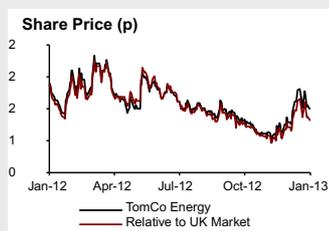


BUY

Current Share Price	2p
Target Price	8p
Market Capitalisation	£24m
Shares In Issue	1,621m
RIC/BLBG	TOM.L/TOM LN
Avg. Daily Volume (3M)	4,632,736
Broker	Yes

Current share price(s) timed at 4:30pm on 28/01/13



Performance %	1M	3M	12M
Absolute	18	13	-20
Relative	10	3	-29

Source: Datastream (relative to UK-DS Market index)

Analyst

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TomCo Energy

Company Update

More to come from the shale revolution

The US shale gas revolution has demonstrated how the use of innovative technology can unlock substantial volumes of valuable hydrocarbon resource. In our view, the next North American 'game-changer' is likely to be commercial oil shale production from the continent's vast two trillion barrel resource base (USGS). We believe Red Leaf's EcoShale In-Capsule process has the potential to unlock the 'low hanging fruit' within this resource play, i.e. high yield oil shale under minimal overburden.

TomCo is a London-listed play on Red Leaf's EcoShale technology, and has access to leases in the heart of the prospective Green River Formation in Utah. The company has a JORC compliant Indicated resource of over 123mmbbls of oil shale, which we believe is significantly undervalued. Our DCF based target price of 8p/share implies over 430% upside from the current share price.

■ EcoShale In-capsule process – simple, effective, and backed by oil majors.

TomCo has a licence to use Red Leaf Resource's EcoShale In-Capsule process to develop its oil shale resource in Utah. The EcoShale process combines the best aspects of existing ex-situ and in-situ recovery technology in order to economically recover shale oil even in a relatively low oil price environment (we estimate a cash-flow breakeven of \$55/bbl for TomCo's Holliday Block). Key advantages of the technology include low initial capital costs (\$4-5/bbl), the use of basic mining and oil/gas technology, relatively low CO2 output, and minimal requirement for waste water disposal. The technology has been tested rigorously under lab conditions, in field pilot tests, and has attracted the attention of the oil majors. TAQA has a licence to use the technology in Morocco and Jordan; and Total has committed to invest \$320m, under a JV with Red Leaf, in the first commercial use of the technology at the Seep Ridge project in Utah, close to TomCo's Holliday Block.

■ TomCo's 'low hanging fruit' – not all oil shale is created equal.

TomCo's oil shale lease within the Holliday Block, Utah (Green River Formation) has two important advantages that make it stand out as a prime candidate for commercialisation using the EcoShale In-Capsule process. First, the bulk of the company's resource (98mmbbl) is overlain by 100ft or less of overburden, and could be mined at a stripping ratio of 1:1.3 or less. Second, the resource is high yield, containing over 22 US gallons of oil shale per ton of ore. Our valuation includes just 70mmbbl of recovered oil shale over field/mine life, in line with the assumptions used for the Holliday Block by Gaffney, Cline & Associates (GCA). We see potential for resource growth as TomCo looks to expand its Utah-based lease footprint.

■ Valuation.

Our base case NAV at \$90/bbl WTI values TomCo at an unrisks 14p/share. Our 8p/share target price incorporates monetisation risk/dilution and implies over 430% upside from the current share price.