

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

- ☒ Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **September 30, 2007**.
- ☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: **000-30377**

**PROVIDENCE RESOURCES, INC.**

(Exact name of small business issuer as specified in its charter)

**Texas**

(State or other jurisdiction of  
incorporation or organization)

**06-1538201**

(I.R.S. Employer  
Identification No.)

**5300 Bee Caves Rd. Bldg 1 Suite 240, Austin, Texas, 78746**

(Address of principal executive office)

**(512) 970-2888**

(Issuer's telephone number)

Check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒

No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐

No ☒

The number of outstanding shares of the registrant's common stock, \$0.0001 par value (the only class of voting stock) as of November 15, 2007 was 57,289,102.

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## **PART I**

### **ITEM 1. FINANCIAL STATEMENTS**

As used herein the terms “Company,” “we,” “our”, and “us” refer to Providence Resources, Inc. (formerly “Healthbridge, Inc.”), a Texas corporation and our subsidiaries, unless otherwise indicated. In the opinion of management, the accompanying unaudited, consolidated financial statements included in this Form 10-QSB reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

**PROVIDENCE RESOURCES, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2007 (Unaudited)	December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,158,885	\$ 1,540,145
Note receivable	430,000	-
Drilling rig inventory	-	724,515
Prepaid expenses	86	98
Total current assets	<u>1,588,971</u>	<u>2,264,758</u>
<b>PROPERTY AND EQUIPMENT (Note 3) :</b>		
Oil and gas leases – undeveloped	31,099,253	26,266,981
Oil and gas pipeline (construction in progress)	1,509,734	1,170,173
Equipment, net of amortization	40,560	45,810
Total property and equipment	<u>32,649,547</u>	<u>27,482,964</u>
<b>OTHER ASSETS:</b>		
Loan origination fees, net of amortization of \$36,801	26,749	45,799
Deposits	1,300	2,266
Total other assets	<u>28,049</u>	<u>48,065</u>
Total assets	<u>\$ 34,266,567</u>	<u>\$ 29,795,787</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 150,376	\$ 953,803
Accrued expenses	492,210	153,909
Related party payables	38,000	75,000
Short-term note payable (Note 4)	500,000	-
Short-term convertible promissory notes (Note 5)	501,483	-
Current portion of long-term notes payable (Note 7)	773,925	454,099
Total current liabilities	<u>2,455,994</u>	<u>1,636,811</u>
CONVERTIBLE DEBENTURES (Note 8)	3,320,000	3,570,000
LONG-TERM CONVERTIBLE PROMISSORY NOTES (Note 6)	270,833	-
LONG-TERM NOTES PAYABLE (Note 7)	200,000	319,826
Total liabilities	<u>6,246,827</u>	<u>5,526,637</u>
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY	<u>150,973</u>	<u>117,017</u>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$.0001 par value, 25,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$.0001 par value, 250,000,000 shares authorized, 57,289,102 and 51,855,539 shares issued and outstanding, respectively	5,729	5,185
Additional paid-in capital	45,754,928	40,047,072
Accumulated other comprehensive income	14,514	14,560
Deficit accumulated during the development stage	<u>(17,906,404)</u>	<u>(15,914,684)</u>
Total stockholder's equity	<u>27,868,767</u>	<u>24,152,133</u>
Total liabilities and stockholders' equity	<u>\$ 34,266,567</u>	<u>\$ 29,795,787</u>

The accompanying notes are an integral part of these financial statements.

PROVIDENCE RESOURCES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
Three and nine months ended September 30, 2007 and 2006 and Cumulative Amounts

	Three months ended September 30,		Nine months ended September 30,		Inception on February 17, 1993 through September 30, 2007
	2007	2006	2007	2006	
Sales	\$ -	\$ -	\$ -	\$ -	\$ 350
Cost of Sales	-	-	-	-	25,427
Gross profit	-	-	-	-	25,777
General and administrative expenses	(175,956)	(293,572)	(688,964)	(913,144)	(8,144,388)
Loss from operations	(175,956)	(293,572)	(688,964)	(913,144)	(8,118,611)
Other income (expense):					
Minority interest	-	-	-	-	19,898
Interest expense	(658,634)	(878,345)	(1,007,361)	(2,155,712)	(6,451,001)
Compensation expense	-	-	(162,444)	-	(162,444)
Interest income	8,702	196,412	24,064	387,792	472,548
Loss on disposal of assets	(157,015)	-	(157,015)	-	(157,015)
Loss before provision for income taxes and discontinued operations	(982,903)	(975,505)	(1,991,720)	(2,681,064)	(14,396,625)
Provision for income taxes	-	-	-	-	-
Loss before discontinued operations	(982,903)	(975,505)	(1,991,720)	(2,681,064)	(14,396,625)
Gain (loss) from discontinued operations, net of tax	-	-	-	-	(3,407,279)
Net loss before cumulative effect of accounting change	(982,903)	(975,505)	(1,991,720)	(2,681,064)	(17,803,904)
Cumulative effect of accounting change, net of tax	-	-	-	-	(102,500)
Net loss	(982,903)	(975,505)	(1,991,720)	(2,681,064)	(17,906,404)
Loss per share from continuing operations - basic and diluted	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.13)	
Net Loss per common share - basic and diluted	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.13)	
Weighted average common shares - basic and diluted	57,244,500	27,547,600	53,897,700	20,545,100	
Other comprehensive income					
Foreign currency translation adjustment	(33)	(655)	(46)	99	14,514
Net comprehensive income (loss)	\$ (982,936)	\$ (976,160)	\$ (1,991,766)	\$ (2,680,965)	\$ (17,891,890)

The accompanying notes are an integral part of these financial statements

PROVIDENCE RESOURCES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Nine months ended September 30, 2007 and 2006 and Cumulative Amounts

	Nine months ended September 30,		Inception on February 17, 1993 through September 30, 2007
	2007	2006	
<u>Cash flows from operating activities:</u>			
Net loss	\$ (1,991,720)	\$ (2,681,064)	\$ (17,906,404)
Adjustments to reconcile net loss to net cash used in operating activities:			
Shares issued for services	262,500	2,516,458	622,500
Shares issued with financing	-	-	3,532,073
Shares issued for debt and accrued interest conversion	12,356	-	238,903
Additional value of shares issued for debt and services conversion	162,444	-	3,161,975
Amortization of conversion rights on debt	626,917	-	626,917
Depreciation and amortization	24,300	1,019	189,320
Minority interest	-	-	(19,898)
Discontinued operations	-	-	2,542,150
Gain on write-off of liabilities	-	-	(96,270)
(Increase) decrease in:			
Accounts receivable and prepaid expenses	(930,615)	(285,702)	(820,097)
Inventory	294,515	-	294,515
Accounts payable	128,165	(95,288)	1,678,992
Accrued expenses	338,301	74,103	548,720
Related party payables	(37,000)	43,500	138,312
Net cash used in operating activities	(1,109,837)	(426,974)	(5,268,292)
<u>Cash flows from investing activities:</u>			
Advances to Providence Exploration prior to acquisition	-	(5,811,761)	(8,886,761)
Cash of Providence Exploration on acquisition date	-	73,271	73,271
Acquisition of intangible assets	-	-	(150,398)
Acquisition of property and equipment	(5,171,833)	-	(7,820,093)
Issuance of notes receivable	-	-	(616)
Net cash used in investing activities	(5,171,833)	(5,738,490)	(16,784,597)
<u>Cash flows from financing activities:</u>			
Proceeds from notes payable	700,000	-	1,392,999
Proceeds from convertible promissory notes payable	5,000,000	-	5,000,000
Issuance of common stock	166,500	8,021,952	13,277,779
Commissions paid to raise convertible debentures	-	(75,000)	(41,673)
Minority investment in subsidiary	33,956	-	170,871
Proceeds from (payments for) convertible debentures	-	-	3,654,173
Payments on notes payable	-	-	(256,889)
Net cash provided by financing activities	5,900,456	7,946,952	23,197,260
Change in accumulated other comprehensive income	(46)	99	14,514
Net increase (decrease) in cash	(381,260)	1,781,587	1,158,885
Cash, beginning of period	1,540,145	2,035,438	-
Cash, end of period	\$ 1,158,885	\$ 3,817,025	\$ 1,158,885

The accompanying notes are an integral part of these financial statements

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 1 — Organization and Summary of Significant Accounting Policies

Organization

The consolidated financial statements consist of Providence Resources, Inc. (“Providence Resources”) (formerly Healthbridge, Inc.) and its wholly owned subsidiaries, Healthbridge AG (“Healthbridge AG”), Providence Exploration LLC (“Providence Exploration”), PDX Drilling, LLC and Providence Resources LLC and a ninety percent interest in Comanche County Pipeline, LLC (collectively “the Company”).

Providence Resources, Inc. was organized on February 17, 1993 (date of inception) under the laws of the State of Texas. The Company changed its name from Healthbridge, Inc. to Providence Resources, Inc. on September 29, 2006. Healthbridge AG was formed as a German subsidiary during 2002. Providence Exploration, LLC was formed on July 12, 2005, under the Laws of the State of Texas as a Limited Liability Company and is headquartered in Dallas, Texas. Providence Exploration formed a wholly owned subsidiary, PDX Drilling, LLC (PDX), on July 12, 2005. PDX was formed to acquire drilling and service rigs for the purpose of drilling oil and gas wells in Texas. Providence Exploration also formed a wholly owned subsidiary, Providence Resources LLC, on September 1, 2005, to acquire leases in Texas for oil and gas exploration and development. In October of 2006, Providence Exploration entered into an agreement to form Comanche County Pipeline, LLC with the purpose of constructing an oil and gas pipeline in Comanche County, Texas.

On January 25, 2002, the Company acquired certain patents related to the infectious medical waste sterilization and disposal technologies developed in Germany. During the fourth quarter of 2005, the Company decided to discontinue all operations connected to the Valides® Modular Infectious Waste Disposal System and the Medides System due to the unsatisfactory level of revenue generated to date.

On November 21, 2005, the Company executed a letter of intent to acquire Providence Exploration, LLC, as a wholly owned subsidiary in a stock for ownership exchange. On September 29, 2006, the Corporation acquired Providence Exploration as a wholly owned subsidiary, pursuant to the closing of a Securities Exchange Agreement and a Note Exchange Agreement.

The Securities Exchange Agreement, entered into on April 10, 2006 with Providence Exploration and the unit holders of Providence Exploration, provided for the exchange of 4,286,330 shares of the Corporation’s common stock for 1,250,000 issued and outstanding membership units of Providence Exploration. The Note Exchange Agreement, entered into on April 10, 2006 with the holders of certain promissory notes issued by Providence Exploration, provided for the exchange of 12,213,670 shares of the Company’s common stock for the assignment of those promissory notes to the Company. The agreements were closed pursuant to shareholder approval at a special meeting of the shareholders held on September 29, 2006.

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 1 — Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Providence Exploration is involved in exploration activities for the recovery of oil and gas from the Marble Falls and Barnett Shale formations in the Fort Worth basin and from the Ellenburger carbonate, Strawn carbonate and Pennsylvanian-Wolfcamp sandstone reservoirs in Val Verde County. The Fort Worth basin prospects include approximately 7,374 acres of oil and gas leases and the Val Verde County prospects include approximately 12,832 acres of oil and gas leases. Providence Exploration has a 90% working interest and its joint venture operating partner, Harding Company, has a 10% working interest in the Fort Worth basin projects.

The Company is considered a development stage company as defined in SFAS No. 7.

Principles of Consolidation

The consolidated financial statements include the accounts of Providence Resources, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of drilling rigs, parts and components. The Company records inventory at cost.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred. Costs of major renewals or betterments are capitalized over the remaining useful lives of the related assets. Depreciation is computed by using the straight-line method. The cost of property disposed of and related accumulated depreciation is removed from the accounts at the time of disposal, and gain or loss is reflected in operations.

Oil and Gas Leases Not Subject to Amortization

Oil and gas lease costs are recorded at cost and consist of 7,374.5 acres of land leases in North Eastern Texas in the Barnett Shale Formation and 12,847.2 acres of land leases in Southwest Texas in Val Verde County. These leases are undeveloped at September 30, 2007, and accordingly no depletion is included in the accompanying consolidated financial statements.



PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 1 — Organization and Summary of Significant Accounting Policies (continued)

Oil and Gas Leases Not Subject to Amortization (continued)

The Company follows the full cost method of accounting for exploration and development of oil and gas properties whereby all costs in acquiring, exploring and developing properties are capitalized, including estimate of abandonment costs, net of estimated equipment salvage costs. Prior to acquisition on September 29, 2006, Providence Exploration capitalized \$3,278,647 in exploration costs. No costs related to production, general corporate overhead, or similar activities have been capitalized. As of September 30, 2007, the Company only has capitalized costs of unproved properties acquired and related exploration costs. Leasehold costs are depleted based on the units-of-production method based on estimated proved reserves. No proved reserves currently exist for the Company and therefore no depletion has been taken as of September 30, 2007.

In accordance with Statement of Financial Accounting Standards No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets”, the Company reviews its long-lived assets to be held and used, excluding proved oil and gas properties accounted for under the full cost method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future net cash flows is less than the carrying amount of the assets. In this circumstance, the Company recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. The Company’s long-lived assets related to its proved oil and gas properties accounted for under the full cost method of accounting are prescribed by the Securities and Exchange Commission (Regulation S-X, Rule 4-10, “Financial Accounting and Reporting for Oil and Gas Producing Activities Pursuant to the Federal Securities Laws and the Energy Policy and Conservation Act of 1975”).

Intangible Assets

Costs associated with the acquisition of definite life intangibles are capitalized and amortized over their useful life. These costs will be reviewed quarterly by management for impairment and valuation. Such impairment is reviewed from available information at the time such as projected cash flow analysis, sales orders and other information available to help management determine future realization of this asset. Management will write this intangible down to its net realizable value at the time of impairment appears to exist.

Loan origination fees are amortized on a straight line basis over the 36 month term of the loans.

Long-Lived Assets

The Company evaluates its long-lived assets in accordance with SFAS No. 144, “Accounting for the Impairment of Long-Lived Assets”. Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made.

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 1 — Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

Deferred income taxes are provided in amounts sufficient to give effect to temporary differences between financial and tax reporting, principally related to deferred start-up cost. For income tax purposes start-up costs are deferred until the Company begins generating revenue, at which time the costs begin being amortized.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At September 30, 2007, the Company had \$1,158,885 in bank deposit accounts. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Translation of Foreign Currencies

Assets and liabilities of the Company's foreign subsidiary are translated into U.S. dollars at the applicable exchange rates at year-end. Net gains or losses resulting from the translation of the Company's assets and liabilities are reflected as a separate component of stockholders' equity. A negative translation impact on stockholders' equity reflects a current relative U.S. dollar value higher than at the point in time that assets were actually acquired in a foreign currency. A positive translation impact would result from a U.S. Dollar weaker in value than at the point in time foreign assets were acquired.

Income and expense items are translated at the weighted average rate of exchange (based on when transactions actually occurred) during the year.

Revenue Recognition

The Company did not have revenues in the nine months ended September 30, 2007. Revenues are recorded upon the completion of the services, with the existence of an agreement and where collectability is reasonably assured. Oil and natural gas production revenue will be recognized at the time and point of sale after the product has been extracted from the ground.

Stock-Based Compensation

At September 30, 2007, the Company has stock-based employee compensation plans, which are described in greater detail in Note 11. The Company accounts for those plans under the recognition and measurement principles of APB Opinion 25, "Accounting for Stock Issued to Employees", and related Interpretations, and has adopted the disclosure provisions of SFAS 123 (R), "Share Based Payment."

Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS 123 (R), the Company's net loss and loss per share would have been reduced to the pro forma amounts indicated below:

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 1 — Organization and Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

	Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>
Net loss as reported	\$ (1,991,720)	\$ (2,681,064)
Deduct:		
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	—	—
Net loss pro forma	\$ (1,991,720))	\$ (2,681,064)
Loss per share – basic and diluted:		
As reported	\$ (.04)	\$ (.13)
Pro forma	\$ (.04)	\$ (.13)

Earnings Per Share

The numerator for the earnings per share calculation is the net loss for the period. The denominator is the weighted average number of shares outstanding during the period.

The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the common stock equivalents which would arise from the exercise or conversion of warrants, options and convertible securities, if any, using the treasury stock method. The Company had 7,303,650 stock equivalents of warrants at September 30, 2007 that were excluded from the calculation of diluted earnings per share. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is antidilutive.

Earnings Per Share computation for Continuing operations:

	Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>
Numerator – (loss from continuing operations) \$	(1,991,720)	\$ (2,681,064)
Denominator – weighted average number of shares outstanding	<u>53,897,700</u>	<u>20,545,100</u>
Loss per share	\$ <u>(0.04)</u>	\$ <u>(0.13)</u>

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 1 — Organization and Summary of Significant Accounting Policies (continued)

Earnings Per Share (continued)

Earnings Per Share computation from Discontinued Operations:

	Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>
Numerator – (loss from discontinued operations) \$	Nil	\$ Nil
Denominator – weighted average number of shares outstanding	<u>53,897,700</u>	<u>20,545,100</u>
Loss per share-discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

Earnings Per Share computation for Net Income:

	Nine months ended September 30,	
	<u>2007</u>	<u>2006</u>
Numerator – (Net Loss)	\$ (1,991,720)	\$ (2,681,064)
Denominator – weighted average number of shares outstanding	<u>53,897,700</u>	<u>20,545,100</u>
Loss per share	<u>\$ (0.04)</u>	<u>\$ (0.13)</u>

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2006 financial statements may have been reclassified to conform to the 2007 presentation.

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 2 — Going Concern

As of September 30, 2007, the Company's revenue generating activities have not generated sufficient funds for profitable operations, and the Company has incurred losses of \$17,906,404 since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern.

We anticipate that additional funding will be required in the next twelve months and that it will be in the form of equity financing from the sale of our common stock. However, we do not have any financing arranged and we cannot provide investors with firm assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our plan of operations

Note 3 — Property and Equipment

Drilling and service rigs and equipment are recorded at cost and are depreciated over their estimated useful lives of ten years using the straight-line method. Office furniture and equipment and automotive equipment are recorded at cost and depreciated over their estimated useful lives of five to ten years using the straight-line method.

Upon sale or retirement of property and equipment the cost and related accumulated depreciation of the asset are removed from the Company's accounts and gain or loss is recognized.

Expenditures for repair and maintenance are charged to expense as incurred.

Depreciation expense for the nine months ended September 30, 2007 and 2006 was \$24,300 and \$1,019 respectively.

Note 4 – Short-term Note Payable

Note Payable - Global Convertible Megatrend LTD, unsecured, principal payable in full on February 23, 2008, interest at 10% payable at the end of each fiscal quarter, interest convertible to common shares at \$0.35 per share.

\$500,000

For the nine months ended September 30, 2007, the Company recorded \$30,000 as interest and financing expense relating to a short-term note payable. Accrued interest as at September 30, 2007 for the outstanding short-term note payable totaled \$30,000.

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 5 – Short-term Convertible Promissory Notes

In 2007, the Company issued a secured convertible promissory note with a total face value of \$1,000,000 in exchange for a cash advance of the same amount. The principal and interest are due in full on the maturity date of the note. The notes are secured by:

1. All seismic data obtained in connection with the 3D Seismic Project Proposal and Agreement dated March 27, 2007 between the Company and TRNCO Petroleum Corporation which seismic data may not be shared with any third party without the express written consent of the holder of the note.
2. Any and all proceeds arising from or attributable to the assets.

At the sole discretion of the holder, the principal and accrued interest on the note may be converted into shares of the Company's common stock. The promissory notes bear interest at 10% per annum. The principal and interest on the notes can be converted into shares of common stock at a conversion price of \$0.15. The terms of the note are outlined in the following table.

Convertible Promissory Note Payable – Miller Energy LLC, secured, payable in full on April 29, 2008, including interest at 10%, convertible at \$0.15 per common share.	\$1,000,000
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For the nine months ended September 30, 2007, the Company recorded \$41,918 as interest and financing expense relating to short-term convertible promissory notes. Accrued interest as at September 30, 2007 for the outstanding short-term convertible promissory notes totaled \$41,918.

The fair value of the conversion option on the short-term promissory note of \$854,600 as calculated using the Black-Scholes model was recorded as a discount on the face value of the note. This amount will be amortized using the straight-line method over the term of the note. For the first nine months of 2007, the Company recorded \$356,083 as interest expense due to amortization of the discount.

The following assumptions were used for the Black-Scholes valuation of the conversion option:

Risk-free interest rate	4.88%
Expected life of option	1.0 years
Annualized volatility	81%
Dividend rate	0.00%

PROVIDENCE RESOURCES INC.  
(A Development Stage Company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2007 and 2006

Note 6 – Long-term Convertible Promissory Notes

In 2007, the Company issued secured convertible promissory notes with a total face value of \$4,000,000 in exchange for a cash advance of the same amount. The principal and interest are due in full three years after the issue date of the note. The notes are secured by:

1. All seismic data obtained in connection with the 3D Seismic Project Proposal and Agreement dated March 27, 2007 between the Company and TRNCO Petroleum Corporation which seismic data may not be shared with any third party without the express written consent of the holder of the note.
2. Any and all proceeds arising from or attributable to the assets.

At the sole discretion of the holder, the principal and accrued interest on the note may be converted into shares of the Company's common stock. The promissory notes bear interest at 10% per annum. The principal and interest on the notes can be converted into shares of common stock at a conversion price of \$0.15.

For the nine months ended September 30, 2007, the Company recorded \$76,027 as interest and financing expense relating to long-term convertible promissory notes. Accrued interest as at September 30, 2007 for the outstanding long-term convertible promissory notes totaled \$76,027.

The fair value of the conversion option on the long-term promissory notes of \$4,000,000 as calculated using the Black-Scholes model was recorded as a discount on the face value of the note. This amount will be amortized using the straight-line method over the term of the note. For the first nine months of 2007, the Company recorded \$270,833 as interest expense due to amortization of the discount.

The following assumptions were used for the Black-Scholes valuation of the conversion option:

Risk-free interest rate	4.96%
Expected life of option	3.0 years
Annualized volatility	93%
Dividend rate	0.00%

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Note 7 – Long-term Notes Payable

Note Payable - FAGEB AG, secured by drilling equipment, payable in quarterly installments of \$25,119 through July 31, 2008, including interest at 12%.	\$156,515
 Note Payable - Global Convertible Megatrend LTD., secured by drilling equipment, payable in quarterly installments of \$50,238 through July 31, 2008, including interest at 12%.	 352,608
 Note Payable - FAGEB AG, secured by drilling equipment, payable in quarterly installments of \$37,722 through September 25, 2008, including interest at 12%.	 264,802
 Note Payable – Bluemont Investment Ltd, payable in full by August 8, 2010, including interest at 10%.	 <u>200,000</u>
Total	973,925
Less current portion	<u>773,925</u>
Long-term notes payable	<u>\$ 200,000</u>

For the nine months ended September 30, 2007, the Company recorded \$71,322 as interest and financing expense relating to long-term notes payable. Accrued interest as at September 30, 2007 for the outstanding long-term notes payable totaled \$71,322.

Note 8 – Convertible Debentures

Two convertible debentures were issued during 2002 (May 3, 2002-\$75,000 and May 6, 2002-\$250,000), bearing interest at 7.5% per annum, which mature in three years. The convertible debentures become immediately due and payable upon certain events of default unless waived by the lender. Interest on the principal amount was due annually on the anniversary date of the issue date. The conversion feature allowed the holder at any time to convert any unpaid amount of principal or interest at \$5.00 per share for a period of three years from the date of issuance. Pursuant to the terms of the convertible debenture, the Company agrees to file a Registration Statement within 60 days of conversion with the U.S. Securities and Exchange Commission.

The convertible debentures are secured by substantially all of the Company's assets consisting of all tangible and intangible property, but not limited to procedures, instruments, devices, equipment, research, designs, registrations, licenses, trademarks, software, patents, patents pending, "know-how" expertise, all additions and replacements to such property and any other documentation related to the Valides® and Medides systems for sterilizing and disinfecting infectious waste.

On January 14, 2004, the conversion price of the two debentures was adjusted to \$0.10 per share.



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Note 8 – Convertible Debentures (continued)

The terms for these two convertible debentures were extended to May 3, 2008 and May 6, 2010, respectively pursuant to the terms of extension agreements dated March 31, 2005. The extension agreements require certain additional conditions related to the Company's obligations as follows:

1. The interest payable on the convertible debentures, as of May 4, 2005, accrues at a rate of ten percent (10%) per annum payable on a quarterly basis with the initial quarterly interest payments due on September 30, 2005 and at the end of each quarter thereafter until repayment or conversion.
2. The right to convert the whole part or any part of the principal amounts and accrued interest into shares of the Company extends until May 3, 2008 and May 6, 2010 respectively.
3. Upon conversion or repayment of the principal amounts and accrued interest, the holders of the convertible debentures are entitled to a ten percent (10%) bonus on the amount due as of such date. The market value of this bonus on the date of the extension was recorded as financing expense of \$32,500.

On October 3, 2005 the Company reached an agreement with the beneficiaries of these two outstanding debentures for payment of interest accrued to September 30, 2005. The Company issued 136,298 shares of common stock to Global Convertible Megatrend Ltd. for \$13,629 owed, and 56,250 shares of common stock to Max Fugman for \$5,625 owed.

On April 11, 2006, the principal amount of the \$75,000 debenture to Max Fugman and \$3,863 of accrued interest were converted into shares of common stock at \$0.10 per share. After applying the 10% bonus, the Company issued 867,493 shares of common stock to extinguish \$86,749 of debt consisting of \$75,000 of principal repayment and \$11,749 in accrued interest. The Company recorded interest expense of \$954,243 to reflect the value of the shares issued upon conversion in excess of the book amounts.

On June 15, 2006, the interest accrued on the \$250,000 debenture to Global Convertible Megatrend Ltd. was converted into shares of common stock at \$0.10 per share. The Company issued 167,810 shares for \$16,781 of interest owed. The Company recorded interest expense of \$192,982 to reflect the value of the shares issued upon conversion of the book amount.

On December 31, 2006, the interest accrued on the \$250,000 debenture to Global Convertible Megatrend Ltd. was converted into shares of common stock at \$0.10 per share. The Company issued 145,200 shares for \$14,520 of interest owed. The Company recorded interest expense of \$65,340 to reflect the value of the shares issued upon conversion of the book amount.

On June 13, 2007, the principal amount of the \$250,000 debenture to Global Convertible Megatrend Ltd. and \$12,357 of accrued interest were converted into shares of common stock at \$0.10 per share. After applying the 10% bonus, the Company issued 2,873,563 shares of common stock to extinguish \$287,356 of debt consisting of \$250,000 of principal repayment and \$37,356 in accrued interest and bonus. The Company recorded compensation expense of \$139,944 to reflect the value of the shares issued upon conversion in excess of the debt and interest amounts.

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Note 8 – Convertible Debentures (continued)

On November 28, 2005, the Company issued seven convertible debenture certificates for the total principal sum of \$3,320,000 due in full with accrued and unpaid interest on November 30, 2010. The interest at a rate of 7.0% per annum is payable on a semi-annual basis with the initial payment due on June 1, 2006. The holders of the debentures has the right to convert all or part of the principal and accrued interest into common shares of the Company at \$0.35 per share at any time prior to maturity.

On August 24, 2006, the interest accrued on the seven debentures was partially converted into shares of common stock at \$0.35 per share. The Company issued 263,563 shares for \$92,247 of interest owed. The Company recorded interest expense of \$144,960 to reflect the value of the shares issued upon conversion of the book amount.

On December 1, 2006, the interest accrued on the seven debentures was partially converted into shares of common stock at \$0.35 per share. The Company issued 260,712 shares for \$91,249 of interest owed. The Company recorded interest expense of \$52,142 to reflect the value of the shares issued upon conversion of the book amount.

For the nine months ended September 30, 2007, the Company recorded \$186,179 as interest and financing expense relating to convertible debentures. Accrued interest as at September 30, 2007 for all outstanding debentures totaled \$243,738.

The total value of the principal of the seven convertible debentures outstanding as of September 30, 2007 was \$3,320,000. Repayment of this principle is due according to the following schedule:

<u>Year</u>	<u>Principal Repayment</u>
2007	-
2008	-
2009	-
2010	\$ 3,320,000

Note 9 — Related Party Transactions

The Company has entered into an agreement with Markus Mueller, a director of the Company for consulting services. The agreement has an automatic renewal provision unless terminated by either party. During the nine months ended September 30, 2007 and 2006, the Company recognized consulting expense of \$67,500 and \$46,500 respectively. In 2007, the Company also recognized compensation expense of \$22,500 which relates to shares issued to convert an outstanding balance due to Mr. Mueller. In 2007, the Company issued 750,000 shares for \$112,500 of consulting fees owed to Mr. Mueller. The Company recorded compensation expense of \$22,500 to reflect the value of the shares issued upon conversion of the book amount. The balance of \$30,000 was due to Mr. Mueller at September 30, 2007.

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Note 9 — Related Party Transactions (continued)

The Company has entered into an agreement with Nora Coccaro, a director of the Company for consulting services. The agreement has an automatic renewal provision unless terminated by either party. During the nine months ended September 30, 2007 and 2006, the Company recognized consulting expense of \$85,500 and \$406,500 respectively. Of the 2007 charge, \$16,000 relates to the deemed value of 100,000 shares of common stock issued to Ms. Coccaro. Of the 2006 charge, \$360,000 relates to the deemed value of 300,000 shares of common stock.

Note 10 — Stockholders' Equity Transactions

During the nine months ended September 30, 2007, the Company issued 1,450,000 shares of common stock valued at \$285,000 for consulting and legal services.

During the nine months ended September 30, 2007, the principal amount of a \$250,000 convertible debenture to Global Convertible Megatrend Ltd. and \$12,357 of accrued interest were converted into shares of common stock at \$0.10 per share. After applying a 10% bonus, the Company issued 2,873,563 shares of common stock to extinguish \$287,356 of debt consisting of \$250,000 of principal repayment and \$37,356 in accrued interest and bonus. The Company recorded compensation expense of \$139,944 to reflect the value of the shares issued upon conversion in excess of the debt and interest amounts.

During the nine months ended September 30, 2007, the Company issued 1,110,000 shares of common stock at \$0.15 per share for a total of \$166,500.

During the nine months ended September 30, 2007, the Company recorded \$4,854,600 of discount on promissory notes to value their conversion option as calculated using the Black-Scholes model.

On July 25, 2006, the Company issued 1,336,992 units in an equity financing for a total of \$8,021,952. Each \$6.00 unit comprised of 10 shares of common stock and 5 share purchase warrants, which warrants are exercisable at \$1.00 for a period of three years from the date of grant. A total of 13,369,920 shares of common stock were issued and 6,684,960 warrants were issued. The Company recorded \$3,409,330 as a financing cost related to the issuance of the warrants. As finder's fees, the Company paid \$225,096 in cash and issued 234,690 warrants exercisable at \$0.72 for a period of three years from the date of grant. The Company recorded \$122,743 as a finder's fee expense related to the issuance of these warrants.

On September 29, 2006, the Company issued 16,500,000 shares of common stock valued at \$13,200,000 pursuant to the acquisition of Providence Exploration. In connection with the acquisition, the Company issued a further 3,500,000 shares of common stock valued at \$2,800,000 as payment of the outstanding balance for oil and gas leases in Val Verde County.

The Company acquired the following fixed assets upon acquisition:

Drilling rig inventory	\$	724,515
Property and equipment		47,979
Oil and gas leases - undeveloped		23,807,018
	\$	<u>24,579,512</u>

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Note 10 — Stockholders' Equity Transactions (continued)

During the year ended December 31, 2006, the Company issued 2,004,778 shares of common stock valued at \$2,071,214 for debt.

Note 11 — Minority Interest

Minority interest relates to the 10% interest in County Pipeline, LLC that is not held by the Company. This subsidiary was formed in October of 2006 with the purpose of constructing an oil and gas pipeline in Comanche County, Texas.

Note 12 — Preferred Stock

The Company's preferred stock may have such rights, preferences and designations and may be issued in such series as determined by the Board of Directors. No shares were issued and outstanding at September 30, 2007.

Note 13 — Warrants

During 2005, in connection with the offering of 6,270,000 shares common stock and \$3,320,000 of convertible debentures during the year, a sales commission was partially paid in warrants. The warrants are exercisable in whole or in part allowing the holders to purchase 348,000 shares at an exercise price of \$0.30 before the expiry date of December 1, 2010. On the date granted, the fair market value of these warrants, totaling \$191,400, consisted of \$68,970 for warrants issued in connection with the common stock offering, and \$122,430 for warrants issued in connection with the debenture offering. The value of the warrants issued in connection with the debenture offering was recorded as a financing expense.

As part of the equity financing completed in July 2006, the Company issued 6,684,960 warrants exercisable until July 25, 2009 at \$1.00 per share. The Company recorded \$3,409,330 as a financing expense related to the issuance of these warrants based on their value as calculated using the Black-Scholes model.

The following assumptions were used for the Black-Scholes valuation of the warrants granted in 2006:

Risk-free interest rate	4.50%
Expected life of options	3.0 years
Annualized volatility	177%
Dividend rate	0.00%

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Note 13 — Warrants (Continued)

Transactions involving the Company's warrant issuance are summarized as follows:

<u>Warrants Outstanding</u>			<u>Warrants Exercisable</u>		
<u>Year Issued</u>	<u>Exercise Price</u>	<u>Number Shares Outstanding</u>	<u>Weighted Average Contractual Life (Years)</u>	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price</u>
2005	\$ 0.30	348,000	4.00	348,000	\$ .30
2006	\$ 1.00	6,684,960	2.50	6,684,960	\$ 1.00
2006	\$ 0.70	234,690	2.50	234,690	\$ .70

  

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at December 31, 2004	0	\$ 0
Granted	348,000	\$ .30
Exercised	—	\$ —
Cancelled	(—)	\$ (—)
Outstanding at December 31, 2005	348,000	\$ .30
Granted	6,919,650	\$ .99
Exercised	—	\$ —
Cancelled	—	\$ —
Outstanding at December 31, 2006 and September 30, 2007	<u>7,267,650</u>	<u>\$ .96</u>

Note 14 — Acquisition of Providence Exploration

On September 29, 2006, the Company entered into a share purchase agreement pursuant to which the Company acquired 100% control over Providence Exploration through the acquisition of all of its outstanding member shares.

The purchase price of the transaction required the Company to issue 20,000,000 common shares with a deemed value of \$16,000,000. The shares were used to eliminate \$3,571,311 of debt held by Providence Exploration. Prior to the transaction, Providence Exploration had a net assets deficit of \$1,961,149 which included \$73,721 in cash. The excess of the deemed value of the shares and fair value of the assets acquired amounted to \$14,389,838 which was allocated to the value of undeveloped oil and gas leases held by Providence Exploration at the time of the acquisition. At the time of the acquisition, there was an intercompany account balance of \$9,189,364 for principal and interest of cash advances made by the Company to Providence Exploration prior to the acquisition.

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Note 15 - Agreements

In October 2005, the Company signed a joint exploration agreement with Harding Company. Under the terms of the agreement, the Company and Harding Company intend to explore, develop and produce oil and gas from Marble Falls and Barnett Shale formations in targeted areas of the Ft. Worth basin. Harding Company is appointed as operator.

The Company is required pursuant to the agreement to fund 100% of all costs of the management and operation for a minimum of 3 wells. The Company will carry Harding for its 10% working interest in all wells drilled and completed through the pipeline connection phase, in the project.

Effective February 22, 2006, the Company entered into an agreement to purchase oil and gas leases in Val Verde County, Texas. The purchase price was \$3,849,600, payable \$1,924,800 cash and \$1,924,800 note payable. In March 2006, Harding Company paid the Company 192,480 related to the purchase. In connection with the acquisition of Providence Exploration, the Company issued 3,500,000 shares of common stock valued at \$2,800,000 as payment of the outstanding balance for the oil and gas leases in Val Verde County.

In early 2007, the Company engaged TRNCO Petroleum Corporation of Midland, Texas to implement an I/O System Two recording system in combination with the latest generation of state-of-the-art acquisition and processing parameters to obtain high quality 3D seismic data for those leases located in Val Verde County. The data is intended to illuminate deep gas targets at depths ranging from 14,000 to 16,000 feet within the identified carbonates. TRNCO will supervise the acquisition, processing, licensing and interpretation of all seismic data and has engaged Dawson Geophysical Company to be responsible for obtaining the actual 3D seismic data. Founded in 1952, Dawson is a leading provider of onshore seismic data acquisition and processing services that operates two state-of-the-industry data processing centers in Houston and Midland, Texas, staffed by experienced geophysicists. The processing professionals use the latest kits of powerful processing tools and back their analytical excellence with practical geophysical field experience in correlating complex producing horizons. Dawson's prior experience in the Val Verde Basin is expected to be of considerable benefit to Providence in acquiring reliable 3D seismic data.

Note 16 – Commitments and Contingencies

The Company leases office and warehouse space under an operating lease with monthly payments of 1,200 per month, expiring October 1, 2007. The Company also leases a vehicle under an operating lease with monthly payments of 455.74, expiring in October 2007.

The contract commitment cost for the agreement with TRNCO Petroleum Corporation (see Note 14) is \$4,553,787, payable in installments on or before August 1, 2007. The Company had paid \$5,000,000 to TRNCO by September 30, 2007 to cover project overruns.

Note 17 — Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and notes payable. The carrying amount of these items approximates fair value because of their short-term nature and the notes payable bear interest at the market interest rate.

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Note 18 — Stock Based Compensation

The Company has adopted the disclosure provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (R), “Share Based Payment” as described in Note 1. No stock options were granted in 2006 and 2005. No stock options were outstanding at September 30, 2007.

Note 19 — Reverse Common Stock Split

Effective August 25, 2003, the Company approved a 1-for-20 reverse common stock split. All common share amounts, common stock option amounts and per share information have been retroactively adjusted to reflect this common stock split in the accompanying financial statements.

Note 20 — Recent Accounting Pronouncements

In February 2006 the Financial Accounting Standards Board (FASB) issued Statement of Financial Standards No. 155 Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140 (SFAS 155). This standard permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS 155 allows an entity to make an irrevocable election to measure such a hybrid financial instrument at fair value on an instrument-by-instrument basis. The standard eliminates the prohibition on a QSPE from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS 155 also clarifies which interest-only and principal-only strips are not subject to the requirements of SFAS 133, as well as determines that concentrations of credit risk in the form of subordination are not embedded derivatives. SFAS 155 is effective for all financial instruments acquired or issued after the beginning of the fiscal year that begins after September 15, 2006. Adoption of SFAS 155 is not expected to have a material impact on our consolidated financial position or results of operations.

In July 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes,” which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes.” FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. FIN 48 becomes effective beginning with our first quarter 2007 fiscal period. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

In September 2006, the FASB issued FASB Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements, which establishes a framework for reporting fair value and expands disclosures about fair value measurements. SFAS No. 157 becomes effective beginning with our first quarter 2008 fiscal period. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans. Effective for our fiscal year ending 2006, we will be required to fully recognize the assets and obligations associated with our defined benefit plans. Effective for fiscal year ending 2008, we will be required to measure a plan’s assets and liabilities as of the end of the fiscal year instead of our current measurement date of September 30. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

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Note 21 — Subsequent Events

Subsequent to the end of the quarter, the Company received \$59,200 for subscriptions of common stock priced at \$0.08 per share. The Company anticipates closing this financing in the immediate future.

End of Notes to Financial Statements



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**Supplemental Oil and Gas Information – FAS69**

The following unaudited disclosures on standardized measures of discounted cash flows and changes therein relating to proved oil and gas reserves are determined in accordance with United States Statements of Financial Accounting Standards No. 69 “Disclosures About Oil and Gas Producing Activities”.

*Standardized Measure of Discounted Future Net Cash Flows and Changes Therein*

In calculating the standardized measure of discounted future net cash flows, year-end constant prices and cost assumptions were applied to the Company’s annual future production from proved reserves to determine cash inflows. Future production and development costs are based on constant price assumptions and assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying statutory income tax rates to future pre-tax cash flows after provision for the tax cost of oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10 percent discount factor to the future net cash flows. The calculation of the standardized measure of discounted future net cash flows is based upon discounted future net cash flows prepared by the Company’s independent qualified reserve evaluators in relation to the reserves they respectively evaluated, and adjusted by the Company to account for management’s estimate obligations and future income taxes. The Company cautions that the discounted future net cash flows relating to proved oil and gas reserves are an indication of neither the fair market value of the Company’s oil and gas properties, nor of the future net cash flows expected to be generated from such properties. The discounted future net cash flows do not include the fair market value of exploratory properties and probable or possible oil and gas reserves, nor is consideration given to the effect of anticipated future changes in crude oil and natural gas prices, development, asset retirement and production costs, and possible changes to tax and royalty regulations. The prescribed discount rate of 10 percent may not appropriately reflect future interest rates. The Company’s projections should not be interpreted as being equivalent to fair market value.

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**Supplemental Oil and Gas Information – FAS69 (continued)**

**Net Proved Reserves (1, 2)**

	Natural Gas (millions of cubic feet)	Crude Oil and Natural Gas Liquids (thousands of barrels)
December 31, 2005	-	-
Purchase of reserves in place	-	-
Production	-	-
Adjustment for uneconomic wells	-	-
December 31, 2006 and September 30, 2007	-	-
Developed	-	-
Undeveloped	-	-
Total	-	-

*(1) Definitions:*

- a. “Net” reserves are the remaining reserves of the Company, after deduction of estimated royalties and including royalty interests.
- b. “Proved oil and gas reserves.” Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Reservoirs are considered proved if economic product ability is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes that portion delineated by drilling and defined by gas-oil and /or oil-water contacts, if any; and the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

- i. Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the “proved” classification when successful testing by a pilot project, or the operation of an

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**Supplemental Oil and Gas Information – FAS69 (continued)**

- ii. installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

- iii. Estimates of proved reserves do not include the following:

Oil that may become available from known reservoirs but is classified separately as “indicated additional reserves”;

Crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;

Crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and

Crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

- c. *“Proved developed oil and gas reserves.”* Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.
- d. *“Proved undeveloped reserves.”* Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates, for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

(2) *The Company does not file any estimates of total net proved crude oil or natural gas reserves with any U.S. federal authority or agency other than the SEC.*

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**Supplemental Oil and Gas Information – FAS69 (continued)**

**Standardized Measure of Discounted Future Net Cash Flows Related to Proved Oil and Gas Reserves**

The Company has no proved reserves and no oil and gas production and therefore has not presented the Standardized Measure of Discounted Future Net Cash Flows or operating results.

**Capitalized Costs**

<u>September 30, 2007</u>	<u>United States</u>
Proved oil and gas properties	\$ -
Unproved oil and gas properties	31,099,253
Total capital costs	31,099,253
Accumulated depletion	(-)
Net capitalized costs	\$ 31,099,253

**Costs Incurred**

<u>Nine months ended September 30, 2007</u>	<u>United States</u>
Acquisitions:	
Proved reserves	\$ -
Unproved reserves	-
Total acquisitions	-
Exploration costs	4,832,272
Development costs	-
Asset retirement obligations	-
Total costs incurred	\$ 4,832,272

## ITEM 2. MANAGEMENT'S PLAN OF OPERATION

This Management's Plan of Operation that discusses our financial condition and results of operations and other parts of this report contains forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as “anticipates,” “expects,” “believes,” “plans,” “predicts,” and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsections entitled “*Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition*” below. The following discussion should be read in conjunction with our financial statements and notes thereto included in this report. All information presented herein is based on our period ended September 30, 2007. Our fiscal year end is December 31.

### **General**

The Company was incorporated under the laws of the State of Texas on February 17, 1993, as “GFB Alliance Services, Inc.” We have since undergone several name changes and on September 29, 2006, adopted the name “Providence Resources, Inc.” The Company is involved in the exploration and development of oil and gas in Hamilton, Comanche and Val Verde Counties, Texas.

### **Plan of Operation**

Over the next twelve months the Company intends to:

- seismically explore for gas prospects within the Val Verde leases;
- initiate drilling on the Val Verde leases to include multiple deep drilling targets for natural gas production; and
- evaluate the prospect of further development of acreage that remains under lease in Comanche and Hamilton County.

### **Seismic Exploration – Val Verde County Leases**

On March 27, 2007 the Company engaged TRNCO Petroleum Corporation to implement an I/O System Two recording system in combination with the latest generation of state-of-the-art acquisition and processing parameters to obtain high quality 3D seismic data from the Val Verde County leases. The data is intended to illuminate deep gas targets at depths ranging from 14,000 to 16,000 feet in the Ellenberger carbonate, Strawn carbonate and Pennsylvanian-Wolfcamp sandstone reservoirs which underlie our 12,832 acres of leasehold interests over 57 square miles in Val Verde County, Texas. TRNCO is supervising the acquisition, processing, licensing and interpretation of all seismic data while Dawson Geophysical Company is responsible for obtaining the actual 3D seismic data of which approximately 60% has been obtained as of the date of this report. The anticipated final processing of seismic data is expected by the middle of January 2008. Interpretative work to identify and prioritize initial drilling locations will be completed in the first quarter of 2008.

### **Drilling – Val Verde Leases**

On June 29, 2007, the Company entered into an exploration and development agreement with Miller Energy, LLC and certain of its affiliates (“Miller”) providing for the further exploration and development of the Company’s oil and gas leasehold interests in Val Verde County, Texas (“Agreement”).

The Agreement includes the following provisions:

- Miller will undertake all activities necessary to test and develop the Company's oil and gas leasehold interests in Val Verde County; and
- Miller will fund up to \$10,000,000 of drilling costs in Val Verde County through a series of convertible debentures; and
- Miller will acquire a 10% working interest in the Company's Val Verde County oil and gas leasehold interests; and
- The Company will appoint a new chief executive officer affiliated with Miller; and
- The Company will appoint two additional members to the board of directors both of whom are affiliated with Miller.

The Company is now actively working with Miller in anticipation of obtaining that seismic data from TRNCO Corporation that is expected to indicate prospective drill targets. Initial drilling on the leases is anticipated within the first six months of 2008.

#### Comanche and Hamilton County Leases

On October 1, 2005, Providence Exploration purchased interests in approximately 6,272 acres of oil and gas leases located in Comanche and Hamilton Counties, Texas. Seismic work was completed on the leases and initial drill targets identified. An oil and gas pipeline infrastructure was also completed in Southeast Comanche County by Comanche County Pipeline, LLC, a partnership owned 90% by the Company and 10% by Harding Company and others. Harding Company drilled four wells, Marrs #1, Steward #1H, Nowell #1 and Patton #2H on the Comanche County leases. None of the wells indicated commercial quantities of gas that could be produced on an economic basis. We now retain approximately 3,000 acres in Comanche and Hamilton County as leases have started to expire. No additional wells are anticipated for these leases until such time as further evaluation of existing work is completed.

#### Results of Operations

During the nine month period ended September 30, 2007, the Company was involved in (i) seismic exploration activities on the Val Verde County leases with TRNCO, (ii) raising additional capital by way of loans to fund the exploration, and development of those properties under lease (iii) evaluating the performance and results of drilling activities on the Comanche and Hamilton County leases and (iv) engaging Miller Energy, LLC. as a partner in the development of the Val Verde County leases.

The Company's business development strategy is prone to significant risks and uncertainties that can have an immediate impact on efforts to realize net cash flow. In the near term, we will not be able to generate sufficient cash flow from operations to sustain our business as we continue to incur lease development expenses without any corresponding revenue. Further, we can offer no assurance that our efforts to identify commercial quantities of oil or gas that can be produced economically will be successful or that the Company will ever produce revenue from oil and gas exploration activities.

#### ***Net Losses***

For the period from inception until September 30, 2007, the Company incurred a net loss of \$17,906,404. Net losses for the three month period ended September 30, 2007 were \$982,903 as compared to \$975,505 for the three months ended September 30, 2006. Net losses for the nine month period ended September 30, 2007 were \$1,991,720 as compared to \$2,681,064 for the nine months ended September 30, 2006. The increase in net losses over the comparative three month periods can be primarily attributed to a loss associated with the disposal of equipment. The decrease in net losses over the comparative nine month periods can be primarily attributed to a decrease in general and administrative expenses and a decrease in interest expenses. We did not generate any revenues during this period.

We will continue to operate at a loss through fiscal 2007 due to the nature of the Company's oil and gas exploration and development operations and cannot determine whether we will ever generate revenues from operations.

### ***Expenses***

General and administrative expenses for the three month period ended September 30, 2007 were \$175,956 as compared to \$293,572 for the three months ended September 30, 2006. General and administrative expenses for the nine month period ended September 30, 2007 were \$688,964 as compared to \$913,144 for the nine months ended September 30, 2006. The decrease in general and administrative expenses over the comparative three and nine month periods can be primarily attributed to decreases in legal, consulting, and accounting costs. We expect that general and administrative expenses will continue to decrease in future periods.

Interest expenses for the three month period ended September 30, 2007 were \$658,634 as compared to \$878,345 for the three months ended September 30, 2006. Interest expenses for the nine month period ended September 30, 2007 were \$1,007,361 as compared to \$2,155,712 for the nine months ended September 30, 2006. Interest expenses over the comparative three and nine month periods can be attributed to the debt financing involving notes payable and convertible debentures.

Depreciation expense for the nine months ended September 30, 2007 and 2006 was \$24,300 and \$1,019 respectively.

### ***Capital Expenditures***

The Company spent no amounts on capital expenditures for the period from February 17, 1993 (inception) to September 30, 2007, except those costs of unproved properties acquired with Providence Exploration, pipeline construction, and related exploration costs.

### **Income Tax Expense (Benefit)**

The Company has an income tax benefit resulting from net operating losses that may offset any future operating profit.

### **Impact of Inflation**

The Company believes that inflation has had an effect on Providence Exploration's operations due to the increased interest in oil and gas exploration over the last three years which has increased prices for labor, maintenance services and equipment. We believe that we can offset inflationary increases by improving operating efficiencies.

### **Liquidity and Capital Resources**

The Company had current assets of \$1,588,971 and total assets of \$34,266,567 as of September 30, 2007. These assets include cash on hand of \$1,158,885 and undeveloped oil and gas leases of \$31,099,253. Stockholders equity in the Company was \$27,868,767 at September 30, 2007.

Cash flows used in operating activities were \$1,109,837 for the nine month period ended September 30, 2007, compared to cash flows used in operating activities of \$426,974 for the nine month period ended September 30, 2006. The cash flows used in operating activities during the current period is due primarily to net losses and increases in accounts receivable and prepaid expenses.

Cash flows used in investing activities were \$5,171,833 for the nine month period ended September 30, 2007, compared to \$5,738,490 for the nine month period ended September 30, 2006. Cash flows used in investing activities during the current period was due to the acquisition of property and equipment in connection with the Val Verde County leases.

Cash flows from financing activities were \$5,900,456 for the nine month period ended September 30, 2007, compared to \$7,946,952 for the nine month period ended September 30, 2006. Cash flows from financing activities during the current period consisted of proceeds from convertible promissory notes of \$5,000,000, proceeds from notes payable, the sale of common stock and our minority interest in a subsidiary.

We had a working capital deficit of \$867,023 as of September 30, 2007, and have funded our cash needs from inception through revenues and a series of debt and equity transactions, including several private placements. We do not believe that our current assets are sufficient to conduct our exploration and development activities over the next twelve (12) months though we do intend to rely on the terms and conditions of our funding agreement with Miller Energy LLC to finance a prospective drilling program on the Val Verde leases next year. However, no assurances can be given that additional funding, as needed to explore and develop our lease interests will be available to us on acceptable terms or at all. Our inability to obtain funding, as necessary, would have a material adverse affect on our business.

The Company has no current plans for the purchase or sale of any plant or equipment. We have no current plans to make any changes in the number of employees.

#### **Off Balance Sheet Arrangements**

As of September 30, 2007, the Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to stockholders.

#### **Forward Looking Statements and Factors That May Affect Future Results and Financial Condition**

The statements contained in the section titled *Management's Plan of Operation and Results of Operations*, with the exception of historical facts, are forward looking statements within the meaning of Section 27A of the Securities Act. A safe-harbor provision may not be applicable to the forward looking statements made in this Form 10-QSB because of certain exclusions under Section 27A (b). Forward looking statements reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These statements include, but are not limited to, statements concerning:

- our anticipated financial performance;
- uncertainties related to oil and gas exploration and development;
- our ability to generate revenues through oil and gas production to fund future operations;
- our ability to raise additional capital to fund cash requirements for future operations;
- the volatility of the stock market; and
- general economic conditions.



We wish to caution readers that the Company's operating results are subject to various risks and uncertainties that could cause our actual results to differ materially from those discussed or anticipated in this report. We also wish to advise readers not to place any undue reliance on the forward looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than that is required by law.

### **Critical Accounting Policies**

In the notes to the audited consolidated financial statements for the Company for the year ended December 31, 2006, the Company's auditors discussed those accounting policies that are considered to be significant in determining the results of operations and financial position. The Company's auditors believe that their accounting principles conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. We base our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

### ***Revenue Recognition***

Revenues are recorded upon the completion of the services, with the existence of an agreement and where collectability is reasonably assured. Oil and natural gas production revenue, if any, will be recognized at the time and point of sale after the product has been extracted from the ground.

### ***Stock-Based Compensation***

On January 1, 2006, we adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. We use the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. We have elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006, the first day of our fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, we measured compensation expense for our employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. We applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized. We account for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18.

### ***Recent Accounting Pronouncements***

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", to permit fair value re-measurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for the Impairment or Disposal of Long-Lived Assets", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "*Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." This statement clarifies the accounting for uncertainty in income tax positions. The Company has filed income tax returns in the U.S. federal jurisdiction and in certain states. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2002. The Company adopted the provisions of FIN 48 on January 1, 2007.

In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*”. The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company’s future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, “*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*”. This statement requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company’s future reported financial position or results of operations.

In September 2006, the Commission issued Staff Accounting Bulletin (“SAB”) No. 108, “*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*.” SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for periods ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*”. This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on our financial position and results of operations.

## **RISKS FACTORS**

Our future operating results are highly uncertain. Before deciding to invest in us or to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this annual report. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

### ***Risks Related To The Company's Business***

The Company has a history of operating losses and such losses may continue in the future.

Since the Company's inception in 1993, our operations have resulted in a continuation of losses and an accumulated deficit of \$15,914,684 at December 31, 2006 that increased to \$17,906,404 as of September 30, 2007. We will continue to incur operating losses until such time as we begin producing oil and gas revenue, which may or may not eventuate. Should the Company fail to produce oil and gas revenue we may continue to operate at a loss and may never be profitable.

The Company has a limited operating history.

The Company acquired Providence Exploration on September 29, 2006, which company first began oil and gas exploration operations during the fourth quarter of 2005. As such, our limited operating history provides an inadequate track record from which to base future projections of successful operation.

The Company has a history of uncertainty about continuing as a going concern.

The Company's audits for the periods ended December 31, 2006 and December 31, 2005 expressed substantial doubt as to our ability to continue as a going concern as a result of recurring losses, an accumulated deficit of \$15,914,684 as of December 31, 2006, and revenue generating activities that were insufficient to sustain operations. Unless we are able to cure this pattern of reoccurring losses and insufficient revenue, our ability to continue as a going concern will be in jeopardy.

The Company cannot represent that it will be successful in continuing operations.

The Company has not, to date, generated sufficient revenue from operations to cover expenses and may not generate sufficient revenue over the next twelve months to ensure continued oil and gas development operations. Should the Company be unable to realize sufficient revenue over that time period, it will be forced to raise additional capital to remain in operation. We have no commitments for the provision of additional capital and can offer no assurance that such capital will be available if necessary to continue operations.

### ***Risks Related to the Oil and Gas Industry***

Oil and natural gas drilling and producing operations involve various risks which could result in net losses.

Drilling activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. Wells which we drill may not be productive, and, thus, we may not be able to recover all or any portion of our investment in such wells. Drilling for oil and natural gas may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net reserves to return a profit after deducting drilling, operating and other costs. The seismic data and other technologies which we use do not allow us to know conclusively prior to drilling a well that oil or natural gas is present or may be produced economically. The cost of drilling, completing and operating a well is often uncertain, and cost factors can reduce the feasibility of a project to produce a profit. Further, our drilling operations may be curtailed, delayed or canceled as a result of numerous factors, including:

- unexpected drilling conditions;
- title problems;
- pressure or irregularities in formations;
- equipment failures or accidents;
- adverse weather conditions;
- compliance with environmental and other governmental requirements; and
- cost of, or shortages or delays in the availability of, drilling rigs, equipment and services.

Our operations are subject to all the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including:

- encountering well blowouts;
- cratering and explosions;
- pipe failure;
- fires;
- formations with abnormal pressures resulting in uncontrollable flows of oil and natural gas;
- brine or well fluids; and
- release of contaminants into the environment and other environmental hazards and risks.

The nature of these risks is such that some liabilities including environmental fines and penalties could exceed our ability to pay for the damages. We could incur significant costs due to these risks that could result in net losses.

The Company is subject to federal, state and local laws and regulations which could create liability for personal injuries, property damage, and environmental damages.

Exploration and development, exploitation, production and sale of oil and natural gas in the United States is subject to extensive federal, state and local laws and regulations, including complex tax laws and environmental laws and regulations. Existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations could harm the Company's business, results of operations and financial condition. We may be required to make large expenditures to comply with environmental and other governmental regulations. Matters subject to regulation include oil and gas production and saltwater disposal operations and our processing, handling and disposal of hazardous materials, such as hydrocarbons and naturally occurring radioactive materials, discharge permits for drilling operations, spacing of wells, environmental protection, reports concerning operations, and taxation. Under these laws and regulations, we could be liable for personal injuries, property damage, oil spills, discharge of hazardous materials, reclamation costs, remediation, clean-up costs and other environmental damages.

Shortages of oil field equipment, services and qualified personnel could reduce the Company's profit margin, cash flow and operating results.

The demand for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry can fluctuate significantly, often in correlation with oil and natural gas prices, causing periodic shortages. There have also been shortages of drilling rigs and other equipment, as demand for rigs and equipment has increased along with the number of wells being drilled. These factors also cause significant increases in costs for equipment, services and personnel. Higher oil and natural gas prices generally stimulate increased demand and result in increased prices for drilling rigs, crews and associated supplies, equipment and services. We cannot be certain when or if we will experience these issues and these types of shortages or price increases which could significantly decrease any profit margin, cash flow and operating results on any particular well or restrict our ability to drill additional wells.

The results of the Company's operations depend on the exploration efforts of Miller Energy, LLC, Harding Company and TRNCO Petroleum Corporation, all of whom are third parties.

The management of exploration for the Company in Comanche and Hamilton Counties is provided by Harding Company, the management of exploration for the Company in Val Verde County, Texas will be provided by Miller Energy, LLC and certain of its affiliates, while 3D seismic exploration of oil and natural gas prospects in Val Verde is dependent on an independent local company, TRNCO Petroleum Corporation. The fact that the Company is dependent on the operations of third parties for the results of exploration efforts and the prospective production of oil and natural gas assets could impede our ability to realize a net profit from operations.

Oil and natural gas prices are volatile, and any substantial decrease in prices could cause the Company to continue to operate at a loss.

Our future financial condition, results of operations and the carrying value of our oil and natural gas properties will depend primarily upon the prices we receive for production. Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future. Our cash flow from operations will be highly dependent on the prices that we receive for oil and natural gas. This price volatility also affects the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. The prices for oil and natural gas are subject to a variety of additional factors that are beyond our control. These factors include:

- the level of consumer demand;
- the domestic supply;
- domestic governmental regulations and taxes;
- the price and availability of alternative fuel sources;
- weather conditions; and
- market uncertainty.

These factors and the volatility of the energy markets generally make it extremely difficult to predict future oil and natural gas price movements with any certainty. Declines in oil and natural gas prices would not only reduce future revenue, but could reduce the amount of oil and natural gas that we can produce economically and, as a result, could cause us to continue to operate at a loss. Should the oil and natural gas industry experience significant price declines, we may continue to operate at a loss.

### ***Risks Related to the Company's Shares***

The Company will require additional capital funding.

The Company will require additional funds, either through equity offerings or debt placements to develop our operations. Such additional capital may result in dilution to our current shareholders. Our ability to meet short-term and long-term financial commitments depends on future cash. There can be no assurance that future income will generate sufficient funds to enable us to meet our financial commitments.

We may incur significant expenses as a result of being quoted on the Over the Counter Bulletin Board, which may negatively impact our financial performance.

We may incur significant legal, accounting and other expenses as a result of being listed on the Over the Counter Bulletin Board. The Sarbanes-Oxley Act of 2002, as well as related rules implemented by the Commission has required changes in corporate governance practices of public companies. We expect that compliance with these laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 as discussed in the following risk factor, may substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. As a result, there may be a substantial increase in legal, accounting and certain other expenses in the future, which would negatively impact our financial performance and could have a material adverse effect on our results of operations and financial condition.

Our internal controls over financial reporting may not be considered effective, which could result in a loss of investor confidence in our financial reports and in turn have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our annual report for the year ending December 31, 2007, we may be required to furnish a report by our management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. If we are unable to assert that our internal controls are effective as of December 31, 2007, investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

### **Going Concern**

The Company's audit expressed substantial doubt as to the Company's ability to continue as a going concern as a result of reoccurring losses, lack of revenue generating activities, and an accumulated deficit of \$15,914,684 as of December 31, 2006, which increased to \$17,906,404 at September 30, 2007. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Management's plan to address the Company's ability to continue as a going concern, include the development and prospective production of oil and natural gas operations, and the conversion of outstanding debt to equity. The successful outcome of these activities cannot be determined at this time, and there is no assurance that, if achieved, we would then have sufficient funds to execute our intended business plan or generate positive operating results.

### **ITEM 3. CONTROLS AND PROCEDURES**

The Company's president acts both as the Company's chief executive officer and chief financial officer and is responsible for establishing and maintaining disclosure controls and procedures for the Company.

#### ***(a) Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2007. Based on this evaluation, our principal executive officer and our principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective and adequately designed to ensure that the information required to be disclosed by us in the reports we submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that such information was accumulated and communicated to our chief executive officer and chief financial officer, in a manner that allowed for timely decisions regarding disclosure.

#### ***(b) Changes in Internal Controls***

During the period ended September 30, 2007, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

## **PART II**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 2. CHANGES IN SECURITIES**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS**

None.

### **ITEM 5. OTHER INFORMATION**

None.

### **ITEM 6. EXHIBITS**

Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 42 of this Form 10-QSB, and are incorporated herein by this reference.



## **SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, this 15<sup>th</sup> day of November 2007.

***Providence Resources, Inc.***

/s/ Gilbert Burciaga

Gilbert Burciaga

Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, and Director

## INDEX TO EXHIBITS

<i><b>Exhibit No.</b></i>	<i><b>Page No.</b></i>	<i><b>Description</b></i>
3(i)(a)	*	Articles of Incorporation (incorporated by reference from the Form 10-SB filed with the Commission on April 17, 2000).
3(i)(b)(c)	*	Amendment to Articles of Incorporation (incorporated by reference from the Form 10-SB filed with the Commission on April 17, 2000).
3(i)(d)	*	Amended and Restated Articles of Incorporation (incorporated by reference from the Form 10-SB filed with the Commission on April 17, 2000).
3(i)(e)	*	Articles of Amendment to the Amended and Restated Articles of Incorporation (incorporated by reference from the Form 10-QSB filed with the Commission on November 17, 2003).
3(i)(f)	*	Amendment to the Amended and Restated Articles of Incorporation (incorporated by reference from the Form 8-K filed with the Commission on October 2, 2006).
3(i)(g)	*	Amendment to the Amended and Restated Articles of Incorporation.
3(ii)(a)	*	Bylaws of Providence (incorporated by reference from the Form 10-SB filed with the Commission on April 17, 2000).
3(ii)(b)	*	Amended and Restated Bylaws of Providence (incorporated by reference from the Form 8-K filed with the Commission on October 26, 2006).
10(i)	*	Joint Venture Agreement between Providence Exploration and Harding Company, dated October 1, 2005 (incorporated by reference from the Form 8-K filed with the Commission on October 2, 2006).
10(ii)	*	Extension of the Term of Series "A" Convertible Debenture Certificate with Max Fugman (incorporated by reference from the Form 10-KSB/A filed with the Commission on October 11, 2005).
10(iii)	*	Extension of the Term of Series "A" Convertible Debenture Certificate with Global Convertible Megatrend Ltd. (incorporated by reference from the Form 10-KSB/A filed with the Commission on October 11, 2005).
10(iv)	*	Agreement for Purchase and Sale between Providence Exploration and Global Mineral Solutions, L.P., dated February 22, 2006 (incorporated by reference from the Form 8-K filed with the Commission on October 2, 2006).
10(v)	*	Letter Agreement between Providence Exploration and Harding Company, dated March 30, 2006 (incorporated by reference from the Form SB2/A-2 filed with the Commission on February 28, 2007).
10(vi)	*	Consulting Agreement with Eastgate Associates Ltd., dated April 1, 2006 (incorporated by reference from the Form 10-QSB filed with the Commission on November 13, 2006).
10(vii)	*	Securities Exchange Agreement dated April 10, 2006, between Providence, Providence Exploration, and the membership unit holders of Providence Exploration (filed on Form 8-K with the Commission on April 14, 2006).
10(viii)	*	Note Exchange Agreement dated April 10, 2006, between Providence and the holders of certain promissory notes issued by Providence Exploration (filed on Form 8-K with the Commission on April 14, 2006).
10(ix)	*	Amendment to the Terms of the Securities Exchange Agreement dated effective as of May 26, 2006, between Providence, Providence Exploration, and the membership unit holders of Providence Exploration (filed on Form 8-K with the Commission on July 3, 2006).
10(x)	*	Amendment to the Terms of the Note Exchange Agreement dated effective as of May 26, 2006, between Providence and the holders of certain promissory notes issued by Providence Exploration (filed on Form 8-K with the Commission on July 3, 2006).
10(xi)	*	Exploration and development agreement with Miller Energy, LLC and certain of its affiliates dated June 29, 2007 (filed on Form 8-K with the Commission on July 11, 2007).
10(xii)	*	Secured Revolving Convertible Promissory Note with Miller Energy, LLC dated June 29, 2007 (filed on Form 8-K with the Commission on July 11, 2007).
14	*	Code of Ethics, adopted as of March 1, 2004 (incorporated by reference from the form 10QSB filed with the Commission on November 17, 2004).
31	Attached	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Attached	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Incorporated by reference to prior filings with the Securities and Exchange Commission.

**EXHIBIT 31**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO THE SARBANES-OXLEY ACT OF 2002**

I, Gilbert Burciaga, certify that:

1. I have reviewed this report on Form 10-QSB ("Report") of Providence Resources, Inc.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the period presented in this Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer is made known to me by others within those entities, particularly during the period in which this Report is being prepared;
  - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this Report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - c) Disclosed in this Report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: November 15, 2007

/s/ Gilbert Burciaga

Gilbert Burciaga

Chief Executive Officer and Chief Financial Officer

**EXHIBIT 32**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the report on Form 10-QSB of Providence Resources, Inc. for the quarterly period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Gilbert Burciaga, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) This Report complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly represents, in all material respects, the financial condition of the small business issuer at the end of the period covered by this Report and results of operations of the small business issuer for the period covered by this Report.

Date: November 15, 2007

/s/ Gilbert Burciaga

Gilbert Burciaga

Chief Executive Officer and Chief Financial Officer

This certification accompanies this Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the small business issuer for the purposes of §18 of the Securities Exchange Act of 1934, as amended. This certification shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by §906 has been provided to the small business issuer and will be retained by the small business issuer and furnished to the Securities and Exchange Commission or its staff upon request.