

17 December 2009

Oracle Coalfields

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/07	0.0	(0.2)	(0.3)	0.0	N/A	N/A
12/08	0.0	(0.2)	(0.2)	0.0	N/A	N/A
12/09e	0.0	(0.2)	(0.2)	0.0	N/A	N/A
12/10e	0.0	(0.2)	(0.2)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

Investment summary: Signs MoU with Karachi Electric Supply Company

Shares in Oracle Coalfields are up 48% on the news that the company has signed a Memorandum of Understanding with the Karachi Electric Supply Company (KESC) which has a market capitalisation of US\$630m. The agreement is transformational for Oracle as it paves the way for a Joint Development Agreement (JDA) to develop a mine-mouth power plant at the company's flagship Block VI coal project. Both parties expect details of the JDA to be finalised by the middle of next year. As part of this, Oracle will be in a position to enter into a long-term coal supply agreement with KESC which would ensure the viability of the company's planned coal mine development at Block VI.

KESC: A major player in the local power market

KESC is an integrated power utility serving Karachi, a city of some 17 million people. It is involved in the generation, transmission and distribution of 1,400MW of electricity and it is in the process of fast-tracking the development of a number of new power plants in order to deal with the all too frequent power outages in the city.

KESC and Oracle Coalfields: Working together

Over the coming months, KESC and Oracle will be working together on the details of the various feasibility studies as well as continuing to progress with the environmental assessments that commenced earlier this year.

Sensitivities

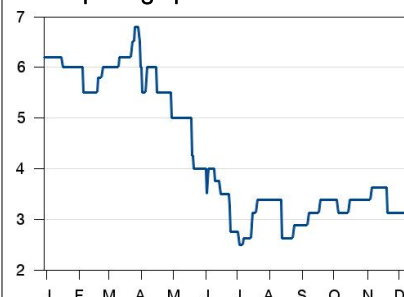
As with any development stage mining project, there is execution risk. However, the support of KESC, we believe, mitigates much of this.

Valuation: MoU limits downside and exposes upside

Although Oracle's shares have reacted positively to the news of the MoU, they are nonetheless languishing marginally above their all time low. Furthermore, the company's coal resources trade at a significant discount to its peers. For investors, the downside risk appears limited given the support of KESC.

Price 4.6p
Market Cap £6m

Share price graph



Share details

Code ORCP
Listing PLUS
Sector Metals and Mining
Shares in issue 122.4m

Price

52 week High 6.75p Low 2.5p

Balance Sheet as at 31 December 2008

Debt/Equity (%) N/A
NAV per share (p) 0.5
Net cash (£m) 0.1

Business

Oracle Coalfields is a PLUS-quoted coal exploration and development company. Block VI, its main project, has total measured resources of 1.4 billion tonnes of lignite coal and is located in southern Pakistan's Thar coalfield.

Valuation

	2008	2009e	2010e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues on geography

	UK	Europe	US	Other
	0%	0%	0%	100%

Analyst

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Exhibit 1: Financials

Year end 31 December	£'000s	2007	2008	2009e	2010e
		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		0	0	0	0
Cost of Sales		0	0	0	0
Gross Profit		0	0	0	0
EBITDA		(238)	(229)	(250)	(250)
Operating Profit (before GW and except.)		(238)	(229)	(250)	(250)
Intangible Amortisation		0	0	0	0
Exceptionals		0	(236)	0	0
Other		0	0	0	0
Operating Profit		(238)	(465)	(250)	(250)
Net Interest		12	13	11	11
Profit Before Tax (norm)		(226)	(216)	(239)	(239)
Profit Before Tax (FRS 3)		(226)	(452)	(239)	(239)
Tax		0	0	0	0
Profit After Tax (norm)		(226)	(216)	(239)	(239)
Profit After Tax (FRS 3)		(226)	(452)	(239)	(239)
Average Number of Shares Outstanding (m)		69.4	111.6	127.3	154.2
EPS - normalised (p)		(0.3)	(0.2)	(0.2)	(0.2)
EPS - FRS 3 (p)		(0.3)	(0.4)	(0.2)	(0.2)
Dividend per share (p)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		191	482	981	1,431
Intangible Assets		120	410	910	1,360
Tangible Assets		5	5	4	3
Investments		66	68	68	68
Current Assets		362	169	69	144
Stocks		0	0	0	0
Debtors		4	26	5	5
Cash		358	143	64	139
Current Liabilities		(10)	(121)	(10)	(10)
Creditors		(10)	(121)	(10)	(10)
Short term borrowings		0	0	0	0
Long Term Liabilities		0	0	0	0
Long term borrowings		0	0	0	0
Other long term liabilities		0	0	0	0
Net Assets		543	530	1,040	1,565
CASH FLOW					
Operating Cash Flow		(231)	(372)	(340)	(250)
Net Interest		11	11	11	11
Tax		0	0	0	0
Exploration/development		(126)	(283)	(500)	(450)
Acquisitions/disposals		0	0	0	0
Financing		702	431	750	750
Dividends		0	0	0	0
Net Cash Flow		356	(213)	(79)	61
Opening net debt/(cash)		0	(358)	(143)	(64)
HP finance leases initiated		0	0	0	0
Other		2	(1)	0	14
Closing net debt/(cash)		(358)	(143)	(64)	(139)

Source: Oracle Coalfields, Edison Investment Research

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