

Please see below the research note issued from Evolution Securities following Irvine Energy's positive operations update released today.

13 May 2008



IRVINE ENERGY - Buy - Operating update. Pace of activity accelerating. (Keith Morris)

IRVINE ENERGY (IVE.L) - BUY - PRICE/TARGET : 4p/ 8p

OPERATING UPDATE

Pace of activity accelerating

EVO TAKE - Rapid progress across the portfolio, raising production, confirming oil & gas resources which should be converted into reserves in the short term. Active drilling campaign will bring further news flow in the future.

DETAILS - Kansas Project - First Rock-1 well finds oil. The Rock 1-5 well commenced drilling on 29 April 2008 and was successfully drilled to the Arbuckle formation at 2,974 feet. Live oil shows were seen in the cuttings and oil saturation was confirmed from petrophysical analysis. Well is being prepared for completion. Oklahoma - Woodford Shale - Vertical well (Farrow 1-24) flows gas to surface - was perforated and acidized on 21 April 2008 and responded with gas to surface and a shut-in surface pressure of 550psi. This is encouraging as it shows good shale permeability. First horizontal well - Jones 1-5H will start end May. Success with these shale gas wells will start the process of converting resources into reserves. CBM potential in Hartshorne coal has now been mapped - NSAI will look at the resource potential and drilling could start by end of 2008. Niobrara Project - came on line in late April and now has 18 wells available for gas sales, expected to rise to 23 by early summer and 60 by end 2009.

VALUATION AND RECOMMENDATION - Confirmation of development funding remains the only outstanding issue.

IRVINE ENERGY (4p)	YR TO DEC		
GBPm	FY06A	FY07E	FY08E
Sales	0.0	0.0	4.1
EVO PBT	-0.2	-1.1	-0.3
EPS	-0.1p	-0.2p	0.0p
MKT CAP	NET CASH	GEARING	
GBP 26m	-2m	9%	

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Sales	Sales Continued	Sales Trading
Keith Hiscock - 020 7071 4342	Donald Waterman - 020 7071 4680	John Bennett - 020 7071 4403

Paul Miskin - 020 7071 4401
Chris McVey - 020 7071 4461
Ella Morris - 020 7071 4426
Jody Downes - 020 7071 4686
Jean-Marc Garzon - 020 7071 4354
Andrew Small - 020 7071 4688

Mark Harris - 020 7071 4678
Melanie Miller-Thomas - 020 7071 4677
David Goode - 020 7071 4687
Philip Kerr - 020 7071 4691
Fergus Macroft – 020 7071 4682

Nick Brown - 020 7071 4338
Matt Gracey - 020 7071 4344
Damian Sparke - 020 7071 4694
Matt Turner - 020 7071 4422
Simon Cuthbert - 020 7071 4353

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