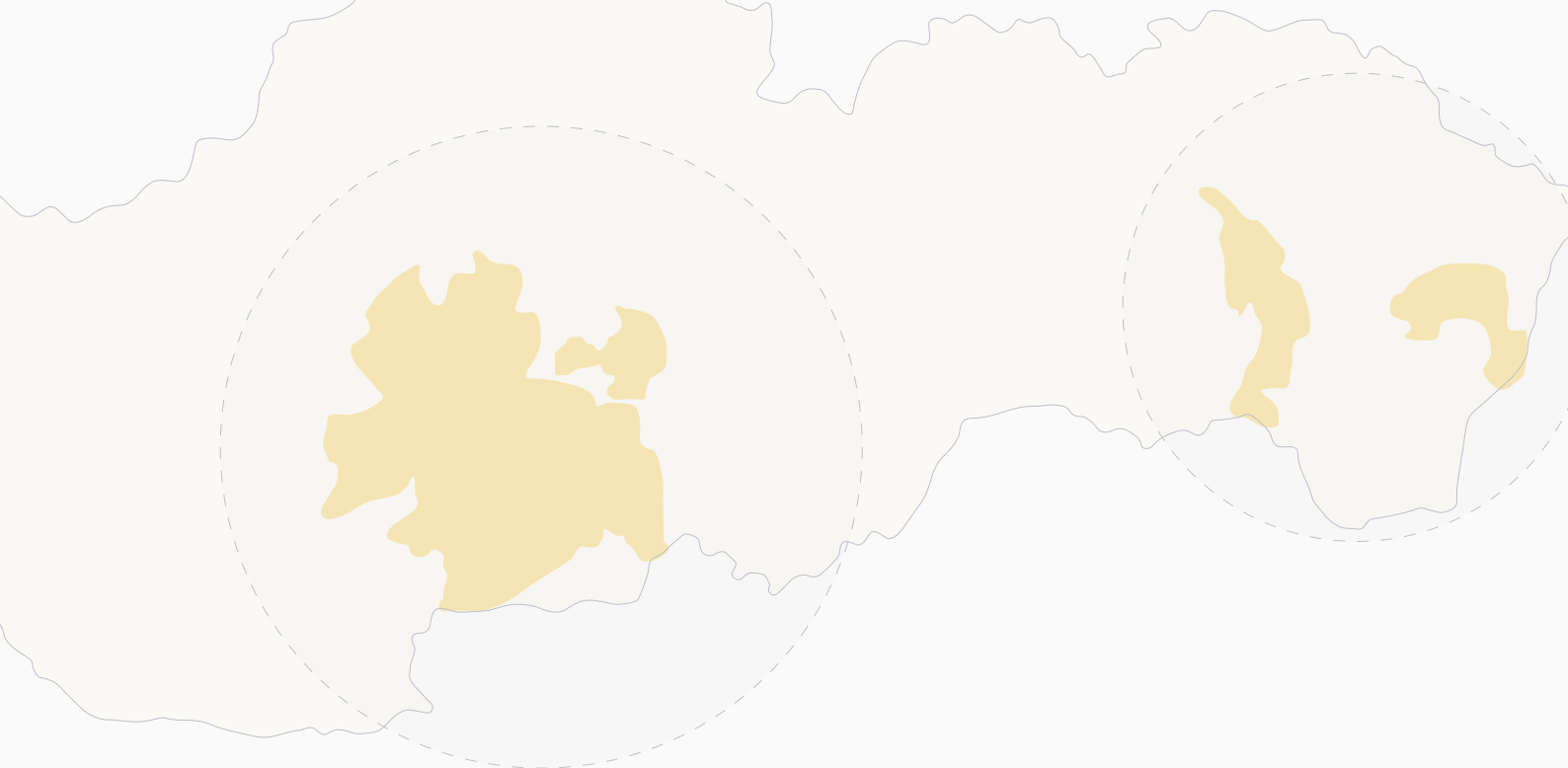




Seymour Pierce News Flash

28 June 2011



Ortac Resources Limited is an AIM listed
exploration & development company
focused on global development of
natural resource projects

Ortac Resources (AIM:OTC)^{3,4,5}

BUY

Share price	1p
Target price	3p
200% Upside	

Market cap (£m)	23.2
Net cash (£m)	6.5
Enterprise value [^] (£m)	23.2
No. of shares (m)	2,315.7
Free float (%)	100.0
Average daily vol ('000, -3m)	14,478
Dividend yield (%)	0.0
PER at Target price (Y1)	(29.1)
Sector PER	15.5
Price/book	14.0

12 month high/low (p)	3/1		
(%)	1m	3m	12m
Absolute	-12.3	-25.4	+13.6
FTA relative	-10.1	-25.6	+1.4

Price & price relative (-2yr)



Source: Datastream

Share price as at close: 27 June 11

Next news

Resource drilling, 3Q 2011

Business

Gold exploration/development in Slovakia

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Newsflash

The Ortac story is starting to gather pace. The drills are turning on site and key additions are being made to the management team as the company looks to deliver the scoping study on its Kremnica gold project later this year. Despite the recent newsflow and gold price momentum, Ortac's share price has continued to ease and the stock is trading at a large discount to its European peers. We believe the ongoing assessment work at the project should help to correct this anomaly.

Ore hunting

The Kremnica gold project in Slovakia already boasts a gold equivalent resource of 1.1Moz and Ortac is in the process of upgrading and extending this estimate through drilling. At present the under-explored northern end of the property is being evaluated by a 5,000m programme. Results so far have been encouraging with gold reported in the two holes completed to date at grades above the current resource average of 1.7g/t. The remaining assays guarantee more news in the short term.

New faces

The company has also made two key appointments in recent weeks. In May, Hugo Green joined as Chief Financial Officer. A UK qualified accountant, Hugo first moved to Slovakia in 1994 and has more than 15 years experience of living and working in the region. He will be based full time in Slovakia, heading the company's new office in Bratislava. On the operations side, the company appointed Owen Mihalop as Group Mining Engineer in June. A Chartered Engineer, Owen has 15 years experience in the industry having worked on a number of gold mines and projects for listed companies, before becoming Technical Director of Mining at the engineering consultancy Wardell Armstrong International (WAI). We believe both new recruits should prove valuable as Ortac looks to progress Kremnica through the various phases of evaluation.

Valuation

Our analysis shows that Europe's gold exploration companies are trading on a weighted average EV/'oz gold equivalent resource' of US\$72/oz. In contrast Ortac is trading on just US\$18.6/oz, a 74% discount. Applying the group average to Kremnica's current gold equivalent resource, values the project at US\$79.6m or 2.2p/share. The company's current £10.3m cash position and shareholding in AIM-listed Vatukoula Goldmines add a further 0.5p/share. giving a sum of parts value of 2.7p/share which we round up to 3p as a target.

^{3,4,5} Please see regulatory disclosure notes at the end of this document

Year end	Revenue	EBIT*	PBT*	Tax	Adj. EPS*	PER	EV/EBIT*	Div yield
March	(\$m)	(\$m)	(\$m)	(%)	(c)	(x)	(x)	(%)
2009A	0.0	(0.5)	(15.0)	0.0	(0.1)	n/a	n/a	0.0
2010A	0.0	(0.9)	(0.8)	0.0	(0.2)	n/a	n/a	0.0
2011E	0.0	(2.1)	(0.8)	0.0	(0.2)	n/a	n/a	0.0
2012E	0.0	(2.2)	(2.0)	0.0	(0.1)	n/a	n/a	0.0
2013E	0.0	(2.2)	(2.1)	0.0	(0.1)	n/a	n/a	0.0

* excludes exceptional items and amortisation of acquired intangibles.

[^] EV calculation adjusted for core cash, investments etc.

Source: Seymour Pierce Ltd

Financial model

Income Statement

Year end March (\$m)	2009A	2010A	2011E	2012E	2013E
Group revenue	0.0	0.0	0.0	0.0	0.0
Cost of sales	0.0	0.0	0.0	0.0	0.0
Gross profit	0.0	0.0	0.0	0.0	0.0
Total operating expenses	(0.5)	(0.9)	(2.1)	(2.2)	(2.2)
EBIT	(0.5)	(0.9)	(2.1)	(2.2)	(2.2)
Net interest/financial income/(cost)	0.0	0.0	0.0	0.2	0.1
Associate and Other non-op. income/(cost)	0.0	0.0	0.0	0.0	0.0
PBT	(0.5)	(0.9)	(2.1)	(2.0)	(2.1)
Tax	0.0	0.0	0.0	0.0	0.0
Effective tax rate (%)	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Earnings	(15.0)	(0.8)	(0.8)	(2.0)	(2.1)
EBITDA	(0.5)	(0.9)	(2.1)	(2.2)	(2.3)
Adjusted EBITDA*	(0.5)	(0.9)	(2.1)	(2.2)	(2.3)
Adjusted EBIT*	(0.5)	(0.9)	(2.1)	(2.2)	(2.2)
Adjusted PBT*	(15.0)	(0.8)	(0.8)	(2.0)	(2.1)
Adjusted earnings*	(0.5)	(0.9)	(2.1)	(2.0)	(2.1)
DPS (c)	0.0	0.0	0.0	0.0	0.0
EPS (c)	(3.0)	(0.1)	(0.1)	(0.1)	(0.1)
EPS [F. Dil.] (c)	(3.0)	(0.1)	(0.1)	(0.1)	(0.1)
EPS [Adj.]* (c)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)
EPS [Adj. F. Dil.]* (c)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)
Weighted average no. shares (m)	496.5	583.1	1,288.4	2,295.7	2,295.7
Fully dil. w. ave. no. shares (m)	496.5	583.1	1,464.7	2,472.0	2,472.0
Year end no. shares (m)	496.5	583.1	1,464.7	2,472.0	2,472.0

* excludes exceptional items and amortisation of acquired intangibles.

Source: Company data, Seymour Pierce Ltd

Cashflow Statement

Year end March (\$m)	2009A	2010A	2011E	2012E	2013E
Operating income	(0.5)	(0.9)	(2.1)	(2.2)	(2.2)
Amortisation of acquired intangibles	0.0	0.0	0.0	0.0	0.0
Amortisation of other intangibles	0.0	0.0	0.0	0.0	0.0
Depreciation	0.0	0.0	(0.0)	(0.1)	(0.0)
Net change in working capital	1.5	0.1	0.0	0.0	0.0
Other	7.2	0.4	1.3	0.0	0.0
Operating cash flow	8.1	(0.3)	(0.9)	(2.2)	(2.3)
Capital expenditure	0.0	0.0	(0.5)	0.0	0.0
Investment in Other intangibles	(2.8)	(0.3)	(3.0)	(4.8)	(3.2)
Net interest/financial income/(cost)	0.0	0.0	0.0	0.2	0.1
Tax paid	0.0	0.0	0.0	0.0	0.0
Net acqns./disposals	(1.3)	0.2	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow before financing	4.1	(0.4)	(4.4)	(6.8)	(5.4)
Proceeds from shares issued	1.6	0.0	17.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Net movement in cash/(debt)	5.7	(0.4)	12.6	(6.8)	(5.4)
Opening net cash/(debt)	2.3	1.5	1.8	14.4	7.7
Adjustments (Forex, etc.)	(0.2)	(0.1)	0.0	0.0	0.0
Closing net cash/(debt)	1.5	1.8	14.4	7.7	2.4

Source: Company data, Seymour Pierce Ltd

Balance Sheet

Year end March (\$m)	2009A	2010A	2011E	2012E	2013E
Property plant and equipment	0.0	0.0	0.5	0.4	0.4
Goodwill and Acquired intangibles	0.0	0.0	0.0	0.0	0.0
Other intangibles	0.7	1.0	4.0	8.7	11.9
Other fixed assets	0.0	0.0	0.0	0.0	0.0
Non current assets	0.7	1.0	4.4	9.2	12.3
Stocks & WIP	0.0	0.0	0.0	0.0	0.0
Trade receivables	0.1	0.1	0.1	0.1	0.1
Cash	0.5	0.0	12.7	6.0	0.7
Other current assets	1.0	1.7	1.7	1.7	1.7
Current assets	1.6	1.9	14.6	7.8	2.5
Total assets	2.3	2.8	19.0	17.0	14.9
Trade creditors	0.1	0.2	0.2	0.2	0.2
Short term borrowings	0.0	0.0	0.0	0.0	0.0
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0
Total liabilities	0.1	0.2	0.2	0.2	0.2
Net assets	2.2	2.6	18.8	16.8	14.7
Issued share capital	0.0	0.0	0.0	0.0	0.0
Share premium account	18.0	16.4	33.4	33.4	33.4
Retained earnings	(16.9)	(17.7)	(18.6)	(20.6)	(22.7)
Other reserves	1.1	3.9	3.9	3.9	3.9
Minority interests	0.0	0.0	0.0	0.0	0.0
Total equity	2.2	2.6	18.8	16.8	14.7

Source: Company data, Seymour Pierce Ltd

Key Ratios

Year end March	2009A	2010A	2011E	2012E	2013E
Revenue growth (%)	n/a	n/a	n/a	n/a	n/a
Adj. EBITDA* growth (%)	(79.4)	70.8	144.0	4.3	1.4
Adj. EBIT* growth (%)	(79.4)	70.8	141.1	3.2	1.7
Gross margin (%)	n/a	n/a	n/a	n/a	n/a
Adj. EBITDA* margin (%)	n/a	n/a	n/a	n/a	n/a
Adj. EBIT* margin (%)	n/a	n/a	n/a	n/a	n/a
Gearing (%)	n/a	n/a	n/a	n/a	n/a
Interest cover (x)	n/a	n/a	n/a	n/a	n/a
Net debt/Adj. EBITDA* (x)	(2.9)	(2.0)	(6.7)	(3.5)	(1.1)
Dividend cover (x)	n/a	n/a	n/a	n/a	n/a
ROE (%)	0.0	0.0	0.0	0.0	0.0
ROIC (%)	0.0	0.0	0.0	0.0	0.0
ROCE (%)	0.0	0.0	0.0	0.0	0.0
Operating cash conversion (%)	(1,584.6)	36.8	40.1	100.0	100.0
Net cash conversion (%)	(27.4)	51.4	522.8	340.9	251.9
Net working cap / revenue (%)	0.0	0.0	0.0	0.0	0.0
Cap Ex / revenue (%)	n/a	n/a	n/a	n/a	n/a

* excludes exceptional items and amortisation of acquired intangibles.

Source: Company data, Seymour Pierce Ltd

Valuation Metrics

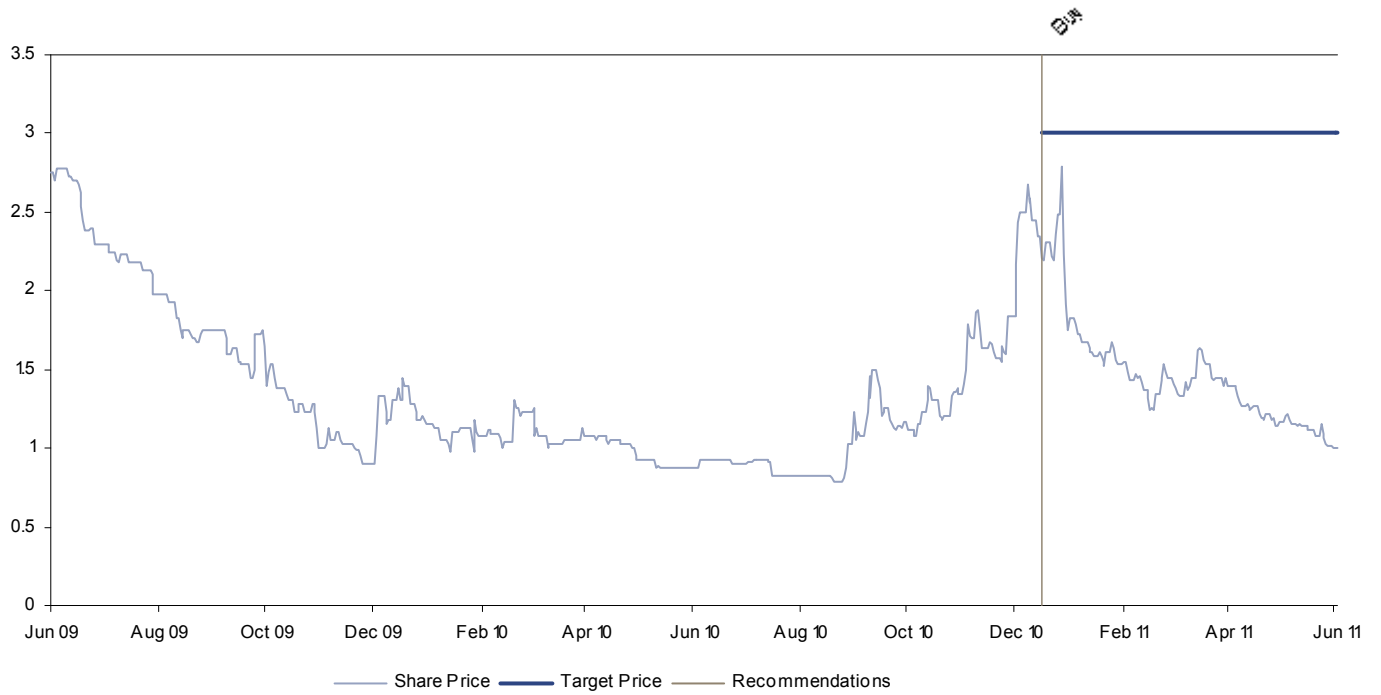
Year end March	2009A	2010A	2011E	2012E	2013E
PER (x)	(16.0)	(10.6)	(9.7)	(18.3)	(17.1)
EV / Revenue [^] (x)	n/a	n/a	n/a	n/a	n/a
EV / Adj. EBITDA ^{**} (x)	(71.9)	(42.1)	(17.3)	(16.5)	(16.3)
EV / Adj. EBIT ^{**} (x)	(71.9)	(42.1)	(17.5)	(16.9)	(16.6)
EV / IC [^] (x)	16.6	14.0	2.0	2.2	2.5
EV / Taxed Adj. EBIT ^{**} (x)	(71.9)	(42.1)	(17.5)	(16.9)	(16.6)
Yield (%)	0.0	0.0	0.0	0.0	0.0
P / CFPS (x)	1.9	(22.4)	(4.7)	(5.4)	(6.8)
NAV per share (c)	0.4	0.5	1.3	0.7	0.6

* excludes exceptional items and amortisation of acquired intangibles.

[^] EV calculation adjusted for core cash, investments etc.

Source: Company data, Seymour Pierce Ltd

Target Price & Recommendation History



Source: Datastream, Seymour Pierce Ltd

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Hold	Absolute return expected to be between -5% and +5%
Reduce	Absolute return expected to be between -5% and -10%
Sell	Absolute return expected to be less than -10%

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Sell	10.5%	0%

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