September 25, 2007

PROVIDENCE RESOURCES P.l.c.

INTERIM REPORT AND FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL HIGHLIGHTS

- Implementation of IFRS; 2006 comparable numbers are now restated
- Turnover at €880,000 (2006: €1,014,000)
- Operating Loss of €142,000 (2006 as restated: Loss €399,000)
- Net Loss of €258,000 (2006 as restated: Loss €437,000)
- Institutional Placing of shares in April 2007 raised €25.7 million

OPERATIONAL HIGHLIGHTS

- Successful appraisal well at Hook Head logged 75 ft of net pay in the Celtic Sea (SEL 2/07)
- Hook Head testing programme currently ongoing
- Granted new Licensing Option 07/1, which is adjacent to the Hook Head Licence
- Two new wells discovered and now producing at High Island A268 in Gulf of Mexico
- Agreed acquisition of majority stake in the Singleton oilfield, onshore UK
- Initial farm out and licensing of new seismic data over Spanish Point
- Partial farm out of SEL 's 2/07 and 3/07 to Sosina, Dyas, Atlantic and Forest Gate
- Extension of Licensing Option 05/3 over Apollo prospect in the St. George's Channel
- Decision taken to drill Crosby in East Irish Sea

Commenting on today's Interim Results, Tony O'Reilly Jnr., Chief Executive of Providence Resources P.l.c., said:

> *"2007 has already seen a huge amount of successful activity, including the discovery and production from two new wells at High Island and increasing, to a majority stake, our holding in the Singleton oil field, which will enhance future revenue as we move to increase our daily production to our initial target of 2,000 BOEPD.*
>
> *"We have also recently commenced our testing programme at Hook Head, which is a major milestone for the Company as it successfully logged 75 ft of net pay and has a better than expected reservoir quality. Combined with the data that will be collated from the ongoing testing programme, these results now move us nearer to a development programme for Hook Head. The recent awarding of a new Licensing Option 07/1, adjacent to Hook Head, is a further step towards building our acreage position in this new hydrocarbon province.*

"Additionally, consistent with our stated objective to ensure that we have a balanced and diverse portfolio of production, development and exploration assets, the Company continues to advance its other various projects. These include Spanish Point, off the west coast of Ireland, AJE in Nigeria, Crosby in the East Irish Sea and the Irish exploration prospects at Dunquin, Goban Spur and in the St. Georges Channel. We also continue to look for new production opportunities in different territories and look forward to outlining further details over the coming months.

"Noting all these elements, at a time of robust commodity prices, shareholders can look to the future with real confidence".

The full Interim Report, Financial Statements and Company Outlook are set out below.

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Notes to Editors

About Providence

Providence Resources Plc is an independent oil and gas exploration company listed on the AIM market in London and on Dublin's IEX market. The Company was founded in 1997, but with roots going back to 1981 when it predecessor company, Atlantic Resources Plc was formed by a group of investors led by Sir Anthony O'Reilly.

Providence's active oil and gas portfolio includes interests in Ireland (offshore), the United Kingdom (onshore and offshore), the United States (offshore) and West Africa (offshore Nigeria). Providence's portfolio is balanced between production, appraisal and exploration assets, as well as being diversified geographically.

Comprehensive information on Providence and its oil and gas portfolio, including all press releases, annual reports and interim reports are available from Providence's website at www.providenceresources.com

PROVIDENCE RESOURCES P.l.c.
INTERIM REPORT AND FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL

Adoption of IFRS

In line with Stock Exchange regulations, the Company is required to prepare its financial statements in accordance with new accounting policies under International Financial Reporting Standards ('IFRS'), with effect from January 1st, 2007. As explained in the notes to the financial statements (including the table that reconciles the Consolidated Balance Sheet from Irish GAAP to IFRS) on the accounting impact of the adoption of IFRS, the most significant changes that impact the transition are the expensing of non-licence interests, the expensing of the warrants issued to Macquarie in the first half of 2006 and the write-down of past drilling costs.

Financial Results for the Half-Year

Turnover for the six month period to 30 June 2007 of €880,000 from the Company's 20% interest in the Singleton oil field was down due to a lower average oil price in the first half of the year, allied to weakness in the US Dollar. The Company's 20% share of oil production in the first half of 2007 averaged 102 barrels of oil per day (BOPD) at an average price of $63.15 (HI 2006: 105 BOPD at an average price of $65.69). The Company recorded an operating loss of €142,000 for the first 6 months (2006 as restated: Loss €399,000). The loss for the financial period was €258,000 (HI 2006 as restated: Loss €437,000).

With the oversubscribed institutional share placing of 368.2 million new ordinary shares at euro 7 cents raising €25.774 million in April 2007, the balance sheet at the half year was strengthened in advance of the Hook Head drilling Programme. Cash resources were € 23.417 million, with no debt drawn from available financing facilities.

PRODUCTION

Acquisition of Majority Stake in Singleton, Onshore UK

The Company's current strategy to increase production to an initial target of 2,000 barrels of oil equivalent per day (BOEPD) took a big step forward in the first half of 2007. In April, your Company announced that it had reached agreement to acquire the majority stake (79.125%) of the **Singleton** field, where your Company has previously held a 20% stake for the past 17 years. This acquisition is a key stepping stone for the Company to achieve its production objectives and should initially contribute to Providence, on a projected annualised basis, over 600 BOEPD*. Further optimisation opportunities, including monetising some of the associated gas production that is currently being flared, will also yield opportunities for increased production volumes, as will the deployment of enhanced oil recovery techniques.

(*including associated gas production)

High Island A268, Offshore Gulf of Mexico

Through its affiliation with a private industry grouping in the United States who identify, procure and execute production and near production opportunities, your Company became involved in **High Island A268** in the Gulf of Mexico, by taking a 5% share in December 2006. With an initial well drilled in January 2007, and a follow on well drilled in July 2007, the High Island A268 gas field has now been successfully developed and 2 commercial gas wells are now in production. Projected to produce up to 150 BOEPD**, these production wells were brought on stream within 8 months from the initial discovery, clearly demonstrating the benefits of fast track developments in the Gulf of Mexico.

New Production Opportunities

In addition to looking to increase production from **Singleton** and **High Island A268**, your Company continues to evaluate a number of other production opportunities, both in existing areas of operation in the United Kingdom and the Gulf of Mexico, but also in new geographic areas. Further news flow is expected in the coming months on this. Importantly, with existing resources and the €50 million Macquarie Revolving Credit Facility in place, your Company has the financial capability to invest in appropriate development and production opportunities as they arise.

DRILLING

Hook Head Drilling

On September 10th, your Company announced that it had logged 75 ft of net pay at its **Hook Head** appraisal well. The important announcement confirmed that all geological horizons were encountered within the pre-drill depth prognosis and significant oil and gas shows were encountered. The Company confirmed that, based on these results, the partners elected to immediately move to a testing programme. This testing programme is currently ongoing and a further announcement will be made on completion.

Outline 2008 Drilling

Looking further ahead, your Company is already actively planning for further drilling in 2008. The biggest issue, as it is for all oil and gas E&P companies, is the securing of drilling vessels and this is no different for Providence. Obviously, the testing results from **Hook Head** will influence future drilling decisions in the Celtic Sea, but the Company is already examining opportunities to secure drilling vessels for a multi-well development drilling programme for 2008.

Off the west coast of Ireland, your Company is seeking to secure, from the market, a drilling vessel capable of appraisal drilling at **Spanish Point.** Drilling decisions regarding **Dunquin** and/or the **Goban Spur** Basin drilling will be taken by ExxonMobil, Sosina and the Company.

Overseas, the partners in the East Irish Sea have agreed, subject to rig, to drill Crosby in 2008. In West Africa, your Company continues to discuss how best to advance drilling opportunities there and will report back when decisions have been made. Finally, in pursuit of incremental production from existing producing fields, your Company is currently looking at drilling additional wells at **Singleton** and in the Gulf of Mexico, as well as looking at possible new opportunities there.

(** operator estimates)

OPERATIONS

Celtic Sea

The results of the **Hook Head** testing programme, and the securing of a drilling vessel, will be the key determinants of the future work plan for the Celtic Sea portfolio in 2008. Obviously, the Company's intention will be to move aggressively towards development, consistent with our pre-drill statements. The results from **Hook Head** will also influence future plans for other Celtic Sea assets at the **Dunmore, Helvick, Ardmore** and **Blackrock** assets and these will be considered by Providence and its partners.

The recent award of **Licensing Option 07/1**, in part blocks 49/15, 50/7, 8, 11, 12 & 13, which is adjacent to the **Hook Head Field**, is another positive step forward for the Celtic Sea portfolio. This new licensing area, covering 375 km², contains a number of significant mapped leads and prospects at a similar level to those, which are hydrocarbon bearing in the **Hook Head** structure.

Following various farm-outs announced earlier this year and subsequent adjustments, the equity participation in the Celtic Sea portfolio (held under SEL's 2/07 and 3/07 and Licensing Option 07/1) is now: Providence 43.5%, Challenger Minerals (Celtic Sea) Ltd. 16.3%, Dyas BV 16.3%, Atlantic Petroleum (Ireland) Ltd. 10.8%, Forest Gate Resources Inc. 7.5% and Sosina Exploration Limited 5.4%.

St. George's Channel – Pegasus, Dionysus and Apollo

Providence holds its 100% interest in the **Pegasus** and **Dionysus** prospects through SEL 1/07, which was awarded in March of this year. These prospects are located to the north of Marathon's undeveloped **Dragon** Gas Field, approximately 25% of which extends into SEL 1/07. To the west of **Dionysus** and **Pegasus** is the large untested **Apollo** Prospect, which was the subject of the just announced extension of Licensing Option 05/3.

All of these prospects are on trend with other oil and gas discoveries in the Celtic Sea, and your Company is actively marketing these prospects to the industry.

Porcupine Basin - Spanish Point & Burren and Dunquin & Goban Spur Basin

Spanish Point, a proven discovery with estimated 2C resources of 1.4 TSCF and 160 MMBO, is currently the subject of an exclusive marketing programme to the industry as a pre-cursor to finalising details for a future drilling programme. It is hoped that a drilling syndicate can be assembled with the objective of drilling in 2008, subject to rig availability. To further facilitate planned drilling at **Spanish Point** and to provide improved imaging of the nearby **Burren** oil discovery, the Company licensed part of GX Technology's long offset North East Atlantic SPAN™ Survey. This was successfully carried out in July/August, 2007 and the data is now being prepared for interpretation.

Providence operates the **Dunquin** Prospect on behalf of its partners, ExxonMobil and Sosina. Further de-risking of this prospect continued with various geological and geotechnical techniques being applied. Whilst confidentiality conditions between the partners restrict Providence from commenting specifically on work programmes either in the past or future, the Company can confirm that it is very pleased with the status to date and views the future with optimism. Likewise, working in the **Goban Spur Basin**, Providence, ExxonMobil and Sosina continue to advance a number of potential leads in this c. 4,000km² Licensing Option area.

East Irish Sea - West Lennox and Crosby

In the East Irish Sea, your Company continues to work on its **West Lennox** and **Crosby** prospects, where it holds a 10% stake. Encouraging sub-surface studies have lead the partners to upgrade the estimated recoverable reserves and accordingly, to move forward with plans to drill the **Crosby** Prospect. Drilling, which is subject to contracting a rig, could take place in Q2/Q3, 2008.

Additionally, as a further demonstration of your Company's interest in this highly prolific hydrocarbon producing region, the Company and its West Lennox/Crosby partners applied for and were awarded a 25% interest in the adjacent part blocks of **110/9b (Split)** and **110/14b (Split**) under the United Kingdom's 24th Seaward Licensing Round. Sub-surface studies have now commenced in this area.

West Africa - AJE

In Nigeria, forward plans for the potential drilling at **AJE** continue to be developed and an announcement will be made as plans are finalised.

ENERGY AND THE ENVIRONMENT

The Company believes that it has a role to play in addressing energy supply in an environmentally responsible manner. In addition to its ongoing exploration, development and production projects, which are carried out in accordance with all environmental rules and regulations, the Company is also a contributing player to the Irish Government sponsored initiative on new energy sources, including methane gas hydrates.

OUTLOOK

As this interim report demonstrates, your Company has been exceptionally busy on all fronts: Exploration, Development/Drilling and Production. Happily, we are able to report substantial progress in all these areas and the future outlook is very positive. Allied to the anticipated increased revenue from our producing interests, the macro-pricing environment for oil and gas remains very healthy, as does the demand for hydrocarbons, particularly in Europe.

Looking ahead, we expect a continuation of these trends and factors, thereby positioning your Company for continued further growth.

Tony O'Reilly Jnr
Chief Executive Officer

September 25th, 2007

PROVIDENCE RESOURCES P.l.c.

INTERIM REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

Financial Section attached includes the following:

Providence Resources P.l.c.

Consolidated Income Statement

For the six months ended 30 June 2007

Measured in accordance with IFRS accounting policies set out therein

	Unaudited 30 June 2007 €000	Unaudited As restated 30 June 2006 €000
Revenue – continuing operations	880	1,014
Cost of sales	(289)	(285)
	--------	---------
Gross profit	591	729
Administration expenses	(615)	(677)
Pre-licence expenditure	(118)	(451)
	--------	---------
Loss from operating activities	(142)	(399)
	---------	--------
Finance income	211	32
Finance expenses – interest	(147)	(1)
Finance expenses – Macquarie loan warrants finance cost	(180)	(69)
	---------	--------
Net finance expense	(116)	(38)
	---------	--------
Loss before income tax	(258)	(437)
Income tax expense	-	-
	--------	---------
Loss for the financial period – continuing operations	(258)	(437)
- attributable to equity shareholders of the company	=====	=====
Loss Per Ordinary Share (cent)	0.011c	0.021c
- Basic and fully diluted	======	======

Providence Resources P.l.c.

Consolidated Balance Sheet as at 30 June 2007	Unaudited	Unaudited As restated
Measured in accordance with IFRS accounting policies set out therein	**30 June 2007**	**30 June 2006**
	€000	**€000**
Assets		
Exploration and evaluation assets	15,336	11,393
Development and production assets	1,703	1,363
Property, plant and equipment	188	123
Available for sale equity investments	1,050	-
Deferred Macquarie financing costs	1,012	1,372
Total non-current assets	19,289	14,251
Trade and other receivables	693	655
Prepayments for current assets	15	31
Cash and cash equivalents	23,417	1,569
Total current assets	24,125	2,255
Total assets	43,414	16,506
Equity		
Share capital	14,228	13,784
Share premium	55,029	30,931
Capital conversion reserve fund	623	623
Foreign currency translation reserve	116	(29)
Retained earnings	(33,933)	(33,268)
Share based payment reserve	530	113
Macquarie loan warrants reserve	1,441	1,441
Total equity attributable to equity holders of the Company	38,034	13,595
Liabilities		
Deferred income	-	1
Provisions	1,627	1,622
Total non-current liabilities	1,627	1,623
Trade and other payables	3,753	1,288
Total current liabilities	3,753	1,288
Total liabilities	5,380	2,911
Total equity and liabilities	43,414	16,506

Providence Resources P.l.c.

Consolidated Statement of Cash Flows		
For the six months ended 30 June 2007	**Unaudited**	**Unaudited**
Measured in accordance with IFRS accounting policies set out therein		**As restated**
	30 June 2007	**30 June 2006**
	€000	**€000**
Loss before income tax for the period	(258)	(437)
Adjustments for:		
Depletion and Depreciation	124	131
Net finance expense	116	38
Equity-settled share-based payment transactions	60	33
Change in trade and other receivables	1,771	119
Change in trade and other payables	1,164	(173)
Foreign exchange adjustments	22	(29)
Interest paid	(147)	(1)
	----------	---------
Net cash from operating activities	2,852	(319)
	----------	---------
Cash flows from financing activities		
Interest received	211	32
Acquisition of exploration and evaluation assets	(2,813)	(1,136)
Acquisition of equity investments	(1,050)	-
	----------	---------
Net cash used in investing activities	(3,652)	(1,104)
	----------	---------
Cash flows from financing activities		
Proceeds from issue of share capital	24,516	-
Repayment of borrowings	(4,780)	-
	----------	---------
Net cash from financing activities	19,736	-
	----------	---------
Net increase/(decrease) in cash and cash equivalents	18,936	(1,423)
Cash and cash equivalents at 1 January	4,481	2,992
	----------	---------
Cash and cash equivalents at 30 June	23,417	1,569
	=====	=====

Providence Resources P.l.c.

Notes to the Interim Statement

1. The results for the six month periods ended 30 June 2007 and 2006 are neither audited nor reviewed.

2. The accounting policies adopted on transition from Irish Generally Accepted Accounting Policies (GAAP) as previously adopted, to International Financial Reporting Standards (IFRS) with effect from the transition date of 1 January 2006 are set out below in the provisional statement of accounting policies. These policies have been applied consistently to all years presented in these consolidated unaudited interim financial statements.

3. Explanations of how the transition to IFRS has affected the previously reported financial position in the period ended 31 December 2006 under GAAP are shown below.

Assets - Oil and gas interests
Under IFRS 6, the Board has reviewed the carrying value of its oil and gas interests in Helvick and Blackrock within the Group's portfolio. In the absence of significant identifiable work programmes in the near future on these oil and gas prospects the Board has concluded that it is appropriate to write down the carrying value of these interests. The impact of these write down are presented as prior year adjustments where appropriate. For the period ended 30 June 2006, the adjustment in the Income Statement is €239,000 and the cumulative adjustment to Retained Earnings is €8,253,000 at 31 December, 2005.

Under IFRS 6, expenditure on non-licensed oil and gas interests are expensed as incurred. For the period ended 30 June 2006, the adjustment in the Income Statement is €212,000 and the cumulative adjustment to Retained Earnings is €779,000 at 31 December 2005. See attached reconciliation table on Page 19.

4. Macquarie Warrants

In accordance with IAS 39 – Financial Instruments: Recognition and Measurement, the Group has fair valued warrants issued to Macquarie bank using an option pricing model. The fair value attributable to these warrants of €1,441,000 has been included within equity under Macquarie Loan Warrants Reserve with a corresponding Deferred cost included within non-current assets. The deferred cost is amortised over the four year life of the revolving credit facility. In the six months to 30 June 2007, €180,000 has been charged to the income statement (30 June 2006 €69,000) and the cumulative amount to 30 June, 2007 amounts to €429,000.

5. The calculation of the loss per share is based on the loss for the financial period of €258,000 divided by the weighted average number of ordinary shares in issue during the period ended 30 June 2007 of 2,262,720,503 and during the period ended 30 June 2006 of 2,097,831,000. There is no material difference between the computation of basic and diluted earnings per ordinary share.

6. The Interim Statement will be sent to registered shareholders and is available on the Company's website at *www.providenceresources.com*. Further copies will be available from the Company's offices at Airfield House, Airfield Park, Donnybrook, Dublin 4.

Provisional statement of accounting policies

Basis of preparation

European Union (EU) law and the IEX and AIM stock exchange rules require that the next annual consolidated financial statements of the Group for the year ended 31 December 2007 be prepared in accordance with International accounting standards adopted for use in the EU.

The interim financial information for the period to 30 June 2007 as has been prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU) (IFRS's) and which will be effective at 31 December 2007 or are expected to be adopted and effective by that date, the Group's first annual reporting date at which it is required to use IFRS's.

International accounting standards adopted for use in the EU that will be effective in the annual financial statements for the year ending 31 December 2007 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2007, and those set out below are provisional only.

Where estimates had been made under Irish GAAP, consistent estimates (after adjustments to reflect any difference in accounting policies) have been made on transition to IFRS's. Judgements affecting the balance sheets of the Group have not been revisited with the benefit of hindsight. The Group have taken advantage of the following exemptions as permitted under IFRS 1 – First-time Adoption of International Financial Reporting Standards:

- IAS 21 – The effects of changes in Foreign Exchange Rates, requires that on disposal of a foreign operation, the cumulative amount of currency translation differences previously recognised directly in reserves for that operation be transferred to the income statement as part of the profit or loss on disposal. Providence Resources PLC has deemed the cumulative currency translation differences applicable to foreign operations to be zero as at the transition date as permitted by IFRS 1. The cumulative currency translation differences arising before the transition date have been set to zero and adjusted for within retained earnings.

- In accordance with the exemption permitted in IFRS 1, the fair value adjustments in respect of share based payments as required by IFRS-2 "*Share Based Payment",* have been applied only in respect of share options granted after 7 November 2002, but not fully vested by the date of transition to IFRS.

The interim consolidated financial statements are presented in euro, rounded to the nearest thousand (€'000) except when otherwise indicated. Euro is the functional currency of the parent and the majority of the Group's subsidiaries. The interim statement is prepared on a historical cost basis except for the measurement of share options and warrants which are stated at fair value at grant date and available for sale assets which are at fair value. The preparation of financial statements requires management to use judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The preparation of the financial statements under EU IFRS has resulted in changes to the accounting policies from the most recent annual financial statements prepared under Irish GAAP.

The accounting policies set out below have been applied consistently to all periods presented in this interim statement, except as otherwise stated.

Basis of consolidation

The consolidated financial statements include the financial statements of Providence Resources Plc and its subsidiaries.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, that it can be reliably measured, that the product passes out of the ownership of the Group to external customers pursuant to enforceable sales contracts and that the significant risks and rewards of ownership of oil have passed to the buyer. Revenue comprises the invoiced value of oil supplied by the Group and excludes inter-company sales, trade discounts and value added tax.

Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Share based payments

The Company's "2005 scheme" falls within the scope of and is accounted for under the provisions of IFRS 2 – Share Based Payment. Accordingly, the fair value of the options granted under this scheme, after 7 November 2002 and which had not yet vested as at 1 January 2006, is recognised as a personnel expense with a corresponding increase in the "Share based payment reserve". The fair value is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation (see (ii) below).

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 January 2006, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss

Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they are unlikely to reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest or finance expense on borrowings, unwinding of the discount on provisions, foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Exploration and evaluation assets and property plant and equipment – development and production assets

The Group has adopted IFRS 6 "Exploration for and Evaluation of Mineral Resources" in preparing these financial statements.

(i) Exploration and evaluation assets

Expenditure incurred prior to obtaining the legal rights to explore an area is written off to the income statement. Expenditures incurred on the acquisition of a licence interest are initially capitalised on a licence by licence basis considering the degree to which the expenditure can be associated with finding specific reserves. Exploration and evaluation expenditure incurred in the process of determining exploration targets is also capitalised. No value is attributed to exploration licenses granted. These expenditures are held undepleted within the exploration licence asset until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration and evaluation drilling costs are capitalised within each licence area until the success or otherwise of the well has been established. Unless further evaluation expenditures in the licence area have been planned and agreed or unless the drilling results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial, drilling costs are written off.

Exploration and evaluation assets are initially held at cost and are not revalued.

(ii) Property, plant and equipment – development and production oil and gas assets

Following appraisal of successful exploration wells and the establishment of commercial reserves, the related capitalised exploration and evaluation expenditures are reclassified as development and production oil and gas assets.

Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development and production assets or replaces part of the existing development and production assets. Any costs associated with the replacement of assets are expensed to the income statement.

(iii) Depletion

The Group depletes expenditure on developed and producing properties on a unit of production basis, based on proved and probable reserves on a cost pool basis. Capitalised costs together with anticipated future development costs calculated at price levels ruling at the balance sheet date, are amortised on a unit of production basis. Amortisation is calculated by reference to the proportion that production for the period bears to the total of the estimated remaining commercial reserves as at the beginning of the period. Changes in reserves quantities and cost estimates are recognised prospectively.

(iv) Impairment

Impairment reviews on developed and producing properties are carried out on each cash-generating unit identified in accordance with IAS 36 *"Impairment of Assets".* The Group's cash-generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas or fields.

Exploration and evaluation assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances, the exploration and evaluation asset is allocated to development and production assets within the same cash generating unit and tested for impairment 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 such impairment arising is recognised in the income statement for the period. Where there are no development and production assets, the impaired costs of exploration and evaluation are charged immediately to the income statement.

Where there has been a change for impairment in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(v) Decommissioning costs

Provision is made for the decommissioning of oil and gas wells and other oilfield facilities. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recorded and is reassessed at each balance sheet date. This amount is included within developed and producing assets by cost pool and the liability is included in provisions. Such cost is depleted over the life of the cost pool on a unit of production basis and charged to the income statement. The unwinding of the discount is reflected as a finance cost in the income statement over the remaining life of the well.

Other property, plant and equipment

Other property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 3-10 years
- furniture and equipment 3-10 years

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's balance sheet. Investment property held under an operating lease is recognised on the Group's balance sheet at its fair value.

Financial assets

Investments in subsidiary undertakings are stated at cost less provision for impairment in the company's balance sheet.

Loans to subsidiary undertakings are initially recorded at fair value in the company balance sheet and subsequently at amortised cost using an effective interest rate methodology.

Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise borrowings that were drawn down with associated issuance of equity warrants. As the warrants issued were for a fixed number at a fixed price, this element of the instrument is recognised within equity with a corresponding deferred cost within non-current assets which is amortised over the length of the credit facility.

Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any estimated shortfall in receipt. An estimate of any shortfall in receipt is made when there is objective evidence that a loss has been incurred. Bad debts are written off when identified.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments.

Reconciliation from Irish GAAP to IFRS

Consolidated Balance Sheet
As at 30 June 2006

	Irish GAAP 30-Jun 2006 €'000	Singleton producing oilfield reclassified €'000	Foreign currency translation reserve €'000	Pre-licensed interests write offs €'000	Licensed interests write downs €'000	Warrants issued for financing facility €'000	RESTATED IFRS 30-Jun 2006 €'000
Assets							
Oil & Gas Interests							
Exploration and evaluation assets	22,239	(1,363)		(991)	(8,492)		11,393
Development and production assets		1,363					1,363
Property, plant and equipment	123						123
Deferred Macquarie financing costs	0					1,372	1,372
Total assets	24,617						16,506
Equity							
Foreign currency translation reserve	598		(627)				(29)
Retained earnings	(24,343)		627	(991)	(8,492)	(69)	(33,268)
Macquarie warrants reserve						1,441	1,441
Total equity and liabilities	24,617						16,506