year are as follows:

Directors	At 31 December 2002	Granted During Year	At 31 December 2003	Price Euro Cents	Expiry Date
Dr. Brian Hillery	833,333	-	833,333	1.99	September 2007
Dr. Brian Hillery	833,333	-	833,333	1.27	June 2009
Dr. Brian Hillery		10,000,000	10,000,000	1.50	August 2013
Dr. Brian Hillery		5,000,000	5,000,000	2.80	November 2013
Stephen Carroll	5,000,000	-	5,000,000	1.27	June 2009
Peter Kidney	833,333	-	833,333	1.99	September 2007
Peter Kidney		2,500,000	2,500,000	1.50	August 2013
Tony O’Reilly Jnr.	333,333	-	333,333	1.99	September 2007
Tony O’Reilly Jnr.		2,000,000	2,000,000	1.50	August 2013
Secretary					
M.G.Graham	166,667	-	166,667	1.99	September 2007
M.G.Graham		1,000,000	1,000,000	1.50	August 2013

Save for the options granted during the year totalling 20,500,000 all of the above optons are exercisable currently. In addition, the amounts and price of the options are subject to amendment following the Subscription Issue, the Rights Issue and the conversion of US$ Capital Bonds and this will be done in consultation with the auditors who will advise in writing that the adjustment is fair and reasonable. The market price of the ordinary shares at 31 December 2003 was €0.04 and the range during the financial year was €0.005 to €0.055.

Indexia Holdings Limited, a company controlled by Sir Anthony O’Reilly the principal shareholder and which holds Ordinary Shares in Providence Resources P.l.c., has granted an option to Mr. Stephen Carroll to purchase 36,250,000 of its Ordinary Shares in Providence Resources P.l.c. at an exercise price of €0.006 per share which may be exercised at any time up to 23 February 2007.

There have been no contracts or arrangements during the financial year in which a Director of the Company was materially interested and which were significant in relation to the Company's business.

Special Business

Shareholders are also being asked to renew, until the earlier of the next Annual General Meeting or 19 October 2005 the authority to disapply the statutory pre-emption provisions in the event of a rights issue or in any other issue of shares for cash up to an aggregate nominal value of €197,246 corresponding to 10% of the nominal value of the Company's issued ordinary share capital for the time being (Resolution No. 5).

A separate letter is being sent to all shareholders seeking approval of a waiver of obligation to make a general offer under Rule 9 in the event of Sir Anthony O'Reilly's family electing to exercise their warrants.

The Directors are of the opinion that the above proposals are in the best interests of shareholders and unanimously recommend to you to vote in favour of all resolutions as they intend to do in respect of their own beneficial holdings.

Directors' Responsibility Statement

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

The Directors have reviewed budgets, projected cashflows, the current status of arrangements with the Company's bankers and other relevant information, and on the basis of this review, are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Corporate Governance

The Company is committed to high standards of corporate governance. The statement below describes how the principles of good governance, set out in the Combined Code, are applied by the Company.

The Board

The Board is made up of one executive and four non-executive Directors. Biographies of each of the Directors are set out on page 2.

The Board agrees a schedule of regular meetings to be held in each calendar year and also meets on other occasions as necessary. Meetings are held at the head office in Dublin.

There is an agreed list of matters which the Board has formally reserved to itself for decision, such as approval of the Group's commercial strategy, trading and capital budgets, financial statements, Board membership, acquisitions and disposals, major capital expenditure, risk management and treasury policies. Responsibility for certain matters is delegated to Board Committees.

There is an agreed procedure for Directors to take independent legal advice. The company secretary is responsible for ensuring that Board procedures are followed, and all Directors have direct access to the company secretary.
All Directors receive regular Group management financial statements and reports and full Board papers are sent to each Director in sufficient time before Board meetings, and any further backup papers and information are readily available to all Directors on request. The Board papers include the minutes of all committees of the Board which have been held since the previous Board meeting, and, the chairman of each committee is available to give a report on the committee's proceedings at Board meetings if appropriate.

The Board has a process whereby each year every Director will meet the chairman to review the conduct of Board meetings and the general corporate governance of the Group.

The role of the chairman (Dr. Brian Hillery) is non executive. The non-executive Directors are independent of management and have no material interest or other relationship with the Group. The Board has not deemed it necessary to appoint a senior non executive director. However, this issue is subject to review.

Each year one third of the directors retires from the board by rotation and every director is subject to this rule. Effectively each director will retire by rotation within each three-year period.

Board Committees

The Board has activated an effective committee structure to assist in the discharge of its responsibilities. The committees and their members are listed on page 2 of this report. All committees of the Board have written terms of reference dealing with their authority and duties. Membership of the Audit and Remuneration Committees is comprised exclusively of non-executive Directors. The Company Secretary acts as secretary to each of these committees.

Audit Committee

The Audit Committee reviews the accounting principles, policies and practices adopted in the preparation of the interim and annual accounts and discusses with the Group's auditors the results and scope of the audit. It also reviews the scope and performance of the Group's internal finance function and the effectiveness and independence of the external auditors. The external auditors are invited to attend the Audit Committee meetings, and the Finance Director also attends. The external auditors have the opportunity to meet with the members of the Audit Committee alone at least once a year. Dr. Brian Hillery is Chairman of the Audit Committee.

Remuneration Committee

The Company has fully complied with the Irish Stock Exchange's requirements in relation to the disclosure of Directors' remuneration and its Best Practice Provisions as contained in Section A of the Listing Rules.

Emoluments of Executive Directors and senior management are determined by the Remuneration Committee which is chaired by Dr. Brian Hillery and comprises non-executive Directors only. In the course of each financial year the Remuneration Committee determines basic salaries as well as the parameters for any possible bonus payments.

The Remuneration Committee applies the same philosophy in determining Executive Directors' remuneration as is applied in respect of all employees. The underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. The Remuneration Committee is mindful of the need to ensure that, in a competitive environment, the Group can attract, retain and motivate executives who can perform to the highest levels of expectation.

Annual bonuses, if any, are determined by the Remuneration Committee on the basis of objective assessments based on the Group's performance during the year in terms of key financial indicators, as well as a qualitative assessment of the individual's performance.

A share option scheme was introduced in August 1997 from which new share options may be offered to employees, Directors and consultants. Options are recommended at a level to attract retain and motivate participants in the competitive environment in which the Group operates. There have been no changes in the policy since the adoption of the scheme in August 1997.

The Remuneration Committee reviews and assesses proposals to grant share options to participants under the share option scheme. Participation is at the discretion of Directors for eligible participants.

In framing Remuneration Policy, the Remuneration Committee has had regard to Section B of the Best Practice provisions annexed to the Listing Rules.

There are no existing or proposed Directors' service contracts between any of the Directors and the Group.

Details of Directors' remuneration for the current period are set out in Note 6 to the financial statements.

Nomination Committee

At present the Board does not have a Nomination Committee but the authority to nominate new directors for appointment vests in the Board of Directors. Consideration to setting up a specific Nomination Committee is under continuous review.

Shareholders

There is regular dialogue with institutional shareholders and presentations are made at the time of the release of the annual and interim results.

The Company encourages communication with private shareholders throughout the year and welcomes their participation at general meetings. A company website www.providenceresources.com has been established recently. All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and Accounts. The chairman of the Board's committees will also be available at the Annual General Meeting. Notice of the Annual General Meeting together with the Annual Report and accounts is sent to shareholders in accordance with the Articles of Association of the Company and details of the proxy votes for and against each resolution are announced after the result of the hand votes.

Compliance

The Board therefore is confident that it complies with the Code except for the following:

- The current non-executive Directors were not appointed for specific terms. They are however subject to retirement from the Board by rotation at Annual General Meetings.
- Certain share option arrangements are in place between the Company and certain non-executive Directors. These arrangements reflect the high level of commitment and support given by them.
- A senior non-executive Director has not been appointed.
- The Board has not appointed a specific Nomination Committee as the Board is small at present. The matter is under continuous review.

Internal Control

The Combined Code of the Stock Exchange Listing Rules states:

1. That the Board should maintain a sound system of internal control to safeguard shareholders' investments and the Group assets.
2. That the Directors should at least annually conduct a review of the effectiveness of the Group's system of internal control and should report to shareholders that they have done so. The review should cover all controls, including financial, operational and compliance controls and risk management.

The Directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to executive management. This system includes financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

Following the publication of the Turnbull Report, the Board established a process of compliance which involved an expansion of the Board's responsibility to maintain, review and report on all internal controls, including financial, operational and compliance risk management.

Among the processes applied in reviewing the effectiveness of the system of internal controls are the following:

- Budgets are prepared for approval by executive management and inclusion in a Group budget approved by the Board.
- Expenditure and income are regularly compared to previously approved budgets.
- The Board establishes treasury and commodity risk policies as appropriate, for implementation by executive management.
- All commitments for expenditure and payments are compared to previously approved budgets and are subject to approval by personnel designated by the Board of Directors or by the Board of subsidiary companies.
- Regular management meetings take place to review financial and operational activities.
- Cashflow forecasting is performed on an ongoing basis to ensure efficient use of cash resources.
- Regular financial results are submitted to and reviewed by the Board of Directors.
- The Directors, through the Audit Committee, review the effectiveness of the Group's system of internal financial control.

A review of the effectiveness of the system of internal control was carried out during the year 2003. The Directors considered that the procedures necessary to implement the Turnbull guidelines on the Combined Code have been properly established.

The Board has considered the requirement for an internal audit function. Based on the scale of the Group's operations and close involvement of the Board, the Directors have concluded that an internal audit function is not currently required.

Risk Management

Currency Risk Management

The Board reviews its annual Euro requirements by reference to bank forecasts and prevailing exchange rates and management is authorised to achieve best available rates in respect of forecast Euro requirements.

Substantial Shareholdings

So far as the Board is aware, no person or company, other than those mentioned below, held 3% or more of the Ordinary share capital of the Company at 31 May, 2004.

	Number of Shares	**%**
Shareholder		
Sir Anthony O'Reilly	894,902,221	45.4
	========	

Sir Anthony O'Reilly also has an interest in 22,457,411 warrants to subscribe for ordinary shares which, assuming that all warrants in existence were converted into ordinary shares and all US$ Capital Bonds were converted into ordinary shares, would reduce his holding to 43.85% of the enlarged ordinary share capital of the Company on the exercise of his warrants.

Political Donations

There were no political donations during the year.

Books and Accounting Records

The Directors are responsible for ensuring proper books and accounting records, as outlined in Section 202 of the Companies Act 1990, are kept by the Company. The Directors through the use of appropriate procedures and systems and the employment of competent persons have ensured that measures are in place to secure compliance with these requirements. These books and accounting records are maintained at the Company's business address, 60 Merrion Road, Dublin 4.

Auditors

KPMG have indicated their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963. Shareholders will be asked to authorise the Directors to fix their remuneration.

On behalf of the Directors

Dr. Brian Hillery	***Chairman***
Stephen Carroll	***Finance Director***

14 June 2004

Independent auditors' report to the members of Providence Resources P.l.c.

We have audited the financial statements on pages 17 to 38.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors in relation to the Annual Report

The directors are responsible for preparing the Annual Report. As described on page 10, this includes responsibility for preparing the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board, the Listing Rules of the Irish Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the financial statements agree with the books of account and report to you our opinion as to whether:

- the Company's balance sheet is in agreement with the books of account;
- the Company has kept proper books of account;
- the Directors' report is consistent with the financial statements;
- at the balance sheet date a financial situation existed that may require the Company to hold an extraordinary general meeting, on the grounds that the net assets of the Company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on page 10 to 13 reflects the Company's compliance with the paragraphs of the Combined Code specified for our review by the Irish Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Independent auditors' report to the members of Providence Resources P.l.c.
(continued)

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Oil and gas interests

In forming our opinion, we have considered the adequacy of the disclosures made in Note 9 to the financial statements in relation to the Directors' assessment of the carrying value of the Group's oil and gas interests, both inside and outside the cost pool, amounting to €7.2 million. Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003 and all Regulations to be construed as one with those Acts.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Company's balance sheet is in agreement with the books of account.

In our opinion, the information given in the Directors' report on pages 8 to 14 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 22, are less than half of the amount of its called up share capital and, in our opinion, on that basis there did exist at 31 December 2003, a financial situation which, under Section 40(1) of the Companies (Amendment) Act 1983, may require the convening of an extraordinary general meeting of the company.

KPMG
Chartered Accountants and Registered Auditors
Dublin

14 June, 2004

Providence Resources P.l.c.

Statement of accounting policies
for the year ended 31 December 2003

The following accounting policies have been applied consistently, throughout the year and the preceding year, in dealing with items which are considered material to the Group's financial statements.

Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries; all intercompany transactions and balances have been eliminated in their preparation. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Turnover

Oil and gas turnover has been derived from the Group's share of oil and gas revenues from producing properties during the year. Revenues from the sale of oil and gas are recognised when the product passes out of the ownership of the Group to external customers pursuant to enforceable sales contracts.

Pension costs

The Group provides for pensions for certain employees through defined contribution pension schemes.

The amount charged to the profit and loss account in respect of the scheme is the contribution payable in that year.

Any difference between amounts charged to the profit and loss account and contributions paid to the pension scheme is included in 'Debtors' or 'Creditors' in the balance sheet.

Taxation

Current tax is provided on taxable profits at current rates.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Statement of accounting policies *(continued)*
for the year ended 31 December 2003

Taxation *(continued)*

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Oil and gas interests

The Group accounts for oil and gas expenditure under the 'full cost' method of accounting.

(i) Exploration, appraisal and development expenditure

Exploration, appraisal and development expenditure is incurred either through consortium operations or directly on acquiring, exploring or testing exploration prospects. All lease, licence and property acquisition costs, geological and geophysical costs and other direct costs of exploration, appraisal and development are capitalised. The amount capitalised includes operating expenses directly related to these activities, interest expense and foreign exchange differences incurred on loans prior to the commencement of production.

(ii) Cost pools

Costs are capitalised within separate geographic cost pools, which comprise Ireland and the United Kingdom in one pool and the Rest of the World in the other pool.

Costs relating to the exploration and appraisal of oil and gas interests which the Directors consider to be unevaluated are initially held outside the cost pools. Costs held outside cost pools are reassessed at each year end. When a decision to develop these interests has been taken, or there is evidence of impairment, the related costs are transferred to the relevant cost pools.

(iii) Depreciation

Expenditure within each cost pool is depreciated using the unit of production method based on commercial reserves. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the anticipated future costs of development of the undeveloped reserves at current year end unescalated prices. Changes in cost and reserve estimates are dealt with prospectively.

(iv) Abandonment

Provision is made for the anticipated costs of future restoration. Management estimate the future costs associated with removal of production facilities discounted to take account of risk and the time value of money. These costs have been determined with reference to current legal requirements and current technology. The present value of those future costs is recorded as a provision in the balance sheet.

A corresponding abandonment asset is recorded in Oil and Gas Interests and is depreciated in accordance with the Group's depreciation policy set out at (iii) above.

Statement of accounting policies *(continued)*

for the year ended 31 December 2003

Oil and gas interests *(continued)*

(iv) Abandonment (continued)

Annually, the unwinding of the discount factor is recorded as an expense in the profit and loss account and disclosed under 'Interest payable and similar charges'. Changes in estimates which result in a revision of the net present value of the provision are accounted for by adjusting the provision, with a corresponding entry to Oil and Gas Interests.

(v) Impairment test

An impairment test is carried out at each balance sheet date to assess whether the net book value of capitalised costs in each pool, together with the future costs of development of undeveloped reserves, is covered by the discounted future net revenues from the reserves within that pool, calculated at prices prevailing at the year end. Any deficiency arising is provided for to the extent that, in the opinion of the Directors, it is considered to represent a permanent diminution in the value of the related asset, and, where arising, is dealt with in the profit and loss account as additional depreciation.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provisions for impairment.

Depreciation is provided on all tangible assets on a straight line basis to write off the cost (net of estimated residual value) over the expected useful economic lives of these assets as follows:

Property	3 - 10 years
Furniture and equipment	3 - 10 years

Financial fixed assets

Financial fixed assets consist of the Company's investment in its subsidiaries and are stated at cost less, where considered necessary in the opinion of the Directors, provisions for impairment.

Leases

Assets held under finance leases, which transfer substantially all the risks and rewards of ownership to the Group, are initially recorded at their fair value at the inception of the lease. The equivalent liability, categorised as appropriate, is included under 'Creditors'. Assets are depreciated over the lease term or their useful economic lives, as appropriate. Finance lease charges are allocated over the periods of the leases to produce constant rates of return on the outstanding balances.

Rentals under operating leases are charged on a straight line basis over the lease terms.

Statement of accounting policies *(continued)*
for the year ended 31 December 2003

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction or, where appropriate, at the rates of exchange in related forward exchange contracts. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Certain assets which are denominated in foreign currency and the related foreign currency borrowings are treated as a separate group of assets and liabilities and are accounted for in that foreign currency. Exchange differences arising on the retranslation of these borrowings are taken to the Foreign Currency Translation Reserve, together with the exchange differences arising on the retranslation of the assets.

For the purposes of consolidation, the closing rate/net investment method is used, under which the balance sheets and the profit and loss accounts of the foreign subsidiaries are translated at the closing exchange rate and average rate for the year respectively and any translation gains or losses are shown as a movement on the foreign currency translation reserve.

Issue expenses and share premium account

Issue expenses arising on the issue of equity securities are written off against the share premium account.

Providence Resources P.l.c.

Consolidated profit and loss account

for the year ended 31 December 2003

	Note	**2003 €'000**	2002 €'000
Turnover	*2*	**757**	864
Cost of sales		**(412)**	(430)
Gross profit		**345**	434
Operating expenses	*3*	**(508)**	(398)
Operating (loss)/profit		**(163)**	36
Interest receivable and similar income		**2**	2
Interest payable and similar charges	*4*	**(419)**	(435)
Loss on ordinary activities before taxation		**(580)**	(397)
Tax on loss on ordinary activities	*5*	**-**	-
Retained loss for the year	*6*	**(580)**	(397)
Profit and loss account, beginning of year		**(24,138)**	(23,741)
Profit and loss account, end of year		**(24,718)**	(24,138)
Loss Per Ordinary Share - basic and fully diluted (cents)	*8*	**(€0.055)**	(€0.041)

All activities were generated from continuing operations.

On behalf of the board

Dr. Brian Hillery,
Chairman

Stephen Carroll,
Finance Director

Providence Resources P.l.c.

Balance sheets
at 31 December 2003

	Note	Group		Company	
		2003	2002	**2003**	2002
		€'000	€'000	**€'000**	€'000
Fixed assets					
Oil and gas interests	*9*	**7,175**	6,595	**7,158**	6,574
Tangible assets	*10*	**20**	18	**20**	18
Financial assets	*11*	**-**	-	**-**	-
		7,195	6,613	**7,178**	6,592
Current assets					
Debtors	*12*	**183**	407	**90**	241
Cash at bank and in hand		**181**	324	**145**	68
		364	731	**235**	309
Creditors: amounts falling due within one year	*13*	**(1,403)**	(721)	**(2,410)**	(876)
Net current assets (liabilities)		**(1,039)**	10	**(2,175)**	(567)
Total assets less current liabilities		**6,156**	6,623	**5,003**	6,025
Creditors: amount falling due after more than one year	*14*	**(13)**	(286)	**(13)**	(286)
Provision for liabilities and charges	*15*	**(1,526)**	(1,488)	**(1,447)**	(1,405)
Net assets		**4,617**	4,849	**3,543**	4,334
Capital and reserves					
Called up share capital	*16*	**12,751**	12,750	**12,751**	12,750
Share premium	*16*	**5,720**	5,691	**5,720**	5,691
Capital conversion reserve		**623**	623	**623**	623
Convertible capital bonds	*17*	**9,595**	8,324	**9,595**	8,324
Profit and loss account		**(24,718)**	(24,138)	**(25,146)**	(23,054)
Foreign currency translation reserve		**646**	1,599	**-**	-
Shareholders' funds		**4,617**	4,849	**3,543**	4,334

On behalf of the board

Dr. Brian Hillery,
Chairman

Stephen Carroll,
Finance Director

Providence Resources P.l.c.

Consolidated cash flow statement
for the year ended 31 December 2003

	Note	**2003**	2002
		€'000	€'000
Net cash inflow/(outflow) from operating activities	*21*	**31**	(62)
Returns on investments and servicing of finance			
Interest received		**2**	2
Interest paid		**(14)**	(14)
		(12)	(12)
Taxation		**-**	-
Capital expenditure and financial investment			
Expenditure on oil and gas interests		**(318)**	(190)
Capitalisation of operating expenses		**(266)**	(126)
Purchase of tangible fixed assets		**(11)**	-
		(595)	(316)
Net cash outflow before use of liquid resources and financing		**(576)**	(390)
Financing			
Loan from Indexia		**300**	100
Increase in bank loans		**150**	27
Foreign exchange		**(17)**	(10)
		433	117
Decrease in cash	*22*	**(143)**	(273)

Providence Resources P.l.c.

Other statements

for the year ended 31 December 2003

Statement of total recognised gains and losses

	2003	2002
	€'000	€'000
Loss for the financial year attributable to ordinary shareholders	**(580)**	(397)
Currency translation adjustments	**(953)**	1,639
Total recognised gains and losses for the year	**(1,533)**	1,242

Reconciliation of movements in shareholders' funds

	2003	2002
	€'000	€'000
Total recognised gains and losses for the year	**(1,533)**	1,242
Movements on Convertible Capital Bonds	**1,271**	(4,634)
Issue of shares on conversion of Capital Bonds	**30**	3,340
Net movement on shareholders' funds	**(232)**	(52)
Opening shareholders' funds	**4,849**	4,901
Closing shareholders' funds	**4,617**	4,849

Notes to the financial statements
Year ended 31 December 2003

1 Subsequent Events – Exploration Activity, Financing and Going Concern

In March 2004, the directors announced that the Group had entered into a "heads of agreement" for a Farm-in with Challenger Minerals Inc. and Palace Exploration Company (collectively referred to as the CMI JV) whereby the CMI JV has the right to earn a 50% interest in Irish Licensing Option 03/1 in return for the CMI JV part funding the drilling of a test well in 2004 on the Blackrock Prospect, located in the Celtic Sea and funding 100% of the costs of drilling a second well, if the CMI JV elects to exercise the second well option to earn its interest. Once the CMI JV has earned its 50% interest, Providence will retain a 37.5% interest in licensing option 03/1.

The directors also announced the issue of new Ordinary Shares to raise gross proceeds of approximately €10.15 million by way of Share Subscription and a Rights Issue to raise approximately €3.2 million.

The total net proceeds of €12.1 million will be used, inter alia, to fund Providence's portion of the drilling and other well costs under the Farm-In Agreement. The Company, as operator, has budgeted expenditure of €4.8 million on the 2004 well programme for its proportion of costs under the Farm-In agreement. The directors have also budgeted a further expenditure of €0.5 million on Blackrock, primarily for a 3D seismic programme after completion of the 2004 well programme. As noted in Note 13, certain short term loans and advances were repaid in full out of the proceeds of the financing activities. In addition, the majority of the Convertible Capital Bonds were exchanged for ordinary shares in the Company (Note 17).

The directors have reviewed cash flow projections for the period to 31 December 2005 and have concluded based on these forecasts (which take account of the recent financing transactions and exploration programs) that it is appropriate to continue to prepare the financial statements on a going concern basis for the foreseeable future.

2 Segmental reporting

Substantially all of the Group's revenue arises from sales of oil and gas in Europe. Sales to third parties by geographical destination are not materially different from the analysis of sales by origin.

3 Operating expenses

	2003	2002
	€'000	€'000
Corporate, exploration and development expenses	**764**	541
Foreign exchange differences	**10**	(17)
	774	524
Capitalised in Oil and Gas interests (Note 9b)	**(266)**	(126)
	508	398

4 Interest payable and similar charges

	2003	2002
	€'000	€'000
Bank loans, overdrafts repayable within five years, not by instalments	**14**	14
Site restoration provision	**44**	28
	58	42
Interest on Convertible Capital Bonds (Note 17)	**361**	393
	419	435

5 Tax on ordinary activities

	2003	2002
	€'000	€'000
Corporation tax at 25% (2002 – 25%)	**-**	-

There was no unprovided deferred tax at 31 December 2003 or 2002. The Group has exploration tax losses and unutilised capital allowances carried forward of €58 million (2002: €58 million), for which no deferred tax asset has been recorded.

6 Statutory and other information

	2003	2002
	€'000	€'000
Auditors' remuneration	**17**	12
Operating lease rentals	**74**	60
Depreciation	**11**	6
Directors' emoluments		
- fees	**39**	46
- other	**144**	56

Directors' emoluments are analysed as follows:

	Salaries and other emoluments		**Fees**		**Pensions**		**Total**	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Brian Hillery	**12**	-	**15**	19	**-**	-	**27**	19
Stephen Carroll	**125**	51	**8**	9	**7**	5	**140**	65
Peter Kidney	**-**	-	**8**	9	**-**	-	**8**	9
Tony O'Reilly Jnr	**-**	-	**8**	9	**-**	-	**8**	9
Total	**137**	51	**39**	46	**7**	5	**183**	102

Directors' emoluments comprise all of the fees, salaries, pension contributions, bonuses and other benefits payable in respect of the Directors. The basis of the executive Directors' remuneration is fixed by the Remuneration Committee of the Board which is comprised solely of non-executive Directors of the Company. Details of Directors' share options are set out in the Directors' report on page 9. Other than the employee share options scheme, the Company does not have any long term incentive scheme in place for Directors.

7 Personnel costs

Employee costs (including the executive Director) during the year amounted to:

	2003	2002
	€'000	€'000
Wages and salaries	**168**	87
Social welfare costs	**17**	9
Pension costs	**10**	7
	195	103

The average number of persons employed during the year, by activity, was as follows:

	2003	2002
	€'000	€'000
Exploration, development and production	**1**	1
Corporate management and administration	**1**	1
	2	2

In addition the Group incurred consultancy costs during the year of €209,000 (2002: €85,000).

8 Loss per ordinary share

The computation of basic and diluted loss per share is set out below:

	2003	2002
	€ 000	€ 000
Loss on ordinary activities after taxation	**(580)**	(397)
Weighted average number of shares in issue during the year (000's)	**1,062,654**	971,374
Loss per share – basic and diluted (cents)	**(€0.055)**	(€0.041)

There is no material difference between the computation of basic and diluted loss per ordinary share as the impact of relevant outstanding convertible capital bonds and share options in 2003 and 2002 is anti-dilutive.

9 Oil and gas interests

	Group		**Company**	
	2003	2002	**2003**	2002
	€'000	€'000	**€'000**	€'000
Cost pool (a)	**3,236**	3,238	**3,219**	3,217
Expenditure held outside cost pool (b)	**3,939**	3,357	**3,939**	3,357
	7,175	6,595	**7,158**	6,574

9 Oil and gas interests *(continued)*

(a) The movement on expenditure, held within the cost pool, during the year is analysed as follows:

	Group Ireland and UK €'000	Company Ireland and UK €'000
Cost		
Balance 1 January 2003	23,548	22,288
Development expenditure	2	2
Foreign exchange	(97)	-
Balance 31 December 2003	23,453	22,290
Depreciation		
Balance 1 January 2003	20,310	19,071
Charge for year	2	-
Foreign exchange	(95)	-
Balance 31 December 2003	20,217	19,071
Net book value		
At 31 December 2002	3,238	3,217
At 31 December 2003	3,236	3,219

Oil and gas interests, held within the cost pool, comprise the groups 20% interest in the Singleton onshore oil field and the Helvick oilfield.

The Directors are satisfied that the net book value of capitalised costs at year end, within the cost pool, is recoverable by reference to the projected future discounted net revenues and that no provision for any permanent diminution in their carrying values is necessary.

9 Oil and gas interests *(continued)*

(b) The movement on expenditure, held outside the cost pool, pending further evaluation is analysed as follows:

	Group Ireland and UK €'000	Company Ireland and UK €'000
Cost		
Balance 1 January 2003	3,357	3,357
Exploration and appraisal expenditure	316	316
Transfer from operating expenses	266	266
Balance 31 December 2003	3,939	3,939

The Group's principal interests, held outside the cost pool, includes the Blackrock Prospect (licensing option 03/1), the Collective Strategy (licensing options 03/08 and 03/7, excluding Helvick), and the UK Skye Oil prospect.

As explained in Note 1, the Group will undertake extensive exploration activity in each of these areas in 2004 and 2005. The Directors are satisfied that while there are no current indications of impairment, they recognize that the future realisation of these oil and gas interests is dependent on future successful exploration and appraisal activities and the subsequent economic production of hydro-carbon reserves.

10 Tangible fixed assets

	Group and Company		
	Property € 000	Furniture & equipment € 000	Total € 000
Cost			
Balance at 1 January 2003	8	70	78
Additions	-	11	11
Balance at 31 December 2003	8	81	89
Depreciation			
Balance 1 January 2003	5	55	60
Charge for year	1	8	9
Balance 31 December 2003	6	63	69
Net Book Value			
At 31 December 2002	3	15	18
At 31 December 2003	2	18	20

11 Financial fixed assets

At 31 December 2003 the Company had the following principal subsidiaries, whose principal country of operation is its country of incorporation except in the case of Providence Resources (N.I.) Limited, which operates principally in the U.K.

Name and Registered Office	**Activity**	**Interest in Ordinary Share Capital**
Atlantic Resources (UK) Limited (Incorporated in UK) 200 Aldersgate Street, London EC1A 4JJ	Oil and gas exploration and production	100%
Providence Resources (NI) Limited (Incorporated in Northern Ireland) 13 Lombard Street, Belfast	Oil and gas exploration and production	100%
Providence Resources Capital Limited (Incorporated in Jersey) 22 Grenville Street, St Helier, Jersey JE4 8PX	Investment company	100%

A full list of subsidiary companies will be filed with the Registrar of Companies.

12 Debtors

	Group		**Company**	
	2003	2002	**2003**	2002
	€'000	€'000	**€'000**	€'000
Trade debtors	**77**	83	**-**	8
VAT	**25**	247	**11**	158
Prepayments and accrued income	**81**	77	**79**	75
	183	407	**90**	241

All of the above amounts fall due within one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	**2003**	2002
	€'000	€'000	**€'000**	€'000
Trade creditors	**179**	248	**150**	154
Accruals and deferred income	**396**	373	**393**	367
Advances from group companies	**-**	-	**1,039**	255
Short term loans (a)	**400**	100	**400**	100
Secured bank loans (b)	**428**	-	**428**	**-**
	1,403	721	**2,410**	876

(a) These loans, (which were repaid subsequent to year end), were advanced by Indexia Holdings Limited, a company controlled by the principal shareholder, Sir Anthony O'Reilly. They are unsecured and non- interest bearing.

(b) These bank loans, (which were repaid subsequent to year end), are secured by first and fixed floating charges over all of the assets of the Group, and are supported by a guarantee from the principal shareholder, Sir Anthony O'Reilly.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	**2003**	2002
	€'000	€'000	**€'000**	€'000
Secured bank loans	**-**	278	**-**	278
Obligations under finance leases	**13**	8	**13**	8
	13	286	**13**	286

15 Provision for liabilities and charges - Abandonment provision

	Group		**Company**	
	2003	2002	**2003**	2002
	€'000	€'000	**€'000**	€'000
Balance 1 January	**1,488**	1,467	**1,405**	1,379
Unwinding of discount	**44**	28	**42**	26
Foreign exchange	**(6)**	(7)	**-**	-
Balance 31 December	**1,526**	1,488	**1,447**	1,405

16 Called up share capital and share premium

	Number (000's)	**€ 000**
Authorised:		
At 1 January 2003:		
Ordinary shares of €0.012 each	2,000,000	24,000
At 31 December 2003:		
Deferred shares of €0.011 each	1,062,442	11,687
Ordinary shares of €0.001 each	12,313,136	12,313

At the AGM in September 2003, a resolution was approved to subdivide each of the issued ordinary shares of €0.012 each and convert each share into 1 ordinary share of €0.001 each (having the same rights as existing ordinary shares) and 1 deferred share of €0.011 each. Each of the unissued ordinary shares were subdivided into 12 ordinary shares of €0.001 each.

The deferred shares do not entitle the shareholder to receive a dividend or other distribution, do not entitle the shareholder to receive notice of or vote at any general meeting of the Company, and do not entitle the shareholder to any proceeds on a return of capital or winding up of the Company. The Company has been authorised to transfer the shares on behalf of the shareholders without payment and is authorised to cancel the deferred shares subject to the approval of the High Court.

16 Called up share capital and share premium *(continued)*

	Number (000's)	Share capital €'000	Share premium €'000
Balance at 1 January 2003	1,062,442	12,750	5,691
Conversion of capital bonds	1,536	1	29
Balance at 31 December 2003	**1,063,978**	**12,751**	**5,720**

(a) Convertible Capital Bonds

During the year 1,536,500 (2002: 167,021,250) ordinary shares were issued at a price of €0.02 each on conversion and exchange of the Convertible Capital Bonds. Subsequent to 31 December 2003, a further 461,412,900 ordinary shares were issued arising from the conversion of principal and interest due on these bonds (Note 17).

(b) Share Option Scheme

Under the Share Option Scheme the Directors, at their discretion, may grant options over ordinary shares to employees, consultants and directors at the higher of par and market value on the date the option is granted. Options may be exercised at any time within the subsequent ten year period. During the year no options were exercised under this scheme and 23,850,000 options were granted at prices ranging from €0.013 to €0.028 per share. At 31 December 2003 options over 35.4 million (2002: 11.5 million) shares remained outstanding at subscription prices ranging from €0.0127 to €0.03 which expire at varying dates up to November 2013.

During 2004, the Directors will determine the adjustments to the number of shares and the price payable for each of the shares under option, having regard to the Rights Issue and other financial transactions which were effected subsequent to year end.

In addition, as indicated in Note 1, the Company raised net proceeds of €9.3 million through the issue of 338 million new Ordinary Shares in a Subscription offering and €2.8 million through the issue of 107 million new shares under the Rights Issue.

Both the Subscription Shares and the Rights Issue Shares included the granting of Warrants (amounting in total to 111 million Warrants) whereby each Warrant can subscribe for 1 new Ordinary Share at a subscription price of €0.045 exercisable until 28 April 2005 at the discretion of the Warrant holder.

17 Convertible Capital Bonds

	Number	€ 000
At 1 January 2003	8,532,360	8,324
Issued during the year	356,306	379
Interest accrual movement	-	(18)
Converted and exchanged for ordinary shares	(28,895)	(30)
Foreign exchange	-	940
At 31 December 2003	**8,859,771**	**9,595**

In 2000, a subsidiary - Providence Resources Capital Limited - issued US$12 million unquoted Convertible Capital Bonds due in 2002, at an issue price of US$1 each. Interest accrued thereon at the six month US$ LIBOR rate plus 250 basis points and was satisfied by issuing additional Bonds. The Bonds are convertible into preference shares of Providence Resources Capital ("Preference Shares"), which are exchangeable for ordinary shares in the Company at €0.02 per ordinary share. The original maturity date of the Bonds was 2 July 2002. On maturity the Bonds convert automatically into Preference Shares, which are either redeemed or are converted into ordinary shares at the option of Providence Resources Capital. The Bonds are guaranteed, on a subordinated basis, by the Company.

Providence Resources Capital satisfied the payment of accrued interest on the Bonds by issuing additional Convertible Capital Bonds in 2001, 2002 and US$356,306 (based on six month US$ LIBOR plus 250 basis points) during 2003, each at an issue price of US$1.

In July 2002, Providence Resources Capital granted holders of the then outstanding Bonds the option to extend the maturity date of outstanding Bonds to 2 July 2004.

During 2003, the Group issued 1,536,500 ordinary shares to bondholders who converted and exchanged bonds. Subsequent to 31 December 2003, the Company received valid conversion notices from Bondholders in respect of US$8,674,567 Bonds which, pursuant to the terms of the Convertible Capital Bonds, converted into 461,412,900 new ordinary shares which included 451,186,400 new ordinary shares allotted to Sir Anthony O'Reilly in respect of his Convertible Capital Bonds. Following these conversions, US$185,204 Convertible Capital Bonds remain outstanding. All such remaining Bonds will mature, unless previously converted, in July 2004 and will, together with all accrued interest, be converted and satisfied by the issue of new ordinary shares.

18 Pension arrangements

The Group contributes to an externally funded defined contribution pension scheme to satisfy the pension arrangements in respect of certain management personnel.

The pension cost charged for the year was €10,000 (2002: €7,000).

19 Commitments and contingencies

(a) Exploration, appraisal and development activities

The Group has estimated financial commitments of approximately €6.25 million to contribute to its share of costs of exploration and appraisal activities under its various exploration programs during 2004.

(b) Operating leases

The Group has annual commitments of €74,000 under operating leases in respect of property, which expire in 2008.

20 Parent company profit and loss account

Under the provisions of Section 3 of the Companies (Amendment) Act, 1986, the Company has not presented its own profit and loss account. A loss of €2,092,000 (2002: €1,527,000) for the financial year ended 31 December 2003 has been dealt with in the separate profit and loss account of the Company.

21 Cash flow statement

Reconciliation of operating loss to net cash flow from operating activities

	2003	2002
	€ 000	€ 000
Operating (loss)/profit	**(163)**	36
Depreciation	**11**	6
Decrease in debtors	**224**	119
Decrease in creditors	**(41)**	(223)
Net cash inflow/(outflow) from operating activities	**31**	(62)

22 Analysis of net funds

	31 December 2002	Cash Flow	**31 December 2003**
	€ 000	€ 000	**€ 000**
Cash at bank and in hand	324	(143)	**181**
Bank loans	(278)	(150)	**(428)**
Loans from Indexia	(100)	(300)	**(400)**
Net funds	(54)	(593)	**(647)**

23 Related party transactions

During the year and in the period subsequent to 31 December 2003, the Group entered into a number of transactions either directly with Sir Anthony O'Reilly, who controls 45% of the company, or with companies associated with him. Details are as follows:

- Indexia Holdings Limited, a company associated with Sir Anthony O'Reilly, provided short term loans advances totaling €400,000 at 31 December 2003 (2002: €100,000). These interest free advances were repaid in full in May 2004.

- Sir Anthony O'Reilly had guaranteed bank loans of €428,000 at 31 December 2003, all of which were repaid in May 2004 from the proceeds of the subscriptions and rights issue.

- At 31 December 2003, Sir Anthony O'Reilly held $8.48 million of the Convertible Capital Bonds. In April 2004, 451,186,400 new ordinary shares, credited as fully paid, were allotted in respect of these Bonds (Note 17).

- Subsequent to 31 December 2003, Sir Anthony O'Reilly participated in the share subscription and Rights Issue (Note 16) whereby he acquired, for a cash consideration, 33 million and 56.5 million new ordinary shares respectively, together with warrants over 22 million shares.

24 Approval of financial statements

The financial statements were approved by the Directors on 14 June 2004.

Providence Resources P.l.c.
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Providence Resources P.l.c. will be held at The Westbury Hotel, Grafton Street, Dublin 2 on Monday 19 July 2004 at 11:30 a.m. for the purpose of transacting the following ordinary business:

(1) To receive and consider the Directors' Report and Financial Statements for the year ended 31st December, 2003.

(2) (a) To re-elect Dr. Philip Nolan as a Director.
(b) To re-elect Mr. Peter Kidney as a Director.

(3) To authorise the Directors to fix the remuneration of the auditors.

(4) To transact any further ordinary business.

As special business to consider and, if thought fit, to pass the following special resolution.

(5) THAT, the Directors be and they are hereby empowered pursuant to Section 24 of the Companies (Amendment) Act 1983 (the "1983 Act") to allot equity securities (within the meaning of Section 23 of the said Act) for cash, as if the restrictions in sub-section (1) of Section 23 did not apply to any such allotment, provided however that the power hereby conferred shall be limited to the allotment of equity securities:

(i) in connection with or pursuant to an offer of equity securities by way of rights issue, open offer or otherwise to the holders of ordinary shares and/or any other persons entitled to participate therein (including without limitation any holders of options under the Company's share option scheme(s) for the time being) in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the number of ordinary share which such other persons are for the purposes of such offer deemed to hold) on a record date fixed by the Directors (whether before or after the date of this meeting) and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements or otherwise howsoever;

(ii) pursuant to the terms of any scheme for Directors and/or employees of the Company and/or its subsidiaries approved by the shareholders of the Company in general meeting;

(iii) otherwise than pursuant to sub-paragraphs (i) and (ii) above, having, in the case of relevant shares (as defined in Section 23 of the 1983 Act), a nominal value or, in the case of any other equity securities, giving the right to subscribe for or convert into relevant shares, having a nominal value, not exceeding in aggregate €197,246 (corresponding to 10%) of the issued Ordinary Share Capital of the Company.

provided in each case the power shall, unless revoked or renewed in accordance with the provision of Section 24 of the 1983 Act, expire on the earlier of fifteen months from the date of passing this Resolution and the conclusion of the next Annual General Meeting of the Company unless previously renewed, varied or revoked by the Company in general meeting, save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted or issued after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board — Dated this 25 June 2004
M. Graham, Secretary, 60 Merrion Road, Ballsbridge, Dublin 4.

Note 1: A member entitled to attend and vote at the above General Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

Note 2: In accordance with the requirements of The Stock Exchange, copies of the directors' service contracts, if any, will be available for inspection by members at 60 Merrion Road, Ballsbridge, Dublin 4 during normal business hours from the date of this notice and at the place of the Annual General Meeting for a period of fifteen minutes prior to the said meeting until the conclusion of the meeting.

Note 3: A Form of Proxy for use at the AGM is enclosed. To be effective, the Form of Proxy, together with any Power of Attorney or other authority under which it is executed, or a notarially certified copy thereof, must be completed and reach the Company's Registrars, Capita Corporate Registrars Plc, P.O. Box 7117, Dublin 2, Ireland (if delivered by post) or Capita Corporate Registrars Plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland (if delivered by hand) not less than forty-eight hours before the time for the holding of the meeting.

Note 4: The Form of Proxy must (i) in the case of an individual member be signed by the member or his/her attorney duly authorised in writing; or (ii) in the case of a body corporate be given either under its common seal or signed on its behalf by its duly authorised officer or attorney.

Note 5: In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

Note 6: Only those shareholders on the register of members of the Company as at 6:00pm on 17 July, 2004 will be entitled to attend and vote at the Annual General Meeting and may also only vote in respect of the number of shares registered in their name at that time.

PROVIDENCE RESOURCES P.l.c.

FORM OF PROXY

For use at the Annual General Meeting to be held on 19 July, 2004 and at any adjournment thereof.

I/We...………………
(Block Letters)

of...……………

being a member/members of the above-named Company hereby appoint the Chairman of the Meeting+...……………

of...as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Monday 19 July, 2004 and at any adjournment thereof, I/We direct that my/our vote(s) be cast on the specified resolutions as indicated by an X in the appropriate spaces.

		FOR*	AGAINST*
1.	To receive and consider the Directors' Report and Financial Statements for the year ended 31 December 2003.	☐	☐
2.	a) To re-elect Dr. P Nolan as a Director.	☐	☐
	b) To re-elect Mr P Kidney as a Director.	☐	☐
3.	To authorise the Directors to fix the remuneration of the auditors.	☐	☐
4.	To empower the Board pursuant to Section 24 of the Companies (Amendment) Act, 1983.	☐	☐

+ If it is desired to appoint another person as proxy these words should be deleted and the name and address of the proxy, who need not be a member of the Company, inserted.
* Unless otherwise indicated the proxy will vote, or may abstain from voting, as he/she thinks fit.

Dated this......... day of...2004

Signature...

(1) Only holders of Ordinary Shares are entitled to attend and vote at the Annual General Meeting of the Company

(2) A holder of Ordinary Shares may appoint a proxy or proxies to attend, speak and vote on their behalf at the Annual General Meeting. A Proxy so appointed need not be a member of the Company.

(3) To be effective, the Form of Proxy duly signed, together with the Power of Attorney if any, under which it is signed or a notarially certified copy of such power of authority, must be returned so as to be received by the Company's Registrars, Capita Corporate Registrars Plc, P.O. Box 7117, Dublin 2, Ireland (if delivered by post) or Capita Corporate Registrars Plc, Unit 5, Manor Street Business Park, Manor Street, Dublin 7, Ireland (if delivered by hand) as soon as possible but in any event so as to be received no later than 48 hours before the time fixed for the meeting or any adjournment thereof, at which the person named in the Form of Proxy is to vote.

(4) If this Form of Proxy is given by a body corporate it must be given under its Common Seal or under the hand of an attorney or officer duly authorised.

(5) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Member in respect of the joint holding.

(6) The appointment of a proxy does not preclude a Shareholder from attending and voting at the AGM.

FOLD 2

Affix
Stamp

FOLD 1

The Registrar
PROVIDENCE Resources P.l.c.
Capita Corporate Registrars Plc
Unit 5
Manor Street Business Park,
Dublin 7

FOLD 3
(then turn in)