

ORACLE COALFIELDS PLC GROUP OF COMPANIES
ANNUAL REPORT AND ACCOUNTS 2011

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ORACLE COALFIELDS PLC GROUP OF COMPANIES

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2011

Oracle Coalfields PLC is registered as a public limited company under English law. Its shares are listed on the AIM market of the London Stock Exchange (AIM ORCP).

Oracle Coalfields PLC is incorporated and domiciled in England and its registered number is 05867160.

DIRECTORS:	Mr W A Loader Mr S Khan Mr A C R Scutt Mr M R Stead Mr G A Philip	
SECRETARY:	Mr E Taylor	
LONDON OFFICE:	15 Hanover Square Mayfair London W1S 1HS	
REGISTERED OFFICE:	Richmond House Broad Street Ely Cambridgeshire CB7 4AH	
AUDITORS:	Price Bailey LLP Chartered Accountants & Statutory Auditors Richmond House Ely Cambridgeshire CB7 4AH	
Nomad:	Libertas Capital Corporate Finance Limited 17c Curzon Street London, W1J 5HU	
REGISTRAR:	Neville Registrars Limited Neville House 18 Laurel Lane, Halesowen West Midlands B63 3DA	
JOINT BROKERS:	Novus Capital Markets Limited 29/30 Cornhill London, EC3V 3NF	Libertas Capital Corporate Finance Limited 17c Curzon Street London, W1J 5HU
SOLICITORS:	Trowers & Hamlins LLP Sceptre Court 40 Tower Hill London, EC3N 4DX	
BANKERS:	Royal Bank of Scotland plc 1st Floor Conqueror House Vision Park, Histon Cambridge, CB24 9NL	

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

I am delighted to present my first Chairman's statement having joined the Board and taken over from Shahrukh Khan as Chairman on 1st August 2011. My appointment has allowed Shahrukh to focus on his expanding role as Chief Executive Officer. I am sure you will join me in thanking Shahrukh for his excellent performance as Chairman. I am delighted to be working with him, the Board and senior management.

The Company's results for the 12 months to 31 December 2011 reflect a year in which Oracle Coalfields PLC has made significant progress, including admission of the Company's shares to the AIM Market of the London Stock Exchange on 20 April 2011, the strengthening of Management and the Board, and the submission of the application for a Mining Lease.

A total of £3 million (pre-expenses) was successfully raised via a placing of 30 million new ordinary shares. These funds are being used as working capital for our coal project in Block VI of the Thar Coalfield of Southern Pakistan. The Board was pleased at the participation of new as well as existing shareholders in the oversubscribed placing.

During last year, the Company strengthened its Board and Management with the appointment of a Finance Director, a Mine & Contracts Manager and a Project Coordinator.

After the end of the financial year, the Company has delivered the Feasibility Study described by Shahrukh Khan overleaf. This document will be used to target project finance, and ultimately progress Oracle Coalfields PLC towards its ambition of being the developer of Pakistan's first large scale mining operation.

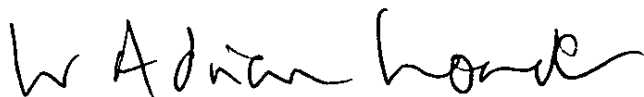
As might be expected for a mining company at this stage of development, our consolidated financial results for the year to the 31 December 2011 show an operational loss after taxation for Oracle Coalfields PLC and its subsidiaries (the "Group") of £948,092 (2010: £221,589), which incorporates the costs of £293,429 incurred by the Company in respect of its admission to AIM, as set out in the financial statement. At the period end, and following the successful fundraising of £3 million at the time of the AIM Admission, the Group had cash and cash equivalents of £1.60 million (2010: £1.51 million) and total assets less current liabilities of £4.23 million (2010: £2.35 million). The basic loss per share was 0.46p (2010: loss 0.15p).

The Group has sufficient funds to cover its immediate working capital requirements. However, additional funds will be needed for working capital later this year to develop the Block VI coal mine. The Group is therefore considering options and strategies to raise the necessary debt and equity.

Shareholders will understand that the past 12 months have been notable for our Company which would not have been possible without the hard work and expertise of our teams in both Pakistan and the United Kingdom. They have set the foundations for building the future of our Company.

The Board also extends its thanks to the Coal and Energy Development Department, the Government of Sindh, and the Sindh Coal Authority for their valuable assistance.

I look forward to updating the market on the progress of our Company in due course.



Adrian Loader
Chairman
Date: 23 March 2012

**CHIEF EXECUTIVE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

In the last decade global demand for coal has risen by 61 per cent, most of which is attributable to developing countries like China and India and the use of coal for power generation. According to the International Energy Agency, in 2010 global coal consumption rose by 10.8 per cent, compared to global demand for oil and gas, which rose by 3.1 per cent and 7.4 per cent respectively. Coal's share in global energy consumption was 29.6 per cent, the highest it has been since 1970. The reality is that demand for coal will continue to grow as the world needs more energy.

Major global coal-producing countries such as South Africa, Australia and Indonesia have been exporting thermal coal for some time to major consumers with prices in excess of US\$100 per tonne.

As Pakistan's population grows and the country's infrastructure is upgraded there is a greater need for power. The country is facing major energy shortfalls with daily blackouts. Nationally and locally, authorities are supportive of Oracle Coalfields PLC, as shown by infrastructure investments made in the Sindh region. These include a new airport under construction 30 kilometres from the mine site, planned upgrade of roads between Karachi and Thar, planned new drainage canals for the entire Thar coalfield area and planned upgrade of the transmission network which will support distribution of thousands of megawatts of electricity. Oracle Coalfields PLC is well positioned to benefit from these developments and to help provide a sustainable source of fuel to power the country's growth and development.

Until now Pakistan's businesses and consumers have been largely dependent on imported coal and therefore exposed to increasing price levels. The Government's support for early development of the Thar Coalfield has become a key element in its strategy of meeting the growing domestic demand for energy at the lowest possible cost while alleviating the balance of payments.

We continue to make good progress towards meeting our objective of delivering an open pit coal mine on the Block VI coal deposit in the Thar Coalfield of Southern Pakistan. The Feasibility Study, which was carried out by SRK Consulting, is complete. Certain aspects of the environmental studies remain to be completed, which we expect to be done by mid-2012. To support the Feasibility Study, more than 6,000 metres of additional drilling was carried out at Block VI between August 2010 and February 2011. A total of 35 holes were drilled in a five square kilometre area considered the most favourable for open cast mining and referred to as Phase 1. Of these holes, 14 cored and nine open holes were drilled for geological purposes, four cored holes were drilled for geotechnical assessment and eight percussion holes were drilled to determine hydrogeological parameters and to identify dewatering requirements for an open pit mine. Samples from four of the cored holes were subjected to geotechnical testing on site and a batch of 316 samples was dispatched to a laboratory in the UK for further tests. All drilled core has been logged and sampled with selected samples sent to Karachi and the UK for coal quality testing. Four test wells and four observation holes make up the eight holes drilled for hydrogeological purposes.

As part of the Environmental Social Impact Assessment, measurements are being conducted on wells and water samples are being analysed in Pakistan by Wardell Armstrong International. Water is vital to the local communities surrounding the mine as well as to the future power plant operations but it is only one aspect of the corporate social responsibility programme we are completing. In 2012 we are especially addressing the requests of the local community regarding clean water, healthcare and job creation. The mine remains based on an open pit design. It is expected that a truck and shovel operation will be the most cost-effective way to operate the mine initially. Full mine development is expected to begin in 2013 with initial coal production targeted for 2014.

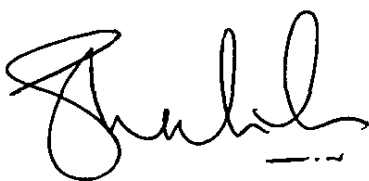
The Company has engaged high quality, internationally recognised consultants throughout the process. We are proud of the fact that the Company is ahead of any other coal project in the region, and that the work we have carried out has effectively laid a framework and set the standards to deliver successfully this type of project in the Thar region and to unlock the value of the country's abundant coal resource.

We are in the fortuitous position that the local and national authorities in Pakistan, with whom we have worked extensively, are supportive of our Block VI Thar project. Pakistan's growing deficit in power generation is assuming serious dimensions, particularly in Karachi, the industrial hub of the country with a population of more than 15 million people.

**CHIEF EXECUTIVE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

Our project will be potentially Pakistan's first large-scale open pit coal mining operation and it is already receiving wide local and international interest for its significance for Pakistan's future economic well-being. With this responsibility in mind, the Company is making every effort to ensure that the development of our coal mine complies with the requirements of international standards and practice, while seeking to bring it into production in the earliest possible timeframe.

Oracle Coalfields PLC has all the building blocks in place to achieve its target of delivering Pakistan's first large-scale mine, while also producing long-term sustainable returns for our shareholders. Our key challenge now is to finance the project and to bring it to fruition in a timely manner. To this end, the Company has commenced discussions with major financing institutions and will seek to raise additional funds to be progressively drawn down in line with development requirements from the capital markets at the appropriate time.



Shahrukh Khan
Chief Executive Officer
Date 23 March 2012

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the Group in the year under review was that of exploration for coal in Pakistan. The Group is controlled, financed and administered within the United Kingdom which remains the principal place of business.

REVIEW OF BUSINESS

A review of the results for the year and of the outlook for future developments in the business is given in the Chairman's Statement and the Chief Executive's Report, which form part of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group is principally engaged in the development of lignite coal resources in Block VI in the Thar desert in the Sindh province in Pakistan through commercial open cast mine supplying projected mine-mouth power stations. The principal strategic and operational risks and uncertainties facing the Group are described below. Information on financial risk management is set out in the Financial Instruments section in this report.

Environmental and social risk

The Thar project is subject to environmental regulations both in Pakistan and through international standards and conventions. Non-compliance could significantly impact the development of the mine and raising of debt financing. The development of the Thar mine could negatively impact communities near its operation due to resettlement, population inflow and the construction of necessary infrastructure.

Technical risk

Co-completion risk exists where the success of one project depends on the completion of another. Both the mine and any associated power station cannot operate without the other. If the power station does not complete on time then the mine cannot start deliveries, and vice versa. There is a similar co-dependency in the operational phase.

The mine must be de-watered prior to mine construction and during production. The water produced must be disposed of safely. There is a risk that re-injection does not work as planned and that alternative disposal methods would be needed.

Economic risk

There are inherent uncertainties in estimation of the capital and operating costs to reach first production, and the fiscal regime applicable to the project, which will only be resolved when the project contracts are negotiated and the fiscal regime legally confirmed.

Offtake agreements need to be reached at sustainable commercial rates with mine mouth power stations to justify the project investment, with sufficient creditworthiness to meet lenders' risk criteria.

Financing risk

Delivery of the Group's strategy will require significant financing to fund the cash-sink required for development of its Thar project. Delays in reaching a Final Investment Decision ("FID"), or failure to obtain the necessary funding to reach FID and for the construction phase, and on terms which are acceptable, could mean the Group is not able to fulfil its strategy or remain as a going concern.

Political, legal and regulatory risk

Although the Government has demonstrated a strong support for the Thar mining development, there is potential for the Group's operations and financial results to be affected by instability and changes to the legal, regulatory or fiscal frameworks in Pakistan. This includes political unrest, variation to the lease terms, and changes to the royalty and tax rates. The relevant federal and provincial authorities need to fund and complete local infrastructure, including the power transmission line from the power station(s).

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

The risk of terrorist attack on the Company and its staff in Pakistan, or on suppliers and customers, remains very real and could restrict the Company's ability to manage at the site and the Karachi Office

RESULTS AND DIVIDENDS

During the year to 31 December 2011 the Group raised £2,775,411 (after costs) from the proceeds of a share issue following the listing on AIM, and these, and brought forward funds, were applied towards developing the Group's Pakistan Thar mine project. These expenditures are either capitalised in accordance with IFRS, or expensed. The capitalised expenditures are shown as intangible fixed assets in the Statement of Financial Position and the expensed expenditures are shown as administrative expenses in the Income Statement and hence determine the loss for Oracle Coalfields PLC Group of Companies after taxation of £948,092, (2010: £221,589). No dividends will be distributed for the year ended 31 December 2011 (2010: nil).

GOING CONCERN

The Directors have considered the cash flow requirements of the Group over the next 18 months. If the Group is to continue exploration and development of the Thar mine project it will be necessary to raise additional funds. Whilst it is difficult in the current economic downturn to generate the extra funds required, the Directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

SUBSTANTIAL SHAREHOLDINGS

The Directors are aware of the following who were interested, directly or indirectly, in 3 per cent or more of the Group's ordinary shares on 31 December 2011:

	Shareholding	% holding
Mr S Khan	29,530,791	13.79%
Regency Mines plc	23,600,000	11.02%
Starvest plc	21,867,333	10.21%
Sunvest Corporation Limited	20,000,000	9.34%
Mr A Neubauer	19,435,330	9.07%
Mr R Rowan	10,000,000	4.67%

AUTHORITY TO ISSUE SHARES

Each year at the AGM the Directors seek authority to allot shares. The authority, when granted, lasts until the next AGM. At the last AGM held on 21 June 2011, shareholders gave authority for the Directors to allot equity securities for cash up to an aggregate nominal value of £100,000.

HEALTH AND SAFETY

There were no reported personal injuries or fatalities among the Company's staff or contractors during the year.

SIGNIFICANT AGREEMENTS

The Companies Act 2006 requires the Company to disclose any significant agreements which take effect, alter or terminate upon a change in control of the Company. The Company is not aware of, or party to, any such agreement.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

DIRECTORS

The Directors during the year under review were

Mr S Khan	Chief Executive
Mr A C R Scutt	Senior Independent non-executive Director
Mr M R Stead	Non-executive Director, and Interim Finance Director (until 30 September 2011)
Mr W A Loader	Chairman (appointed 1 August 2011)
Mr G A Philip	Finance Director (appointed 1 October 2011)

The beneficial interests of the Directors holding office on 31 December 2011 in the issued share capital of the company were as follows

Ordinary 0.1p shares

	31 December 2011	1 January 2011 or date of appointment if later
Mr S Khan	29,530,791	29,530,791
Mr A C R Scutt	113,000	113,000
Mr W A Loader	100,000	100,000
Mr M R Stead	20,000	20,000

In addition to the above, in his capacity as a joint honorary trustee, Mr A C R Scutt also holds 225,000 shares for The Acumen Brigade Investment Club and 165,000 shares for The Ridgeway Investors Group. Mr A C R Scutt is not a beneficial member of these investment clubs and has no beneficial interest in the shareholdings.

Ordinary 0.1p shares under option

	Number	Exercise price	Expiry date
Mr S Khan	6,000,000	5p	31 03 2017
Mr A C R Scutt	2,000,000	5p	31 03 2017
Mr W A Loader	1,000,000	10p	01 08 2016
Mr M R Stead	450,000	5p	31 03 2017
Mr E Taylor (note 1)	80,000	5p	31 03 2017

(Note 1 - Mr E Taylor is the Company Secretary of Oracle Coalfields PLC and a Director of the Pakistan subsidiary company Sindh Carbon Energy Limited.)

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Adrian Loader

Chairman

Mr Loader has extensive international experience with Royal Dutch Shell in strategy, business development, energy projects and new markets. He held regional responsibility for Shell Pakistan and, as President of Shell Canada, was responsible for Shell's oil sands open pit mining operations. Mr Loader is currently Chairman of Compton Petroleum, a Director of Holcim, and a member of the advisory boards of Garda World and Lane, Clark & Peacock. He previously served on the boards of Shell Canada, Alliance-Boots and Candax Energy where he was Chairman. Mr Loader is a Fellow of the Chartered Institute of Personnel and Development and holds a Master's degree in History from Cambridge University.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Shahrukh Khan
Chief Executive Officer

Mr Khan was educated in the USA and the UK. He was awarded a BA in Business Administration and Economics at Richmond, the American International University in London. Mr Khan has project finance experience in the natural resource and infrastructure related sector, predominantly in the Middle East, South Asia and China. He has specialist expertise in large and complex projects, including project valuation and investment appraisal, feasibility studies and other project finance related services. Mr Khan is the non-executive Director of All Star Minerals plc, a PLUS-listed company.

Anthony Scutt
Senior Independent non-executive Director

Mr Scutt is a qualified Chartered Secretary and a Certified Internal Auditor with the US Institute of Internal Auditors. He had over 30 years of financial management expertise with Shell International Petroleum and worked in many parts of the world, including the Malagasy Republic, East and Central Africa, South Vietnam, Cambodia, the Philippines, Gabon and latterly as the Chief Internal Auditor of Shell UK. Mr Scutt then went on to become an investment analyst, writer and investor. Mr Scutt is a non-executive Director of AIM-listed Starvest plc and Beowulf Mining plc, and of PLUS-quoted Agricola Resources plc.

Roderick Stead
Non-executive Director

Mr Stead was awarded a BSc in Economics from the London School of Economics and is a qualified accountant, FCCA. He brings experience in a variety of management roles in the oil, gas, coal, mining and forestry industries in different environments. This includes Board experience in over 16 companies with particular expertise in corporate governance issues, strategic business analysis and the management of major joint venture relationships. Mr Stead has extensive experience in project finance negotiations with investment banks, multilateral agencies, export credit agencies, commercial banks, law firms and accountants.

Tony Philip
Finance Director

Mr Philip holds a Bachelor's Degree in Economics from Bristol University and is a Chartered Accountant. He has over 30 years' of financial management experience, much of this with the Shell Group, operating in a wide variety of finance roles managing company finances and governance, including several major project financings within African and Middle Eastern countries with US, EU and local investors. He has worked with many project companies, notably Nigeria LNG, Oman LNG, and West African Gas Pipeline, through from feasibility stage to successful operations.

Brian Rostron
Mining and Contracts manager

Mr Rostron is a Mining Engineer with over 30 years' international experience and is an expert on coal. He is a Chartered Engineer who has been responsible for the operational management of various coal mining companies with overall responsibility for production, financial performance, acquisitions and restructuring. Mr Rostron has previously worked with Miller Argent South Wales Ltd, H J Banks Mining, Scottish Coal Company, Coal Contractors Ltd, as well as the Confederation of UK Coal Producers and a UK member of Eurocoal Executive Committee.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Company Secretary

Edward Taylor
Company Secretary

Mr Taylor has worked in various accounting, human resources, administration and Company Secretarial positions in the natural resources sector. He has worked for Hardy Oil & Gas (now British Borneo Oil and Gas plc), Enterprise Oil plc and LASMO (now AGIP (UK) plc). Presently, he has assignments with Yukos Services (UK) Ltd, All Star Minerals plc, and U3O8 Energy Limited, as well as serving as a non-executive Director of AIM-listed Beowulf Mining plc.

GROUP'S POLICY ON PAYMENT OF CREDITORS

The Group abides by its policy to pay suppliers within their credit terms whenever it is satisfied that the supplier has provided goods and services in accordance with agreed terms and conditions. At the statement of financial position date, the trade payables outstanding represented 59 days, being principally two invoices received in the fourth quarter and settled in January 2012.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents, loan investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations.

The main purpose of these financial instruments is to finance the Group's operations. The Board regularly reviews and agrees policies for managing the level of risk arising from the Group's financial instruments which are summarised as follows:

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

Credit Risk

The Group's principal financial assets are the cash and cash equivalents and taxation receivable as recognised in the statement of financial position, and which represent the Group's maximum exposure to credit risk in relation to financial assets.

Capital Management

The Company's capital consists wholly of ordinary shares. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or value of its holdings in financial instruments.

Commodity Price Risk

The principal activity of the Group is the development of a coal mining property in Pakistan and the principal market risk facing the Group is an adverse movement in the commodity price of coal. Any long-term adverse movement in this price would affect the commercial viability of the project.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

REMUNERATION REPORT

This report has been prepared in accordance with the requirements of Schedule 2 Part 1 to the Companies Act 2006 (the "Schedule") and also meets the requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' Remuneration. In accordance with Section 439 of the Companies Act 2006 (the "Act"), a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the Financial Statements are to be approved.

Section 495 of the Act requires the auditors to report to the Company's members on the "auditable part" of the Directors' Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with Part 3 of the Schedule. This report has therefore been divided into separate sections for unaudited and audited information.

Unaudited information

Remuneration Policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the necessary calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Director and key members of senior management and the determination of their annual remuneration package is undertaken by the Remuneration Committee. The remuneration of non-executive Directors is determined by the Board within limits set in the Articles of Association.

Executive Directors are entitled to accept appointments outside the Company providing the Board's permission is sought.

Non-executive Directors' terms of engagement

The non-executive Directors have specific terms of engagement. Their remuneration is determined by the Board. In the event that a non-executive undertakes additional assignments for the Company, the non-executive's fee will be agreed by the Company in respect of each assignment.

Audited information

Aggregate Directors' Remuneration

The remuneration paid to the Directors, in accordance with the service contracts, during the year ended 31 December 2011 was as follows:

	Salary & fees £	Pensions £	Termination benefits £	Share-based payments £	2011 Total £	2010 Total £
Executive						
Mr S Khan	91,761	-	-	-	91,761	53,287
Mr G A Philip	47,352	-	-	-	47,352	-
Non-executive						
Mr M R Stead	41,851	-	-	22,876	64,727	16,508
Mr A C R Scutt	23,643	-	-	-	23,643	16,508
Mr W A Loader	25,460	-	-	10,606	36,066	-

Directors' Service Contracts

The Directors have contracts with an indefinite term and a stated termination notice period.

	Date of appointment	Notice period
Executive		
Mr S Khan	13 February 2007	1 month
Mr G A Philip	1 October 2011	1 month
Non-executive		
Mr M R Stead	1 November 2007	6 months
Mr A C R Scutt	22 December 2006	6 months
Mr W A Loader	1 August 2011	3 months

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

CORPORATE GOVERNANCE REPORT

Throughout 2011 the Board has continued to demonstrate its commitment to maintaining high standards of corporate governance. The Board supports the ideals of the UK Corporate Governance Code (the "Code"), issued by the Financial Services Authority in June 2010. This statement describes how the Company applies the principles of the Code and the Company's compliance with the specific provisions of the Code. The principles set out in the Code cover four areas: the Board, Directors' remuneration, accountability and audit, and relations with shareholders. With the exception of the Directors' Remuneration (which is dealt with separately in the Remuneration Report) the following report sets out how the Board has applied such principles.

Board and Board Committees

The Board of Directors

The Board of the Company is responsible for the Group's system of corporate governance. At 31 December 2011 the Board consisted of five Directors being a Chief Executive Officer, Mr S Khan, a Finance Director, Mr G A Philip, and three non-executive Directors including the Chairman, Mr W A Loader. The other two non-executive Directors were Mr A C R Scutt, Senior Independent Director and Mr M R Stead.

Details of Directors' service contracts are given in the Remuneration Report on page 10.

All Directors have access to the advice and services of the Company Secretary, Mr Edward Taylor, who is responsible for ensuring that Board procedures and applicable regulations under the Company's Articles of Association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

Board meetings

The Board of Directors meets bi-monthly and has a defined schedule of matters reserved for its decision. The matters so reserved include responsibility for the overall Group strategy, approval of contracts, commitments to capital expenditure budgets over £10,000, appointment of directors and staff, approval of remuneration of directors on the recommendation of the Remuneration Committee, issue of shares and warrants, appointment of a financial adviser, approval of announcements to the market, and a final investment decision to proceed with project implementation. The Board met six times during the year.

Board Committees

The Board Committees, which comprise non-executive Directors (except for the Nomination Committee which is chaired by the Chief Executive, Mr S Khan), operate within defined terms of reference and report regularly to the Board.

Audit Committee

The Audit Committee is responsible for (a) reviewing a wide range of matters including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders, (b) advising the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discussing the nature, scope and results of the audit with the external auditors, and (c) reviewing the cost effectiveness and the independence and objectivity of the external auditors.

The Audit Committee comprises Mr S Khan and Mr A C R Scutt (Chairman). In October 2011 Mr M R Stead succeeded as Chairman, and Mr S Khan resigned from the Committee and Mr A C R Scutt remained as a member. During the year there were two fully attended meetings.

Nomination Committee

The Nomination Committee was established post-admission to review the structure, size and composition of the Board, including the skills, knowledge and experience required and to make recommendations to the Board with regard to any changes.

The Nomination Committee comprises Mr S Khan (Chairman) and Mr A C R Scutt. During the year there were two fully attended meetings.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration of Board members and senior executives of the Company. This responsibility will extend to the review of the remuneration of Board members and senior executives of the Pakistani subsidiary - at present the Directors of Sindh Carbon Energy Limited are unpaid. It is policy that no individual participates in discussions or decisions concerning his own remuneration. None of the Committee has any conflicts of interest arising from cross-directorships or day-to-day involvement in running the business.

The Remuneration Committee is entirely non-executive Directors, being Mr A C R Scutt (Chairman) and Mr M R Stead. During the year there were two fully attended meetings.

Re-election

All Directors are submitted for re-election at regular intervals, subject to continued satisfactory performance. All Directors are subject to election by shareholders at the first annual general meeting after their appointment.

Accountability and audit

Financial Reporting

The Board is responsible for presenting a balanced and understandable assessment of the Company's position and prospects, extending to interim financial reports and other announcements. All major announcements are approved by the Chairman, the Executive Directors and the NOMAD.

Internal control

The Directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance that the assets of the Group are safeguarded and that the shareholders' investments are safeguarded. The system includes internal controls covering financial, operational and compliance areas, and risk management. There are limitations in any system of internal control, which can provide reasonable but not absolute assurance with respect to the preparation of financial information, the safeguarding of assets and the possibility of material misstatement or loss.

At the time of the AIM listing, the Board reviewed the system of financial internal controls in place and adopted a series of accounting and control procedures. These were further strengthened later during 2011 with a series of changes being made particularly in respect of commitments, payments, cash flow forecasting and monthly financial reporting.

The Board considers that an internal audit function would not be appropriate at this stage of the Group's development but keeps the matter under review.

Relations with shareholders

The Directors place great importance on maintaining good communications with both institutional and private investors. The Group reports formally to shareholders twice a year and more regular communication is provided through Press Releases and through the website. The Chief Executive supported by the Group's joint brokers - Libertas and Novus - presented to shareholders regularly during the year.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

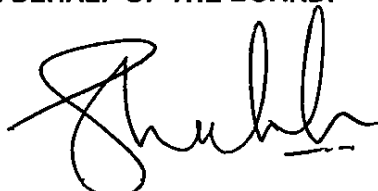
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

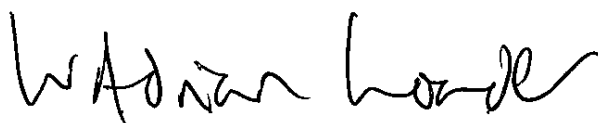
AUDITORS

The auditors, Price Bailey LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Group's forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



S Khan - Director



A Loader - Director

Date 23 March 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ORACLE COALFIELDS PLC GROUP OF COMPANIES

We have audited the financial statements of Oracle Coalfields plc Group of Companies for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the annual report and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The ability of the company to continue to trade is dependent on the company being able to raise sufficient funds. Based upon the current economic climate there exists a material uncertainty which may cast significant doubt as to whether the company will be able to generate sufficient funds and therefore the company's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the company was unable to continue as a going concern.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ORACLE COALFIELDS PLC GROUP OF COMPANIES**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Martin Clapson FCA (Senior Statutory Auditor)
for and on behalf of Price Bailey LLP
Chartered Accountants & Statutory Auditors
Richmond House
Ely
Cambridgeshire
CB7 4AH

Date 12 April 2012

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 £	2010 £
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		(660,156)	(222,674)
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS		(660,156)	(222,674)
Exceptional items	4	(293,429)	-
OPERATING LOSS		(953,585)	(222,674)
Finance income	5	5,493	1,085
LOSS BEFORE INCOME TAX	6	(948,092)	(221,589)
Income tax	7	-	-
LOSS FOR THE YEAR		(948,092)	(221,589)
Loss attributable to Owners of the parent		(948,092)	(221,589)
Earnings per share expressed in pence per share	9		
Basic		(0 46)	(0 15)
Diluted		(0 42)	(0 13)

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 £	2010 £
LOSS FOR THE YEAR	(948,092)	(221,589)
OTHER COMPREHENSIVE INCOME		
Exchange difference on consolidation	(3,884)	1,724
Income tax relating to components of other comprehensive income	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>(3,884)</u>	<u>1,724</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(951,976)</u>	<u>(219,865)</u>
Total comprehensive income attributable to Owners of the parent	<u>(951,976)</u>	<u>(219,865)</u>

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	3,204,424	855,830
Property, plant and equipment	11	2,127	2,814
Investments	12	-	-
Loans and other financial assets	13	62,705	63,645
		<u>3,269,256</u>	<u>922,289</u>
CURRENT ASSETS			
Trade and other receivables	14	91,271	36,093
Cash and cash equivalents	15	1,604,602	1,506,475
		<u>1,695,873</u>	<u>1,542,568</u>
TOTAL ASSETS		<u>4,965,129</u>	<u>2,464,857</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	214,211	184,211
Share premium	18	6,029,702	3,284,291
Translation reserve	18	(8,447)	(4,563)
Share scheme reserve	18	63,070	-
Retained earnings	18	(2,082,889)	(1,134,797)
		4,215,647	2,329,142
Non-controlling interests	16	16,029	16,029
TOTAL EQUITY		<u>4,231,676</u>	<u>2,345,171</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	733,453	119,686
TOTAL LIABILITIES		<u>733,453</u>	<u>119,686</u>
TOTAL EQUITY AND LIABILITIES		<u>4,965,129</u>	<u>2,464,857</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2012 and were signed on its behalf by



S Khan - Director

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	2,258,391	370,184
Property, plant and equipment	11	-	-
Investments	12	64,115	64,115
Loans and other financial assets	13	901,173	479,365
		<u>3,223,679</u>	<u>913,664</u>
CURRENT ASSETS			
Trade and other receivables	14	114,247	48,826
Cash and cash equivalents	15	1,594,780	1,457,680
		<u>1,709,027</u>	<u>1,506,506</u>
TOTAL ASSETS		<u>4,932,706</u>	<u>2,420,170</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	214,211	184,211
Share premium	18	6,029,702	3,284,291
Share scheme reserve	18	63,070	-
Retained earnings	18	(2,059,304)	(1,121,437)
TOTAL EQUITY		<u>4,247,679</u>	<u>2,347,065</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	685,027	73,105
TOTAL LIABILITIES		<u>685,027</u>	<u>73,105</u>
TOTAL EQUITY AND LIABILITIES		<u>4,932,706</u>	<u>2,420,170</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2012 and were signed on its behalf by



S Khan - Director

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Called up share capital £	Profit and loss account £	Share premium £	Translation reserve £
Balance at 1 January 2010	122,360	(913,208)	1,309,043	(6,287)
Changes in equity				
Issue of share capital	61,851	-	1,975,248	-
Total comprehensive income	-	(221,589)	-	1,724
Balance at 31 December 2010	<u>184,211</u>	<u>(1,134,797)</u>	<u>3,284,291</u>	<u>(4,563)</u>
Changes in equity				
Issue of share capital	30,000	-	2,745,411	-
Equity-settled share-based payment transactions	-	-	-	-
Total comprehensive income	-	(948,092)	-	(3,884)
Balance at 31 December 2011	<u>214,211</u>	<u>(2,082,889)</u>	<u>6,029,702</u>	<u>(8,447)</u>
	Share scheme reserve £	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2010	-	511,908	16,029	527,937
Changes in equity				
Issue of share capital	-	2,037,099	-	2,037,099
Total comprehensive income	-	(219,865)	-	(219,865)
Balance at 31 December 2010	<u>-</u>	<u>2,329,142</u>	<u>16,029</u>	<u>2,345,171</u>
Changes in equity				
Issue of share capital	-	2,775,411	-	2,775,411
Equity-settled share-based payment transactions	63,070	63,070	-	63,070
Total comprehensive income	-	(951,976)	-	(951,976)
Balance at 31 December 2011	<u>63,070</u>	<u>4,215,647</u>	<u>16,029</u>	<u>4,231,676</u>

The notes form part of these financial statements

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Called up share capital £	Profit and loss account £	Share premium £	Share scheme reserve £	Total equity £
Balance at 1 January 2010	122,360	(903,823)	1,309,043	-	527,580
Changes in equity					
Issue of share capital	61,851	-	1,975,248	-	2,037,099
Total comprehensive income	-	(217,614)	-	-	(217,614)
Balance at 31 December 2010	<u>184,211</u>	<u>(1,121,437)</u>	<u>3,284,291</u>	<u>-</u>	<u>2,347,065</u>
Changes in equity					
Issue of share capital	30,000	-	2,745,411	-	2,775,411
Equity-settled share-based payment Transactions	-	-	-	63,070	63,070
Total comprehensive income	-	(937,867)	-	-	(937,867)
Balance at 31 December 2011	<u>214,211</u>	<u>(2,059,304)</u>	<u>6,029,702</u>	<u>63,070</u>	<u>4,247,679</u>

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash generated from operations	1	(642,572)	(174,777)
Exchange rate fluctuation on cash held		<u>(2,027)</u>	<u>37</u>
Net cash from operating activities		<u>(644,599)</u>	<u>(174,740)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(2,067,152)	(361,776)
Purchase of tangible fixed assets		-	(437)
Interest received		<u>4,878</u>	<u>470</u>
Net cash from investing activities		<u>(2,062,274)</u>	<u>(361,743)</u>
Cash flows from financing activities			
Proceeds of share issue		3,000,000	2,318,040
Cost of share issue		<u>(195,000)</u>	<u>(280,941)</u>
Net cash from financing activities		<u>2,805,000</u>	<u>2,037,099</u>
Increase in cash and cash equivalents		<u>98,127</u>	<u>1,500,616</u>
Cash and cash equivalents at beginning of year	2	<u>1,506,475</u>	<u>5,859</u>
Cash and cash equivalents at end of year	2	<u><u>1,604,602</u></u>	<u><u>1,506,475</u></u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2011 £	2010 £
Loss before income tax	(948,092)	(221,589)
Equity-settled share-based transactions	33,482	-
Finance income	<u>(5,493)</u>	<u>(1,085)</u>
	(920,103)	(222,674)
Increase in trade and other receivables	(54,563)	(23,156)
Increase in trade and other payables	<u>332,094</u>	<u>71,053</u>
Cash generated from operations	<u>(642,572)</u>	<u>(174,777)</u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

Year ended 31 December 2011

	31/12/11 £	1/1/11 £
Cash and cash equivalents	<u>1,604,602</u>	<u>1,506,475</u>

Year ended 31 December 2010

	31/12/10 £	1/1/10 £
Cash and cash equivalents	<u>1,506,475</u>	<u>5,859</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

1 ACCOUNTING POLICIES

Reporting entity

Oracle Coalfields PLC Group is a group domiciled in the United Kingdom. The address of the Group's registered office is Richmond House, Broad Street, Ely, Cambridgeshire, CB7 4AH. The Group is primarily involved in the exploration and development for coal.

Going concern

The Directors have considered the cash flow requirements of the Group over the next 18 months from the date of signing this report. If the Group is to continue its exploration and development for coal, and meet its operational costs, it may be necessary to raise additional funds. Whilst it is difficult in the current economic downturn to generate the extra funds required, the Directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

Compliance with accounting standards

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to reporting groups under IFRS.

The financial statements have been prepared under the historical cost convention.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year and the amounts reported for assets and liabilities at the statement of financial position date. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of any impairment on intangible assets and the estimation of share-based payment costs. The Group determines whether there is any impairment of intangible assets on an annual basis. The estimation of share-based payment costs requires the selection of an appropriate model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business acquisitions have been accounted for in accordance with IFRS 3, 'Business Combinations'. Fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the fair values attributed to such assets, the difference is treated as purchased goodwill and is capitalised. In the case of subsequent acquisitions of minority interests, the difference between the consideration payable for the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition of the minority interest has been treated as goodwill.

Intangible fixed assets - exploration costs

Expenditure on the acquisition costs, exploration and evaluation of interests in licences, including related finance and administration costs, are capitalised. Such costs are carried forward in the statement of financial position under intangible assets and amortised over the minimum period of the expected commercial production of coal in respect of each area of interest where:

a) such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its sale,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

b) exploration activities have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations in relation to the areas are continuing

An annual impairment review is carried out by the Directors to consider whether any exploration or development costs have suffered impairment in value where a site has been abandoned or confirmed as no longer technically feasible. Accumulated costs in respect of areas of interest that have been abandoned are written off to the profit and loss account in the year in which the area is abandoned.

Exploration costs are carried at cost less any provision for impairment.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

- | | |
|--------------------|---------------------------|
| Motor vehicles | - 20% on reducing balance |
| Computer equipment | - 30% on reducing balance |

Investments

Fixed asset investments are stated at cost. The investments are reviewed annually and any impairment is taken directly to the income statement.

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents comprise cash held at bank and short term deposits
- Trade payables are not interest-bearing and are stated at their nominal value
- Equity instruments issued by the Company are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share-based payments reserve.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Profit and losses of overseas subsidiary undertakings are translated into sterling at average rates for the year. The statements of financial position of overseas subsidiary undertakings are translated at the rate ruling at the statement of financial position date. Differences arising from the translation of Group investments in overseas subsidiary undertakings are recognised as a separate component of equity.

Net exchange differences classified as equity are separately tracked and the cumulative amount disclosed as a translation reserve.

The principal place of business of the Group is the United Kingdom with sterling being the functional currency. Funds are advanced to Pakistan as required to finance the exploration costs which are payable in Rupees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Share-based payment transactions

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of all options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and bank balances.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

1 ACCOUNTING POLICIES - continued

New standards and interpretations applied

In preparing these financial statements the Company has reviewed all new standards and interpretations, but there are no standards effective for the year commencing 1 January 2011 requiring new interpretations to be applied

New Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements

- IAS 1 Presentation of Financial Statements (revised 2010) - annual review of IFRSs
- IAS 24 Related Party Disclosures (amended 2009) - revised definition of related parties
- IAS 27 Consolidated and Separate Financial Statements (amended 2010) - annual review of IFRSs
- IAS 32 Financial Instruments (amended 2009) - amendment relating to classification of rights issues
- IAS 34 Interim Financial Reporting (amended 2010) - annual review of IFRSs
- IFRS 3 Business Combinations (amended 2010) - annual review of IFRSs
- IFRS 7 Financial Instruments (amended 2010) - annual review of IFRSs

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year commencing 1 January 2011 and have not been applied in preparing these financial statements

- IAS 1 Presentation of Financial Statements (amended 2011)
- IAS 12 Income Taxes (amended 2010)
- IAS 19 Employee Benefits (amended 2011)
- IAS 27 Consolidated and Separate Financial Statements (amended 2011)
- IAS 28 Investments in Associates (amended 2011)
- IAS 32 Financial Instruments (amended 2011)
- IFRS 7 Financial Instruments (amended 2010 and 2011)
- IFRS 9 Financial Instruments (issued 2009 and 2010)
- IFRS 10 Consolidated Financial Statements (issued 2011)
- IFRS 11 Joint Arrangements (issued 2011)
- IFRS 12 Disclosure of Interests in Other Entities (issued 2011)
- IFRS 13 Fair Value Measurement (issued 2011)

The Directors do not consider that the implementation of any of these new standards will have a material impact upon reported income or reported net assets

2 SEGMENTAL REPORTING

The principal activity of the Group is the exploration and development for coal in Pakistan. All expenses are in respect of this one activity and there are no business segments requiring separate disclosure

3 EMPLOYEES AND DIRECTORS

	2011	2010
	£	£
Wages and salaries	244,081	77,000
Social security costs	<u>27,857</u>	<u>5,781</u>
	<u>271,938</u>	<u>82,781</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

3 EMPLOYEES AND DIRECTORS - continued

The average monthly number of employees during the year was as follows

	2011	2010
Directors	4	3
Administration	<u>1</u>	<u>-</u>
	<u>5</u>	<u>3</u>

	2011 £	2010 £
Directors' remuneration	<u>205,923</u>	<u>77,000</u>

Information regarding the highest paid director for the year ended 31 December 2011 is as follows

	2011 £
Emoluments etc	<u>81,667</u>

4 EXCEPTIONAL ITEMS

During the year the Group incurred costs of £293,429 in respect of delisting from the PLUS market and achieving a listing on AIM. Included in the costs is £238,429 for legal and professional fees, together with £55,000 paid to the auditors in their capacity as reporting accountants.

5 FINANCE INCOME

	2011 £	2010 £
Finance income		
Deposit account interest	4,878	470
Other loan interest	<u>615</u>	<u>615</u>
	<u>5,493</u>	<u>1,085</u>

6 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging

	2011 £	2010 £
Other operating leases	21,981	-
Depreciation - owned assets	569	758
Auditors' remuneration	11,574	9,800
Auditors' other services - reporting accountant for AIM application	55,000	-
Equity-settled share-based payment transactions	<u>33,482</u>	<u>-</u>

The depreciation charges shown above have been capitalised as exploration costs by the subsidiary company in accordance with the accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

7 INCOME TAX

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2011 nor for the year ended 31 December 2010

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2011 £	2010 £
Loss on ordinary activities before tax	<u>(948,092)</u>	<u>(221,589)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.500% (2010 - 28%)	(251,244)	(62,045)
Effects of		
Interest capitalised in subsidiary	2,710	1,113
Potential deferred taxation on losses for year tax	170,775	60,932
Expenses disallowed for tax purposes	<u>77,759</u>	<u>-</u>
Total income tax	<u>-</u>	<u>-</u>

Tax effects relating to effects of other comprehensive income

	Gross	2011 Tax	Net
Exchange difference on consolidation	<u>(3,884)</u>	-	<u>(3,884)</u>
	<u>(3,884)</u>	-	<u>(3,884)</u>
	Gross	2010 Tax	Net
Exchange difference on consolidation	<u>1,724</u>	-	<u>1,724</u>
	<u>1,724</u>	-	<u>1,724</u>

The Group and Company has estimated excess management charges of £1,529,498 (2010 - £1,120,729) to carry forward against future income. The overseas subsidiary has not yet generated profits or losses and there is no charge for foreign taxation for the year (2010 - nil)

8 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(937,867) (2010 - £(217,614))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares

Reconciliations are set out below

	Earnings £	2011 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(948,092)	205,663,055	(0 46)
Effect of dilutive securities			
Options granted	-	21,801,507	-
Diluted EPS			
Adjusted earnings	<u>(948,092)</u>	<u>227,464,562</u>	<u>(0 42)</u>

	Earnings £	2010 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(221,589)	145,644,977	(0 15)
Effect of dilutive securities			
Options granted	-	23,122,384	-
Diluted EPS			
Adjusted earnings	<u>(221,589)</u>	<u>168,767,361</u>	<u>(0 13)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

10 INTANGIBLE ASSETS

Group

	Exploration costs £
COST	
At 1 January 2011	855,830
Additions	2,369,512
Exchange differences	<u>(20,918)</u>
At 31 December 2011	<u>3,204,424</u>
NET BOOK VALUE	
At 31 December 2011	<u>3,204,424</u>

	Exploration costs £
COST	
At 1 January 2010	492,131
Additions	358,307
Exchange differences	<u>5,392</u>
At 31 December 2010	<u>855,830</u>
NET BOOK VALUE	
At 31 December 2010	<u>855,830</u>

Company

	Exploration costs £
COST	
At 1 January 2011	370,184
Additions	<u>1,888,207</u>
At 31 December 2011	<u>2,258,391</u>
NET BOOK VALUE	
At 31 December 2011	<u>2,258,391</u>

	Exploration costs £
COST	
At 1 January 2010	241,399
Additions	<u>128,785</u>
At 31 December 2010	<u>370,184</u>
NET BOOK VALUE	
At 31 December 2010	<u>370,184</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

11 PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 January 2011	6,123	437	6,560
Exchange differences	<u>(255)</u>	<u>(18)</u>	<u>(273)</u>
At 31 December 2011	<u>5,868</u>	<u>419</u>	<u>6,287</u>
DEPRECIATION			
At 1 January 2011	3,615	131	3,746
Charge for year	481	88	569
Exchange differences	<u>(150)</u>	<u>(5)</u>	<u>(155)</u>
At 31 December 2011	<u>3,946</u>	<u>214</u>	<u>4,160</u>
NET BOOK VALUE			
At 31 December 2011	<u>1,922</u>	<u>205</u>	<u>2,127</u>

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 January 2010	5,999	-	5,999
Additions	-	437	437
Exchange differences	<u>124</u>	<u>-</u>	<u>124</u>
At 31 December 2010	<u>6,123</u>	<u>437</u>	<u>6,560</u>
DEPRECIATION			
At 1 January 2010	2,927	-	2,927
Charge for year	627	131	758
Exchange differences	<u>61</u>	<u>-</u>	<u>61</u>
At 31 December 2010	<u>3,615</u>	<u>131</u>	<u>3,746</u>
NET BOOK VALUE			
At 31 December 2010	<u>2,508</u>	<u>306</u>	<u>2,814</u>

12 INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2011 and 31 December 2011	<u>64,115</u>
NET BOOK VALUE	
At 31 December 2011	<u>64,115</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

12 INVESTMENTS - continued

Company

Shares in
group
undertakings
£

COST

At 1 January 2010
and 31 December 2010

64,115

NET BOOK VALUE

At 31 December 2010

64,115

The Group or the Company's investments at the statement of financial position date in the share capital of companies include the following

Subsidiary

Sindh Carbon Energy Limited

Country of incorporation Pakistan

Nature of business Coal exploration and mining

Class of shares	% holding
Ordinary	80.00

2011

2010

£

£

Aggregate capital and reserves

80,144

80,144

The subsidiary company was incorporated in Pakistan on 23 January 2007 for the exploration and future extraction of coal in Pakistan. This company was formed under a joint venture arrangement whereby Oracle Coalfields PLC agreed to acquire 80 per cent of the ordinary share capital at par, fully paid by cash.

The investment in share capital for the 80 per cent holding amounted to £64,115

13 LOANS AND OTHER FINANCIAL ASSETS

Group

Other
loans
£

At 1 January 2011

63,645

Exchange movement

(940)

At 31 December 2011

62,705

Other
loans
£

At 1 January 2010

63,186

Exchange movement

459

At 31 December 2010

63,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

13 LOANS AND OTHER FINANCIAL ASSETS - continued

Group

Oracle Coalfields PLC has a joint venture agreement with Sindh Koela Limited for the exploration of coal through a project company, Sindh Carbon Energy Limited incorporated in Pakistan, dated 6 September 2006 and amended on 17 June 2008. Under the terms of the agreement Sindh Koela Limited is entitled to receive 20 per cent of the issued shares in Sindh Carbon Energy Limited and these shares are funded by a loan from Oracle Coalfields PLC. The obligation to fund the 20 per cent shareholding is capped at 5,000,000 shares of PKR 10 per share. The loan accrues interest on a daily basis at a rate of 9 per cent per annum. The loan is unsecured and repayable from 50 per cent of dividends due to Sindh Koela Limited from Sindh Carbon Energy Limited, when the joint venture starts to generate revenues, or repayable in full on any early transfer of shares by Sindh Koela Limited in Sindh Carbon Energy Limited.

There is a loan of PKR 2,000,000, amounting to £16,029 (2010 - £16,029) made by Oracle Coalfields PLC to Sindh Koela Limited, representing Sindh Koela Limited's initial 20 per cent shareholding of 200,000 shares of PKR 10 per share.

Further loans were made to Sindh Koela Limited to fund initial expenditure in Pakistan on behalf of the Group as follows:

At the statement of financial position date there is a loan of £25,000 (2010 - £25,000) from Oracle Coalfields PLC to Sindh Koela Limited. The loan is interest free, unsecured and is not due for repayment until the joint venture starts to generate revenues.

At the statement of financial position date there is a loan of PKR 3,000,000, amounting to £21,676 (2010 - £22,616) from Sindh Carbon Energy Limited to Sindh Koela Limited. The loan is interest free, unsecured and is not due for repayment until the joint venture starts to generate revenues.

Company

	Loans to group undertakings £	Other loans £	Totals £
At 1 January 2011	438,336	41,029	479,365
New in year	<u>421,808</u>	<u>-</u>	<u>421,808</u>
At 31 December 2011	<u>860,144</u>	<u>41,029</u>	<u>901,173</u>
	Loans to group undertakings £	Other loans £	Totals £
At 1 January 2010	203,336	41,029	244,365
New in year	<u>235,000</u>	<u>-</u>	<u>235,000</u>
At 31 December 2010	<u>438,336</u>	<u>41,029</u>	<u>479,365</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

13 LOANS AND OTHER FINANCIAL ASSETS - continued

Company

Oracle Coalfields PLC has a joint venture agreement with Sindh Koela Limited for the exploration of coal through a project company, Sindh Carbon Energy Limited incorporated in Pakistan, dated 6 September 2006 and amended on 17 June 2008. Under the terms of the agreement Sindh Koela Limited is entitled to receive 20 per cent of the issued shares in Sindh Carbon Energy Limited and these shares are funded by a loan from Oracle Coalfields PLC. The obligation to fund the 20 per cent shareholding is capped at 5,000,000 shares of PKR 10 per share. The loan accrues interest on a daily basis at a rate of 9 per cent per annum. The loan is unsecured and repayable from 50 per cent of dividends due to Sindh Koela Limited from Sindh Carbon Energy Limited, when the joint venture starts to generate revenues, or repayable in full on any early transfer of shares by Sindh Koela Limited in Sindh Carbon Energy Limited.

There is a loan of PKR 2,000,000, amounting to £16,029 (2010 - £16,029) made by Oracle Coalfields PLC to Sindh Koela Limited, representing Sindh Koela Limited's initial 20 per cent shareholding of 200,000 shares of PKR 10 per share.

At the statement of financial position date there is a loan of £25,000 (2010 - £25,000) from Oracle Coalfields PLC to Sindh Koela Limited. The loan is interest free, unsecured and is not due for repayment until the joint venture starts to generate revenues.

Oracle Coalfields PLC made loans of £421,808 (2010 - £235,000) to Sindh Carbon Energy Limited, its subsidiary company during the period and the amount outstanding at the statement of financial position date was £860,144 (2010 - £438,336). Interest accrues on a daily basis at a rate of 1 per cent over the Bank of England base rate. The loan is unsecured and although it is repayable on demand, it is unlikely to be repaid until the project becomes successful and the subsidiary starts to generate revenue.

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Current				
Other receivables	4,804	5,186	28,257	18,417
VAT	52,845	25,602	52,845	25,602
Prepayments and accrued income	<u>33,622</u>	<u>5,305</u>	<u>33,145</u>	<u>4,807</u>
	<u>91,271</u>	<u>36,093</u>	<u>114,247</u>	<u>48,826</u>

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank deposit account	1,584,780	1,447,680	1,584,780	1,447,680
Bank accounts	<u>19,822</u>	<u>58,795</u>	<u>10,000</u>	<u>10,000</u>
	<u>1,604,602</u>	<u>1,506,475</u>	<u>1,594,780</u>	<u>1,457,680</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

16 NON-CONTROLLING INTERESTS

The minority interest of £16,029 represents 20 per cent of the issued share capital of the subsidiary which is held by Sindh Koela Limited, a company in which the Group is involved in a joint venture arrangement. Since the subsidiary was incorporated for the joint venture, there are no pre-acquisition reserves or goodwill.

17 CALLED UP SHARE CAPITAL

	2011 £	2010 £
Allotted, issued and fully paid		
214,211,000 (2010 - 184,211,000) Ordinary shares of 0.1p each	<u>214,211</u>	<u>184,211</u>

30,000,000 Ordinary shares of 0.1p each were allotted as fully paid for cash at a premium of 9.9p per share during the year.

The number of shares in issue are as follows:

	2011 No	2010 No
At 1 January 2011	184,211,000	122,359,668
Issued during the year	<u>30,000,000</u>	<u>61,851,332</u>
At 31 December 2011	<u>214,211,000</u>	<u>184,211,000</u>

18 RESERVES

Group

	Retained earnings £	Share premium £	Translation reserve £	Share scheme reserve £	Totals £
At 1 January 2011	(1,134,797)	3,284,291	(4,563)	-	2,144,931
Deficit for the year	(948,092)	-	-	-	(948,092)
Cash share issue	-	2,969,999	-	-	2,969,999
Cost of share issue	-	(195,000)	-	-	(195,000)
Equity-settled share-based payment transactions	-	(29,588)	-	63,070	33,482
Exchange translation difference	-	-	(3,884)	-	(3,884)
At 31 December 2011	<u>(2,082,889)</u>	<u>6,029,702</u>	<u>(8,447)</u>	<u>63,070</u>	<u>4,001,436</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

18 RESERVES - continued

	Retained earnings £	Share premium £	Translation reserve £	Totals £
At 1 January 2010	(913,208)	1,309,043	(6,287)	389,548
Deficit for the year	(221,589)	-	-	(221,589)
Cash share issue	-	2,256,189	-	2,256,189
Cost of share issue	-	(280,941)	-	(280,941)
Exchange translation difference	-	-	1,724	1,724
At 31 December 2010	<u>(1,134,797)</u>	<u>3,284,291</u>	<u>(4,563)</u>	<u>2,144,931</u>

Company

	Retained earnings £	Share premium £	Share scheme reserve £	Totals £
At 1 January 2011	(1,121,437)	3,284,291	-	2,162,854
Deficit for the year	(937,867)	-	-	(937,867)
Cash share issue	-	2,969,999	-	2,969,999
Cost of share issue	-	(195,000)	-	(195,000)
Equity-settled share-based payment transactions	-	(29,588)	63,070	33,482
At 31 December 2011	<u>(2,059,304)</u>	<u>6,029,702</u>	<u>63,070</u>	<u>4,033,468</u>

	Retained earnings £	Share premium £	Totals £
At 1 January 2010	(903,823)	1,309,043	405,220
Deficit for the year	(217,614)	-	(217,614)
Cash share issue	-	2,256,189	2,256,189
Cost of share issue	-	(280,941)	(280,941)
At 31 December 2010	<u>(1,121,437)</u>	<u>3,284,291</u>	<u>2,162,854</u>

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Current				
Trade payables	472,817	60,367	472,817	60,367
Social security and other taxes	17,121	1,434	17,121	1,434
Other payables	18,824	904	18,824	904
Accruals and deferred income	<u>224,691</u>	<u>56,981</u>	<u>176,265</u>	<u>10,400</u>
	<u>733,453</u>	<u>119,686</u>	<u>685,027</u>	<u>73,105</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

20 LEASING AGREEMENTS

Group

	Non-cancellable operating leases	
	2011	2010
	£	£
Within one year	38,400	-
Between one and five years	19,200	-
	<u>57,600</u>	<u>-</u>

Company

	2011	2010
	£	£
Within one year	38,400	-
Between one and five years	19,200	-
	<u>57,600</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

21 FINANCIAL INSTRUMENTS

The Group and Company financial instruments comprise cash and cash equivalents, loan investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations

The main purpose of these financial instruments is to finance the Group's operations. The Board regularly reviews and agrees policies for managing the level of risk arising from the Group's financial instruments which are summarised as follows

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

The following tables illustrate the contractual maturity profiles of its financial liabilities, all of which are repayable within one year, as at 31 December

Group

	2011 £	2010 £
Current liabilities		
Trade and other payables	716,332	118,252
Tax liabilities	<u>17,121</u>	<u>1,434</u>
	<u>733,453</u>	<u>119,686</u>

Company

Current liabilities		
Trade and other payables	667,906	71,671
Tax liabilities	<u>17,121</u>	<u>1,434</u>
	<u>685,027</u>	<u>73,105</u>

All of the Group and Company liabilities are due for payment within one year

Credit Risk

The Group's principal financial assets are the cash and cash equivalents and taxation receivable as recognised in the statement of financial position, and which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Company has made an unsecured loan of £860,144 (2010 - £438,336) to its subsidiary Sindh Carbon Energy Limited. Although it is repayable on demand, it is unlikely to be repaid until the project becomes successful and the subsidiary starts to generate revenue.

Capital Management

The Company's capital consists wholly of ordinary shares. The Board's policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, whilst balancing these objectives with the efficient use of capital.

Analysis of Total Financial Liabilities and Financial Assets

The table below sets out the Group's IAS 39 classification of each of its financial assets and liabilities at 31 December 2011. All amounts are stated at their carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

Group
At 31 December 2011

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	1,604,602
Derivative financial assets	37,705	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	116,271
Other financial liabilities	-	-	-
	<u>37,705</u>	<u>-</u>	<u>1,720,873</u>
	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	1,604,602
Derivative financial assets	-	-	37,705
Derivative financial liabilities	-	-	-
Other financial assets	-	-	91,271
Other financial liabilities	-	(733,453)	(733,453)
	<u>-</u>	<u>(733,453)</u>	<u>1,025,125</u>

At 31 December 2010

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	1,506,475
Derivative financial assets	38,645	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	61,093
Other financial liabilities	-	-	-
	<u>38,645</u>	<u>-</u>	<u>1,567,568</u>
	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	1,506,475
Derivative financial assets	-	-	38,645
Derivative financial liabilities	-	-	-
Other financial assets	-	-	61,093
Other financial liabilities	-	(119,686)	(119,686)
	<u>-</u>	<u>(119,686)</u>	<u>1,486,527</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

Company
At 31 December 2011

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	1,594,780
Derivative financial assets	16,029	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	999,391
Other financial liabilities	-	-	-
	<u>16,029</u>	<u>-</u>	<u>2,594,171</u>
	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	1,594,780
Derivative financial assets	-	-	16,029
Derivative financial liabilities	-	-	-
Other financial assets	-	-	999,391
Other financial liabilities	-	(682,027)	(682,027)
	<u>-</u>	<u>(682,027)</u>	<u>1,925,173</u>

At 31 December 2010

	Fair value through profit and loss £	Available for sale £	Loans and receivables £
Cash and cash equivalents	-	-	1,457,680
Derivative financial assets	16,029	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	512,162
Other financial liabilities	-	-	-
	<u>16,029</u>	<u>-</u>	<u>1,969,842</u>
	Derivatives used for hedging £	Amortised cost £	Total £
Cash and cash equivalents	-	-	1,457,680
Derivative financial assets	-	-	16,029
Derivative financial liabilities	-	-	-
Other financial assets	-	-	512,162
Other financial liabilities	-	(73,105)	(73,105)
	<u>-</u>	<u>(73,105)</u>	<u>1,912,766</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

Other financial assets comprise trade and other receivables due within and after more than one year
 Other financial liabilities comprise trade and other payables and accruals due within and after more than one year

Derivative assets designated at fair value are loans made in Pakistan Rupees and their values are subject to foreign exchange fluctuations

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or value of its holdings in financial instruments

Sensitivity Analysis

The Group has carried out a sensitivity analysis that measures the estimated charge to the income statement and equity of a 1 per cent difference in market interest rates applicable at 31 December 2011 with all other measures remaining constant. Similarly, the sensitivity analysis in respect of currency risk measures the estimated charge to the income statement and equity of a 10 per cent difference in the market rate of the Pakistan Rupee, the major currency to which the Group is exposed

The sensitivity analysis includes the following assumptions

- Changes in market interest rates only affect interest income or expense of variable financial instruments
- Changes in foreign currency rates only affect those items of income and expense and assets and liabilities denominated in the said currencies

Interest rate risk

	Income Statement		Equity (before tax)	
	100 bps Increase £	100 bps Decrease £	100 bps Increase £	100 bps Decrease £
Variable rate instruments	<u>410</u>	<u>(410)</u>	<u>410</u>	<u>(410)</u>

Currency risk

	Income Statement		Equity (before tax)	
	10% Increase £	10% Decrease £	10% Increase £	10% Decrease £
Cash and cash equivalents	-	-	(982)	982
Loans	-	-	(3,771)	3,771
Trade receivables	-	-	(61)	61
Trade payables	-	-	4,880	(4,880)
	<u>-</u>	<u>-</u>	<u>66</u>	<u>(66)</u>

Fair Values of Financial Assets and Liabilities

The carrying values of the financial instruments of the Group and Company are the same as their fair values

Commodity Price Risk

The principal activity of the Group is the development of a coal mining property in Pakistan and the principal market risk facing the Group is an adverse movement in the commodity price of coal. Any long-term adverse movement in this price would affect the commercial viability of the project

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

22 RELATED PARTY DISCLOSURES

During the year, Oracle Coalfields PLC has accrued interest receivable of £10,225 (2010 - £3,975) and £615 (2010 - £615) in respect of loans made to Sindh Carbon Energy Limited and Sindh Koela Limited respectively. The interest was outstanding at the year end and is included within other receivables.

Key management personnel compensation

The directors' and key management personnel of the Group during the year were as follows:

Mr S Khan (Chief Executive Officer)
Mr A C R Scutt (non-executive Director)
Mr M R Stead (non-executive Director)
Mr W A Loader (Chairman)
Mr G A Philip (Finance Director)

The aggregate compensation made to key management personnel of the Group is set out below:

	2011 £	2010 £
Short-term employee benefits	230,067	86,303
Post-employment benefits	-	-
Termination benefits	-	-
Share-based benefits	<u>33,482</u>	<u>-</u>
	<u>263,549</u>	<u>86,303</u>

Details of key management personnel compensation are disclosed in the Remuneration Report included in the Directors' Report.

Key management personnel equity holdings

Details of key management personnel beneficial interests in the fully paid Ordinary shares of the Company and share options held, are unchanged during the year and are disclosed in the Directors' Report.

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2011 £	2010 £
Loss for the financial year	(948,092)	(221,589)
Proceeds of share issue	3,000,000	2,318,040
Cost of share issue	(224,589)	(280,941)
Exchange translation difference	(3,884)	1,724
Equity-settled share-based transactions	<u>63,070</u>	<u>-</u>
Net addition to shareholders' funds	1,886,505	1,817,234
Opening shareholders' funds	<u>2,329,142</u>	<u>511,908</u>
Closing shareholders' funds	<u>4,215,647</u>	<u>2,329,142</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company

	2011 £	2010 £
Loss for the financial year	(937,867)	(217,614)
Proceeds from issue of shares	3,000,000	2,318,040
Cost of share issue	(224,589)	(280,941)
Equity-settled share-based transactions	<u>63,070</u>	<u>-</u>
Net addition to shareholders' funds	1,900,614	1,819,485
Opening shareholders' funds	<u>2,347,065</u>	<u>527,580</u>
Closing shareholders' funds	<u>4,247,679</u>	<u>2,347,065</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011

24 SHARE-BASED PAYMENT TRANSACTIONS

The Group has a share option programme that entitles the holders to purchase shares in the Group with the options exercisable at the price determined at the date of granting the option. The terms and conditions of the grants are as follows: there are no vesting conditions to be met and all options are to be settled by the issue of shares.

Grant date	Number of instruments	Contractual life of options
13 February 2007	12,500,000	5 years
13 February 2007 (expiry date extended on admission to AIM)	8,080,000	10 years
15 November 2007 (expiry date extended on admission to AIM)	200,000	6 years
14 April 2011	600,000	5 years
18 April 2011	250,000	6 years
1 August 2011	1,000,000	5 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 January	5.00p	20,780,000	6.89p	26,442,054
Expired during the period	-	-	14.00p	(5,662,054)
Granted during period	9.32p	<u>1,850,000</u>	-	<u>-</u>
Outstanding at 31 December	5.60p	<u>22,630,000</u>	5.00p	<u>20,780,000</u>
Exercisable at 31 December	5.23p	<u>13,100,000</u>	5.00p	<u>20,780,000</u>

No share options were exercised during the year (2010 - nil). During the year no options expired unexercised (2010 - 5,662,054 share options expired unexercised with a weighted average exercise price of 14p). The options outstanding at 31 December 2011 have an exercise price of 5.6p (2010 - 5p), and a weighted average remaining contractual life of 3.93 years (2010 - 1.27 years).

The fair value of services received and commission payable in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes model, with the following inputs:

	Services 2011	Services 2011	Commission 2011	Services 2007
Fair value at grant date	8.75p	14.11p	14.67p	0.0003p
Share price	1p	1p	1p	1p
Exercise price	10p	5p	10p	5p
Expected volatility	56%	67%	67%	20%
Option life	5 years	6 years	5 years	5 years
Risk-free interest rate	4%	4%	4%	5%

The expected volatility was determined by reviewing the actual volatility of the Group's share price since its listing on AIM to the date of granting the option. In calculating the fair value, consideration was given to the market trends at the grant date of the option.

There is an expense of £33,482 (2010 - £nil) for the year in respect of goods and services received, and share placement commission of £29,588 (2010 - £nil) in respect of equity-settled share-based payment transactions.