



## **PROVIDENCE RESOURCES P.I.c.**

### **INTERIM REPORT AND FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2008**

#### **FINANCIAL HIGHLIGHTS**

- Revenue up 1,200% to €11.24 million (HI 2007: €0.88 million)
- Profit from operating activities of €4.98 million (HI 2007: Loss €0.14 million)
- Net profit of €3.25 million (2007: Loss €0.26 million)
- Total assets treble to €130 million (HI 2007: €42 million)
- Fully diluted earnings per share of 0.13 cent (HI 2007: 0.011 cent loss)
- Commercial oil and gas price hedging programme implemented successfully

#### **OPERATIONAL HIGHLIGHTS**

- Production has increased ~ sixteen-fold from 120 BOEPD to almost 2,000 BOEPD
- Acquired Triangle portfolio of oil and gas assets in Gulf of Mexico for US \$67.5 million
- ExxonMobil becomes operator of Dunquin Prospect
- Drombeg licence area awarded to Providence, ExxonMobil and Sosina
- Successful AJE 4 appraisal well, offshore Nigeria
- Galveston A-155 gas discovery, Gulf of Mexico

#### **SINCE PERIOD END**

- Convertible bond offering in July 2008 raises €42 million
- Providence completes offshore drilling campaign at Hook Head & Dunmore
- Chrysaor farms into Spanish Point project in Porcupine Basin
- Awarded Kish Basin Licensing Option, offshore Dublin, with Star/Petronas
- Launched Ulysses Study Project with Star/Petronas
- Awarded onshore UK licence (50%) with Northern Petroleum
- Awarded Barryroe Licensing Option (30%) in Celtic Sea

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

*"The first half of 2008 has already seen a huge amount of successful activity, the most notable being the transformative acquisition of the Triangle Portfolio of oil and gas interests in the US Gulf of Mexico. This transaction, combined with other production interests, means that the Company has seen a very significant growth in its revenue base. However, it is important to note that only three months of revenue from the Triangle portfolio is included in these half year figures.*

*Around three years ago, we articulated an aspiration to build up, from an already established platform, a diversified portfolio of exploration, production and development assets. Whilst there is still much to achieve, I believe that shareholders can feel very positive about the Company's balanced portfolio. We now have:*

- World class exploration assets in the Porcupine Basin with ExxonMobil;*
- A number of sizeable development assets in the Celtic Sea, some of which have recently been the subject of recent appraisal drilling programme;*
- A large development project offshore Nigeria;*
- The Galveston A-155 development in the Gulf of Mexico, which is forecast to commence gas production in the first quarter of 2009; and*
- Exciting development properties in the Gulf of Mexico as a result of the Triangle acquisition.*

*Most importantly, we are in a strong financial position with sizeable production at a time of robust oil and gas prices. This time last year, we were producing c. 120 BOEPD, which is roughly one sixteenth of our recent production levels.*

*Since the half year, the Company has been busy across its portfolio. The capital raising of €42 million via a convertible bond offering was a notable achievement in a very difficult market environment. These funds have been deployed for select drilling activities in the Celtic Sea and the Gulf of Mexico.*

*On the drilling side, the results from the Hook Head appraisal well were disappointing and, due to the fact that the net hydrocarbon bearing intervals were substantially less than had been expected in the pre-drill estimates, the Company and its partners took the decision to plug and abandon the 50/11-4 well in order to minimise further costs.*

*The rig was immediately mobilised to the Dunmore appraisal well location which has just completed. Whilst we are also disappointed with the Dunmore appraisal well results in the Jurassic sandstone reservoirs, we are very encouraged by the discovery of a new Jurassic carbonate reservoir interval in the 50/6-4 well. Whilst this new carbonate reservoir is not significantly developed at this well location, it is possible that it may thicken considerably elsewhere in the block, which is why the partners have elected to suspend the well. Once we have completed the analysis of the well data and determined the final resource potential of the whole accumulation, we will be in a better position to complete our plans for any future specialist testing programme of the 50/6-4 well.*

*On the corporate side, we are very pleased to welcome new partners Star Energy, a wholly owned subsidiary of Petronas, into our new Kish Bank Licensing Option, offshore Dublin. Here, in addition to our normal exploration activities, we will be examining the opportunity of various gas storage initiatives through the Ulysses Project. The whole area of gas storage and CO<sub>2</sub> sequestration is a new and very exciting adjunct to our existing business. We are equally pleased to welcome Chrysaor into our Spanish Point project in the Porcupine Basin, where its proven track record in project development should allow us to advance this large and exciting venture.*

*Looking forward, we await the analysis of the results from the Celtic Sea drilling programme which will be the key to defining future activities in the North Celtic Sea Basin. We will soon be in a position to provide an update on the forward programme in the Porcupine Basin with ExxonMobil at Dunquin, Newgrange and Drombeg, and with Chrysaor at Spanish Point.*

*In terms of additional drilling, the Company is currently finalising its forward drilling plans. Drilling is currently being planned at Singleton, onshore UK, as well as on various Triangle opportunities in the Gulf of Mexico. The Crosby Prospect in the East Irish Sea Basin is also an agreed candidate for future drilling in the spring of 2009. These drilling activities will be financed from existing financial resources.*

*Providence has a very clear strategy, with solid and growing cash flow from production, exciting exploration, appraisal and development projects, and new initiatives in the gas storage arena. Crucially, we are working with world class partners, including well known companies such as Star Energy (Petronas), Chevron, C.M.I. (Transocean) and ExxonMobil. We will continue to look for new production opportunities in different territories and look forward to outlining further details of our progress across the portfolio over the coming months. Considering all these elements, at a time of robust commodity prices, shareholders can look to the future with real confidence”.*

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**The full Interim Report, Financial Statements and Company Outlook are set out on the attached pages.**

## **Notes to Editors:**

### **About Providence**

Providence Resources P.l.c. is an independent oil and gas exploration company traded on the AIM (London) and IEX (Dublin) markets. The Company was founded in 1997, but with roots going back to 1981 when its 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 UK (onshore and offshore), the Gulf of Mexico (USA) and 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 its 2007 Annual Report and recent press releases, is available from Providence's website at [www.providenceresources.com](http://www.providenceresources.com)

### **Review**

This Announcement of results for the year ended 30 June 2008 has been reviewed and approved by John O'Sullivan, Exploration Manager of Providence Resources P.l.c. John O'Sullivan is a Geology graduate of University College Cork and holds a Masters in Geophysics from The National University of Ireland, Galway. John also holds a Masters in Technology Management from the Smurfit Graduate School of Business at University College Dublin and is presently completing a dissertation leading to a PhD in Geology at Trinity College, Dublin. John is a Fellow of the Geological Society and a member of the Petroleum Exploration Society of Great Britain. He has 19 years experience in the oil and gas exploration and production industry and is a qualified person as defined in the guidance note for Mining Oil & Gas Companies, March 2006 of the London Stock Exchange.

### **Glossary of Terms Used**

ALL FIGURES QUOTED ARE GROSS FIGURES, UNLESS OTHERWISE STATED

STOIP	Stock Tank Oil Initially In Place
BBL	Barrels of Oil
BOPD	Barrels of Oil Per Day
BOEPD	Barrels of Oil Equivalent Per Day
MMBO	Millions of Barrels of Oil
MMBOE	Millions of Barrels of Oil Equivalent
BOE	Barrels of Oil Equivalent (1 BOE = 6,000 SCFG)
MCF	Thousand Cubic Feet of Gas
MCFGD	Thousand Cubic Feet of Gas Per Day
MMCFGD	Million Cubic Feet of Gas Per Day
BCF	Billion Cubic Feet of Gas
TCF	Trillion Cubic Feet of Gas
2P Reserves	Proven plus probable reserves
3P Reserves	Proven plus probable plus possible reserves

SPE/WPC/AAPG/SPEE Petroleum Resource Management System 2007 has been used in preparing this announcement

## ASSETS BY REGION

<u>Asset</u>	<u>Location</u>	<u>Operator</u>	<u>%</u>	<u>Type</u>
<b>UNITED STATES</b>				
High Island A 268	Gulf of Mexico, U.S.A.	Peregrine	5.0%	Oil and gas production
Galveston A 155	Gulf of Mexico, U.S.A.	Peregrine	10.8%	Gas development
Ship Shoal SS 252*	Gulf of Mexico, U.S.A.	SPN	50.0%	Oil and gas production
Ship Shoal SS 253*	Gulf of Mexico, U.S.A.	SPN	50.0%	Oil and gas production
Ship Shoal SS 267	Gulf of Mexico, U.S.A.	SPN	50.0%	Oil and gas development
Main Pass 19	Gulf of Mexico, U.S.A.	Petsec	45.0%	Oil and gas production
Mobile MO 861	Gulf of Mexico, U.S.A.	Triangle	50.0%	Gas production
East Cameron EC 257	Gulf of Mexico, U.S.A.	SPN	12.5%	Gas production
West Cameron WC 333	Gulf of Mexico, U.S.A.	Mariner	32.5%	Gas production
Vermillion VR 60	Gulf of Mexico, U.S.A.	SPN	50.0%	Gas production
Ridge	Onshore Louisiana, U.S.A.	Brammer	30.0%	Gas production
Main Pass 89**	Gulf of Mexico, U.S.A.	Beryl	17.5%	Gas production
*Earned interest through well bore				
** Back-in rights for 25% of 70% after pay out				
<b>IRELAND</b>				
Pegasus	NE Celtic Sea, Ireland	Providence	100.0%	Oil and gas exploration
Orpheus	NE Celtic Sea, Ireland	Providence	100.0%	Oil and gas exploration
Dionysus	NE Celtic Sea, Ireland	Providence	100.0%	Oil and gas exploration
Dragon (part)	NE Celtic Sea, Ireland	Marathon	c. 25.0%	Gas development
Hook Head	Celtic Sea, Ireland	Providence	53.2%	Oil discovery
Dunmore	Celtic Sea, Ireland	Providence	53.2%	Oil discovery
Helvick	Celtic Sea, Ireland	Providence	53.2%	Oil discovery
Ardmore	Celtic Sea, Ireland	Providence	53.2%	Gas discovery
Blackrock	Celtic Sea, Ireland	Providence	53.2%	Oil discovery
LO 1/07	Celtic Sea, Ireland	Providence	53.2%	Oil and gas exploration
Barryroe	Celtic Sea, Ireland	Lansdowne	30.0%	Oil discovery
Spanish Point	Porcupine Basin, Ireland	Providence	56.0%	Gas development
Burren	Porcupine Basin, Ireland	Providence	56.0%	Oil discovery
FEL 4/08	Porcupine Basin, Ireland	Providence	56.0%	Oil and gas exploration
Dunquin	Porcupine Basin, Ireland	ExxonMobil	16.0%	Oil and gas exploration
Drombeg	Porcupine Basin, Ireland	ExxonMobil	16.0%	Oil and gas exploration
Newgrange (Goban Spur)	Porcupine Basin, Ireland	Providence	16.0%	Oil and gas exploration
Kish	Kish Bank Basin, Ireland	Providence	50.0%	Oil and gas exploration
<b>UNITED KINGDOM</b>				
Singleton	Onshore U.K.	Providence	99.1%*	Oil and gas production
Baxter's Copse	Onshore U.K.	Providence	50.0%	Oil discovery
Burton Down	Onshore U.K.	Providence	50.0%	Oil and gas exploration
West Lennox	East Irish Sea Basin, U.K.	CMI	10.0%	Oil discovery
Crosby	East Irish Sea Basin, U.K.	CMI	10.0%	Oil and gas exploration
110/9b(p) & 110/14b(p)	East Irish Sea Basin, U.K.	CMI	25.0%	Oil and gas exploration
* 99.125%				
<b>NIGERIA</b>				
AJE	Offshore Nigeria, Africa	YFP/Chevron	5.0%	Oil and gas development



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- Profit from operating activities of €4.98 million (HI 2007: Loss €0.14 million)
- Net profit of €3.25 million (HI 2007: Loss €0.26 million)
- Convertible bond offering in July 2008 raises €42 million
- Total assets treble to €130 million (HI 2007: €42 million)
- Fully diluted earnings per share of 0.13 cent (HI 2007: 0.011 cent loss)
- Commercial oil and gas price hedging programme implemented successfully

Turnover for the six month period to 30 June 2008 of €11.237 million was up 1,200% from the corresponding figure in 2007 (HI 2007: €0.880 million). This increase reflects higher production of 1,000 BOEPD in the first half of 2008 (HI 2007: 120 BOEPD) arising from six months production from the Company's 99.125% stake in Singleton, its 5% interest in High Island A-268, and three months production from the Company's 100% interest in the Triangle portfolio. During the period, on an annualised basis, production levels reached the equivalent of circa 1,750 BOEPD. An average price of \$89 per barrel was recorded in the first half of 2008 (HI 2007: \$63).

The Company recorded an operating profit of €4.983 million for the first six months (HI 2007: Loss €0.142 million). Following amortisation of €0.455 million, (which is part of the Macquarie finance costs of €2.188 million associated with the Triangle financing, through which Macquarie was issued 10 million shares and 30 million warrants (at 12 cent per share) in lieu of fees,) the net profit for the financial period was €3,250 million (HI 2007: Loss €0.258 million). Fully diluted earnings per share was 0.13 cent (HI 2007: loss of 0.011 cent).

In July, the Company successfully raised €42 million through the issuance of a convertible bond with the net proceeds being used to finance drilling activities in the Celtic Sea and the Gulf of Mexico. This bond is a 4 year convertible bond which carries a 12% coupon and is convertible into 420 million ordinary shares, if not repaid by the Company. The bond was placed with a number of UK and Irish institutions in what was a very difficult capital market environment. At 30 June 2008, total assets amounted to €130 million (HI 2007: €42 million) whilst net debt, arising from the acquisition of Singleton and Triangle, was €50.5 million (HI 2007: € nil.).

In June, as part of the Triangle acquisition financing, the Company successfully implemented a commercial oil and gas price hedging programme, arranged through Macquarie Bank. This price protection programme gives Providence gas price protection on the down side for approximately 60% of its total gas production at a price of \$10/MCF, and limits the upside on approximately 38% of its gas production at a price of \$12/MCF. Similarly, the Company has put in place down side oil price protection for approximately 70% of its oil production at a floor price of \$100/BBL, with an upside limit on approximately 50% of its oil production at a price of \$160/BBL.

## **PRODUCTION HIGHLIGHTS**

### **Triangle Oil & Gas Portfolio (100%) – Gulf of Mexico, U.S.A.**

- Acquired in June 2008 for \$67.5 million
- Net production to Providence at c.1,100 BOEPD
- Multi-well programme being finalised

In June the Company closed its acquisition of a portfolio of producing and development assets in the US Gulf of Mexico from Triangle Oil and Gas Inc., a private company based in Lafayette, Louisiana, for a total consideration of US\$67.5 million. The acquisition was financed through Macquarie.

The portfolio of assets comprised interests in eight producing fields and two development assets. Net production has been c. 1,100 BOEPD net to Providence, though in line with operators in the Gulf of Mexico, due to recent hurricane activity, production levels have been curtailed during the late August/September 2008 period. In particular, significant hurricane damage (from Hurricane Ike) to an adjacent non-owned, but shared services, platform in the SS 253 lease has meant that production has currently ceased from this field, resulting in a reduction of approximately 250 BOEPD net to Providence. This matter is now in the hands of the insurers and a forward plan to re-establish production is being worked on with our shared services partner.

A key feature of the Triangle acquisition was the ability to access the extensive proved, but undeveloped, opportunities (referred to as “PUD”s) within the portfolio. Working with its partners in the Gulf of Mexico, Providence has now identified the first stage of opportunities which will be the subject of a multi-well drilling programme. Final details of this programme are being worked on and further announcement will be made in due course.

### **Singleton (99.125% interest) – Onshore, United Kingdom**

- Net production of 448 BOPD and 734 MSCFD
- Independent energy field audit - upgraded resources/reserves
- Future production drilling being planned
- New adjacent licence secured with Northern Petroleum

These results include six months of operating results from Singleton, where the Company produced a net average of 448 BOPD and 734 MCFGD (HI 2007: 120 BOEPD). With no export facilities for gas in place, that percentage of gas not used for production is flared in line with environmental permits. Going forward, it is planned that this flared gas will be monetised by conversion into CNG (Compressed Natural Gas) in line with the 50/50 JV agreement with Star Energy. To facilitate this process, the Company recently received the necessary permits to allow the CNG works to proceed.

Work continues to be carried out to evaluate methodologies to increase production rates and financial returns from the Singleton Field. The RPS Energy field audit confirmed 2P net reserves as of January 1<sup>st</sup> 2008 of 3.1 MMBOE and 3P reserves of 7.5 MMBOE. With an estimated 71 million stock tank barrels of oil initially in place (STOIIP), and with less than 5% having been recovered to date, the Company believes that there are many opportunities to further enhance field recovery rates. Accordingly, the Company is currently finalising plans for production drilling at Singleton for Q1 2009, details of which will be announced in due course.

In July, the company announced that, in conjunction with Northern Petroleum, it had been awarded Petroleum Exploration and Development Licence 233 under the UK's 13<sup>th</sup> Onshore Licensing Round. This licence, which is adjacent to Singleton, contains the **Baxter's Copse** oil discovery (with estimated STOIP of 3 MMBO) and the **Burton Down** exploration prospect. The un-drilled Jurassic Burton Down prospect, which lies on trend between Singleton and Storrington oil fields, has a P50 oil in place resource potential of c. 25 MMBO. These opportunities will be investigated for potential future development and exploration drilling, respectively.

### **Galveston A-155 (10.8% interest) – Offshore, Gulf of Mexico**

- Successful exploration project drilled in April 2008
- Currently being developed with projected start up in Q1 2009
- Net production estimated at up to 250 BOEPD

In April, the Company announced that a new gas discovery was made at Galveston Island Block **A-155** in the U.S. Gulf of Mexico, where Providence holds a 10.8% working interest before project pay-out. This new field is located c.100 kilometres off the US coast. It has estimated recoverable reserves of 24 BCF and the partners immediately elected to fast-track the development. This development is now proceeding to plan and is expected to result in production start-up in the first quarter of 2009. Anticipated net production to Providence is up to 250 BOEPD.

### **New Production Opportunities**

In addition to its plans to increase production from existing production assets, Providence continues to evaluate a number of production opportunities, both in existing areas of operation in the U.K. and the Gulf of Mexico, but also in new geographic areas. Importantly, with existing resources and the US\$ 250 million Macquarie revolving credit facility in place, the Company has the financial capability to invest in appropriate development and production opportunities as they arise.

## **DRILLING HIGHLIGHTS**

### **Hook Head (53.2%) – Celtic Sea, Ireland**

- Drilling commenced 5 August, 2008
- Well plugged and abandoned with gas shows on 26 August, 2008
- c. 30 ft of net hydrocarbon pay encountered

On 5 August, the Company announced that it had commenced the drilling of an appraisal well on the **Hook Head** discovery. Hook Head is located 60 km offshore Wexford and is situated in Standard Exploration Licence 2/07 in the North Celtic Sea Basin. This appraisal well was the fourth well to be drilled on the Hook Head structure, the previous wells having been drilled in 1971, 1978 and most recently, in 2007. In all cases, hydrocarbons were encountered in reservoirs of Lower Cretaceous age. This fourth well was designed to test the hydrocarbon potential of the north-west panel of the structure.

On 26 August, the Company announced that, despite having encountered c 30 ft of net hydrocarbon bearing section in this fourth well, it had elected not to test the well and had commenced abandonment procedures. The reason for this decision was that the net hydrocarbon bearing interval in the 50/11-4 well was less than expected in the pre-drill estimates, and there were also significant costs associated with testing. The well results now suggest that the majority of the Hook Head resource lies in the central part of the structure already demonstrated by the 50/11-1 and 50/11-3 wells, however this north-west panel could potentially provide additional incremental resources for any future development in the area. The 50/11-4 well results will now be integrated into the Hook Head full field model before finalising forward plans for the accumulation.

### **Dunmore Drilling (53.2%) – Celtic Sea, Ireland**

- Drilling commenced on 5 September, 2008
- Well suspended on 22 September, 2008
- Primary Jurassic sandstone reservoir logged as water wet
- Hydrocarbons logged in new Jurassic carbonate reservoir

On 5 September, the Company confirmed the spudding of the **Dunmore** appraisal well, which is located some 20 kilometers north of the Hook Head field. The Dunmore field is located in Standard Exploration Licence 2/07 in the North Celtic Sea Basin, offshore southern Ireland.

On 23 September, the Company announced that the well had been suspended having reached a total depth (TD) of 5,214 ft measured depth below rotary table. The Company confirmed that the primary Jurassic sandstone reservoir interval was encountered within the pre-drill depth prognosis, but the gross reservoir interval was thinner than had been expected and sandstones present had been determined to be water bearing based on well log data.

A new hydrocarbon bearing Jurassic carbonate reservoir zone was encountered, which had not been anticipated prior to drilling. This reservoir has c. 20 ft gross thickness and porosities of up to 23%. The reservoir zone exhibited good oil and gas shows whilst drilling, with a hydrocarbon down to the base and is located within a c. 400 ft thick interval of gas rich shales. As this new play type may have some considerable future potential, it was agreed to suspend the well and de-mobilise the rig since operational timing, equipment availability, and cost constraints precluded the deployment of the required specialist testing equipment within the current drilling programme. The partnership will now focus on integrating the results of the Dunmore well, in particular on the new Jurassic carbonate play potential. Forward programmes could include the deployment of specialist testing equipment to obtain hydrocarbon samples and to evaluate the productive potential of this interval.

### **Future Drilling**

- Minimum five well programme currently being finalised

Looking further ahead, the Company is already actively planning for further drilling in 2009 with a multi-well programme on certain **Triangle** assets in the Gulf of Mexico and a minimum one-plus-one well programme at **Singleton**. Additionally, the Company intends to drill its Crosby Prospect in the East Irish Sea Basin in the spring of 2009. Obviously, the recent results from **Hook Head and Dunmore** will now be assessed and will influence future drilling decisions in the Celtic Sea. Off the west coast of Ireland, future drilling decisions regarding **Dunquin, Drombeg and Newgrange** will be taken by ExxonMobil, Sosina and the Company, whilst any drilling on **Spanish Point** will follow on from the results of the planned 3D seismic programme.

## **DEVELOPMENT HIGHLIGHTS**

### **Spanish Point (56% interest) – Porcupine Basin, Ireland**

- Farm out announced with Chrysaor Limited
- 3D seismic programme being planned for Summer 2009

In August, following an extensive farm-out process, the Company was pleased to confirm that, together with its partner Sosina Exploration Ltd, it had signed a staged farm-out agreement with Chrysaor Holdings Limited, a privately owned development-led company, on its **Spanish Point** discovery, in the Porcupine Basin, off the west coast of Ireland. Spanish Point is a proven discovery with estimated resources of 1.4 TSCF and 160 MMBO. The farm out agreement covers Spanish Point, **Burren** and the recently acquired **FEL 4/08** licence.

The terms of the farm-out agreement provide for Chrysaor to conduct a significant appraisal work programme on the Spanish Point discovery in return for a minimum 30% interest in Spanish Point. Chrysaor then has the option to earn up to a maximum 70% interest in the event that two wells are subsequently drilled on Spanish Point. The agreement is subject to certain milestones being achieved with an initial commitment by Chrysaor to fund the budgeted cost of a 3D seismic programme on Spanish Point as consideration for the initial 30% interest.

Providence retains a 56% interest in, and the operatorship of, Spanish Point for the upcoming 3D seismic programme, with Chrysaor taking a 30% interest and Sosina holding a 14% interest. Providence recently issued a market enquiry for the provision of a deep water 3D seismic vessel for survey acquisition during the Summer 2008. Dependent on the results of the 3D seismic programme, Chrysaor may then undertake to finance the drilling of up to two appraisal wells where it will commit not less than 60% cost share, whilst also capping the other partners' cost share, to earn an additional interest of up to 40%, thereby reducing the other partners' stakes pro rata. The proposed assignment of the initial 30% interest to Chrysaor is subject to Irish government approval.

### **AJE, OML 113 (5.0% Interest) – Offshore Western Nigeria**

- Drilled in March 2008
- AJE 4 post well analysis being completed
- Development options being assessed for the AJE Field

The Company holds a 5% interest in OML 113, offshore Nigeria which contains the **AJE** field. Earlier this year, the AJE partners (comprising YFP, Chevron, Vitol, EER and Providence) drilled the AJE-4 well to appraise the AJE field as well as to test deeper exploration objectives. In April, the Company confirmed that the AJE 4 well had been successful and that it had exceeded pre-drill expectations, encountering Cretaceous aged hydrocarbon bearing sections, specifically, a gas condensate and oil bearing Turonian reservoir together with oil bearing Cenomanian intervals. The well also encountered deeper hydrocarbon bearing zones within the Albian which had been part of the well's exploration objectives.

The AJE partnership is now examining the post drill results, in the context of potential field development scenarios as well as examining other exploration opportunities contained within OML 113. Providence is also examining its options with regard to this asset.

## **Celtic Sea**

The results of the 2008 Celtic Sea Drilling Programme may influence the future plans for the potential development of the Celtic Sea opportunities (**Hook Head, Dunmore, Helvick, Ardmore, Blackrock** and the prospects contained within **LO 1/07**) and these will be considered by Providence and its partners once the data has been assessed and integrated.

## **EXPLORATION HIGHLIGHTS**

### **Irish Exploration Licences (16%) – Porcupine and Goban Spur Basins, Ireland**

- ExxonMobil assumes operatorship of Dunquin
- New large prospect, Newgrange, identified in the Goban Spur
- 2D seismic data acquired over Drombeg

### **Dunquin (16% interest) – Porcupine Basin, Ireland**

In March, the Company announced that ExxonMobil had assumed operatorship from Providence of the **Dunquin** Prospect in the Porcupine Basin, off the west coast of Ireland as of 31 March 2008. Providence had been operator of this licence area since it was awarded in November 2004. Additionally, and as had been anticipated following ExxonMobil's entry to the Dunquin Licence in February 2006, ExxonMobil advised the Company of its intention to farm out a portion of its equity of Dunquin. This process is ongoing.

### **Newgrange (16% interest) – Goban Spur Basin, Ireland**

Providence is continuing its technical evaluation of Licensing Option 06/1 in the Goban Spur following the acquisition of a 500 km 2D seismic survey over the area in 2006. The Company, together with its partners ExxonMobil and Sosina, recently agreed to relinquish six blocks on the south side of the option area in order to focus on the **Newgrange** Prospect, which is a large four way dip closed prospect extending over a c.1,000 sq km area.

### **Drombeg (16% interest) – Porcupine Basin, Ireland**

In March 2008, the Company announced that it had been awarded 13 new blocks with its Dunquin partners, ExxonMobil (80%) and Sosina (4%), under the 2007 Irish Porcupine bidding round. These blocks lie close to and southwest of the Dunquin licence in water depths of c. 2,000-3,000 metres and contain the **Drombeg** Prospect. In June 2008, ExxonMobil, as operator, acquired a c.1,000 km long offset 2-D seismic data over the area. The data should help to better define the prospectivity of the Drombeg area.

## **Other Exploration**

### **Crosby (10%) - East Irish Sea, United Kingdom**

In the East Irish Sea, the Company continues to work on its **West Lennox** and **Crosby** prospects, where it holds a 10% stake, as well as its 25% stake in licences **110/9b (Split)** and **110/14b (Split)**. Encouraging sub-surface studies have led the partners to upgrade the estimated recoverable prospective resources at Crosby, and accordingly they have elected to move forward with plans to drill the **Crosby** Prospect. Drilling, which is subject to contracting a rig, could take place in Q1/Q2, 2009.

### **Pegasus, Dionysus and Orpheus (100%) – NE Celtic Sea, Ireland**

Providence holds its 100% interest in the **Pegasus, Dionysus** and **Orpheus** prospects in Standard Exploration Licence (SEL) 1/07. These prospects are located to the north of Marathon's undeveloped **Dragon** gas field, approximately 25% of which is mapped to extend into SEL 1/07.

## **OTHER HIGHLIGHTS**

### **Kish Bank (50%) - Kish Basin, Ireland**

- Licensing Option 08/2 awarded

In August, the Company announced that, in conjunction with its 50% partner, Star Energy, which is wholly owned subsidiary of Petronas, the Malaysian national oil company, it had been awarded a three year Licensing Option over eight blocks in the **Kish Bank** Basin. The agreed work programme will focus on the oil and gas exploration potential of the basin.

### **Ulysses Project (50%) - Kish Basin, Ireland**

- Commencement of Ulysses study regarding CO<sub>2</sub> sequestration

Separately, Providence and Star also commenced the "ULYSSES Project", a study to evaluate the carbon sequestration and natural gas storage potential of the Kish Bank Basin, offshore Ireland. The **Undersea Large-scale Saline Sequestration and Enhanced Storage** (or **ULYSSES**) project has been designed to assess the potential use of Triassic aged saline sandstone reservoir sequences as possible sites for carbon sequestration. The presence of saline reservoirs which are located c.1.5 km below the seabed together with overlying sealing shale has been demonstrated in a number of oil and gas exploration wells which have been drilled in the Kish Bank Basin over the past c.30 years. The project area is located approximately 20 km offshore Dublin. The recent inter-governmental report 'Assessment of the Potential for Geological Storage of CO<sub>2</sub> for the Island of Ireland' indicated that the Kish Bank Basin held c. 270 Mt of CO<sub>2</sub> effective storage capacity.

## **Barryroe Licensing Option (30%) – Celtic Sea, Ireland**

- Licensing Option 08/1 awarded to consortium

In July, the Company announced that the **Barryroe** Licensing Option had been granted to a consortium comprising Lansdowne (40 per cent), Island Oil & Gas plc (30 per cent) and Providence (30 per cent). Lansdowne will act as the operator of the licence for the period of time up to and including the acquisition of any seismic data over the acreage. Thereafter, Providence will become the operator for any drilling and development activities.

The Barryroe Licence covers the area which lies directly below the Seven Heads Gas Field. Three previous wells tested oil at between 1,300 and 1,600 BOEPD. Oil tested was light crude (30 to 42 API), with a high wax content. Potential development synergies with other Celtic Sea projects are being reviewed by the Group. In the western part of the Barryroe licence, situated to the west of the producing Seven Heads Gas Field, the shallower section above 4,000 ft sub-sea is also included in the Licensing Option and this is considered to be prospective for gas.

From the previous technical work carried out, the two main challenges to commercial development have been identified as the reservoir continuity and the high pour point of the oil caused by the high wax content. The significant increase in the price of oil since 2006 has materially improved the likelihood that these reserves could be exploited commercially.

The work programme for the new Licensing Option will focus on these challenges and the potential synergies in reviewing development options in parallel with other established oil accumulations in the Celtic Sea. In particular, the appraisal and conceptual development work being carried out by Providence on other Celtic Sea oil accumulations may have an impact upon the development options being considered for Barryroe.

## **BOARD CHANGES**

In July, the Company announced that Mr. Stephen Carroll was stepping down as Finance Director for health reasons. Mr. Philip O'Quigley was appointed as Chief Financial Officer on that date and was appointed to the Board as Finance Director in September 2008. The Company wishes to convey its sincere thanks to Stephen Carroll, who was an integral part of the Providence team since joining in 1999, for all that he did for Providence and we wish him all the best for the future.

## **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 and development initiatives, which are carried out in compliance with all relevant environmental rules and regulations, the Company is also a contributing participant to the Irish Government sponsored initiative on new energy sources, including methane gas hydrates.

Providence also has a collaboration agreement with Hydrates Energy International (HEI) which is part of the advisory team to the U.S Government in respect of hydrates. Providence recently carried out a methane hydrate assessment study of the Irish continental margin on behalf of the Irish Petroleum Infrastructure Programme. This programme counts oil majors such as Shell, ExxonMobil, Chevron, Total and ENI amongst its members.

The Company's new initiatives in gas storage and potential CO<sub>2</sub> sequestration opportunities, being evaluated through its Ulysses Project, are also very important steps in understanding how to safely capture and dispose of CO<sub>2</sub> in deep reservoirs. The main potential environmental benefit, if successful, would be a significant reduction in CO<sub>2</sub> emissions to the atmosphere.

## **OUTLOOK**

The Company has had an exceptionally active first half in 2008 and this has continued through the summer period with activity involving drilling, farm-outs, new licences and new partners. The Company has delivered on its original production objective and now looks to build on this with further drilling activities and potential acquisitions.

In the near future, the current drilling programme offshore Ireland will be critical in deciding the forward plans for the Company's asset base in the Celtic Sea. The Company looks forward to updating shareholders on its forward drilling plans within the Triangle portfolio as well as at Singleton. The combined proceeds from the recent bond offering, the Macquarie \$250 million facility and increasing production cash flow, means the Company is well financed to meet its current obligations.

We restate the belief that this tightly managed portfolio of assets gives Providence shareholders a unique investment platform. We believe that this strategy, together with the increased and stable commodity price environment and the ever-growing global need for secure and reliable sources of energy, means that Providence shareholders can look to the future with real confidence and optimism.

Tony O'Reilly  
Chief Executive

24 September, 2008