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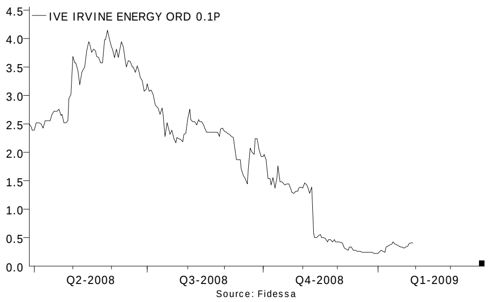
Irvine Energy
Survives the default

0.4p

27th March 2009

Share Price: 0.4p



Source – Fidessa

12m High: 4.48p

12m Low: 0.25p

Market Cap: £4.1m (suspended)

Shares in Issue: 1,038m

EPIC Code: IVE.

Sector: Oil and Gas

Market: London AIM

Broker: Evolution Securities

PR: St Brides Media & Finance

Website http://www.irvineenergy.com

Description: US based oil and gas exploration and production company focused on developing both conventional and unconventional oil and gas with a strategy to minimise risk while maximising investment returns.

Analyst: Mark Parfitt

Tel: +44(0)20 7929 3399

Email: research@hardmanandco.com

Irvine Energy plc has entered into an agreement with GasRock Capital LLC to conditionally release Irvine, 'the parent plc company' from the guarantees embedded in the credit agreements over its two US subsidiaries. GasRock served a default notice over Irvine's two US subsidiaries (Wattle Energy Corporation and Pinon Energy LLC) in January 09.

The parent plc will now effectively, be divorced from the fate of these subsidiaries becoming free to pursue possible options and seek to recover something from the situation. Other key points are:

- The release of the guarantees will cost £370k of Irvine's cash balance but it is a price worth paying.
- GasRock is demanding an option to subscribe for 100 million ordinary shares in the Company at 0.1 pence per share within an eight week timeframe.
- Irvine's board no longer has sufficient authority to issue this amount of capital and will call an EGM.
- GasRock's equity option is being forced but it aligns GasRock interests with that of Irvine plc's investors.
- Management continue to explore a range of options including using the existing plc structure to bring together a group of unlisted assets or becoming a vehicle for a new venture.

A great deal of value has been lost with the default – with the December 08 plan to sort Niobrara effectively becoming waylaid and this new cash-out. Given the freeze in the US petroleum asset market, that management have negotiated an escape from this Damoclean sword was probably the only solution to recover future value for investors.

Y/E	Group Sales	Declared Profit	Adjusted Profit	Adjusted EPS	P/E ratio	Divi	Yield
December	£m	£m	£m	p.		p.	%
2006A	0.0	-0.2	-0.3	-0.12	-	0	-
2007A	0.0	-0.9	-1.1	-0.20	-	0	-
2008E	No	Forecast					
2009E	No	Forecast					

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The parent plc will now effectively, be divorced from the fate of these subsidiaries becoming free to pursue possible options and seek to recover something from the situation. The release comes at a price, with GasRock taking £370,000 in cash while demanding an option to subscribe for 100 million ordinary shares in the Company at 0.1 pence per share within an eight week timeframe. After the placing in December 08, Irvine's board no longer has sufficient authority to issue this amount of capital and will call an EGM.

The US market for trading oil and gas assets has deteriorated badly since the New Year and is currently 100% a buyer's market. It is effectively frozen to vendors seeking to achieve reasonable valuations with distressed assets coming up for sale from indebted companies suffering the same mark-to market pricing which triggered Irvine's defaults. With asset divestment currently unavailable as an option, it is somewhat inevitable that GasRock went for Irvine's cash to release the plc from the subsidiary guarantees.

Upon the default, we had expected GasRock to take controlling stakes in the subsidiaries. For now, these remain 100% held by Irvine plc though are effectively parked. Retention of the assets opens up some possibilities for Irvine to leverage the plc structure going forward. For the moment though, outstanding subsidiary debt is in effect simply reduced from about $5.6m to around $5.1m with interest continuing to accrue until some final settlement is reached.

GasRock drives the fate of Irvine's subsidiaries but in sidestepping a fire-sale in the current market they have shown some intent to support Irvine, given the circumstances and the cost-overruns at Metro.

On the bright side, the equity option will directly expose GasRock to Irvine plc aligning its future interests with that of current shareholders and management seeking to recover value or to generate new value within the plc.

One potential avenue that management may explored might be to use the existing plc structure to bring together a group of unlisted assets, with we would expect, new field operator(s) – to effectively reboot the company. Alternatively, the plc may become a shell for a new venture, with the subsidiaries discarded. It is too early to tell exactly what may pan out.

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We would hope more detail on available options may become available at the EGM.

Management	Major Shareholders
CEO: Doug Manner **CFO:** Sean Austin **Non-executive Director:** Michael Frayne **Non-executive Director:** Anthony John Samaha **Non-executive Director:** Ross Warner	
Key Dates	**Key Milestones**
EGM: Date Pending	**2006** Initial financing and acquisition of first Kansas Interest **2007** Oklahoma interests acquired, management strengthened and capital sourced. **2008** Initiation of Netherland Sewell reserves auditing and mezzanine finance put in place. Maiden Gas Production from Niobrara, first oil drilling success and first Woodford Shale well completed. Doug Manner appointed CEO. Sean Austin appointed CFO. Seismic cost overruns, problems at Niobrara and market conditions force refinancing and pruning of assets. **2009** GasRock calls default, default that subsequently released conditional on payment of £370,000 and 100 million options over ordinary Irvine shares which will require EGM approval.

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Hardman & Co

4-5 Castle Court
London
EC3V 9DL
United Kingdom

Tel: +44(0)20 7929 3399
Fax: +44(0)20 7929 3377

www.hardmanandco.com