

REGISTERED NUMBER: 05867160 (England and Wales)

REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
FOR
ORACLE COALFIELDS PLC GROUP OF COMPANIES

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FOR THE YEAR ENDED 31 DECEMBER 2012

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ORACLE COALFIELDS PLC GROUP OF COMPANIES

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

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. 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
SECRETARY:	Mr T Everitt
LONDON OFFICE:	22 Hanover Square Mayfair London W1S 1JP
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:	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
REGISTRAR	Neville Registrars Limited Neville House 18 Laurel Lane, Halesowen West Midlands B63 3DA
BROKERS:	Novus Capital Markets Limited 29/30 Cornhill London EC3V 3NF
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 2012**

I am pleased to present Oracle Coalfields' (or the "Company") results for the period ending 31 December 2012. During the year your company continued to make good progress, including the issuance of the Mining Lease, the signing of the Joint-Development Agreement with Karachi Electric Supply Company (KESC) and the preparation of an Implementation Plan to proceed with mine development and production. As might be expected for a mining company at this stage of development, the consolidated financial results for the year to 31 December 2012 show an operational loss after taxation for Oracle and its subsidiaries ("Group") of £741,799 (2011: £948,092). The basic loss per share was 0.35p (2011: loss 0.46p).

At the end of 2012 the Group had cash and cash equivalents of £99,592 (2011: £1,604,602) and total assets less current liabilities of £3.52 million (2011: £4.23 million).

Early in 2013, £934,000 of further capital was raised including contributions from shareholders and management. The Group is now expected to have sufficient working capital to cover its working capital requirements over 2013. However, additional funds will be required to develop the Block VI coal mine. The Group is therefore considering options to raise the necessary debt and equity, and has started discussions with potential strategic investors/technical partners from the Middle East and Far East.

Whilst Oracle has made continued progress in developing the project, 2012 was a mixed year in Pakistan on the political and security fronts. Consequently, international investors have been hesitant, and foreign direct investment in the country was low in 2012 on a year on year basis. That said, due to the urgent need to resolve the energy crisis in Pakistan, the Government remains keen to assist your Company in the development of the coal project and provides significant support.

The Board extends its thanks to the Coal & Energy Development Department, the Thar Coal Energy Board, the Sindh Coal Authority, and the Government of Sindh for their continued assistance. The Board also continues to be very grateful for the patience and support of our shareholders.

Your Company is moving from project development to project implementation. Completion of the implementation phase will largely depend on financing and on entering a suitable partnership, both of which require thorough assessment. The Board aims to pursue both objectives this year as expeditiously as possible with the goal of making the project a significant contributor to Pakistan's energy mix.



Adrian Loader
Chairman
25 March 2013

**CHIEF EXECUTIVE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

The Government's continued support for the earliest development of the Thar Coalfield is a key part of its strategy to meet the growing domestic demand for energy at the lowest possible cost whilst alleviating the national balance of payments by reducing dependency on imported fuel

After completion in 4th Quarter 2011 by SRK Consulting of the Technical Feasibility Study on the Block VI coal deposit in the Thar Coalfield, Sindh Province the Study was submitted to the Mines & Mineral Development Department, Government of Sindh, which issued the Mining Lease to the Company's local subsidiary, Sindh Carbon Energy Limited ("SCEL") in April 2012. The Mining Lease is a 30 year lease with an option to extend for another 30 years

During 2012, SCEL entered a Joint-Development Agreement (JDA) with Karachi Electric Supply Company (KESC). The JDA sets out KESC's intent to develop a 300 MW mine-mouth power plant at Block VI with an option to increase to 1,100 MW over time. The JDA is a significant step in the Company's relationship with KESC which is making considerable efforts to develop coal-fired power plants in Sindh Province, and so reduce dependence on oil and gas-fired power plants in view of cost and secure long term supply of fuel. The emphasis on Thar coal, and particularly the Block VI project, is important for KESC to provide the necessary security of supply.

Following the JDA with KESC, the Company appointed Dargo Associates Ltd, a leading independent coal consultant who have been involved with the project since 2007, to review the SRK Technical Feasibility Study and advise on a smaller mine to support a minimum 300 MW power plant at site. In 4th Quarter of 2012, Dargo Associates published the Implementation Plan for a 2.4 million tonnes per annum open-pit mine that could feed a 300 MW power plant as well as supply local industries such as the cement sector. Capital and operating expenditure estimates were reduced substantially from previous figures. This is further detailed in the following section under Block VI from Feasibility to Implementation.

During this period, the Company also entered a Memorandum of Understanding (MOU) with Thatta Cement Company, a leading cement company in Pakistan. This agreement is in addition to the MOU previously entered with Lucky Cement Ltd.

Pre-development work in preparation for mining is currently under way at the site including a Corporate Social Responsibility Programme (CSR). The CSR activities include basic healthcare, clean water and livestock veterinary care for the local communities. The work programme also covers activities such as drilling water wells to determine the number required for both the coal mine and the power plant. An access road within the Block VI is under consideration.

The Company is making every effort to ensure that the development of the coal mine at Block VI, Thar Coalfield, complies with the requirements of international standards and practice and due corporate governance.

The Baseline Studies of the Environmental & Social Impact Assessment (ESIA) undertaken by Hagler Bailly of Pakistan and Wardell Armstrong International are complete with Social Impact studies due to be completed in the 2nd Quarter of 2013. The Company will then submit the ESIA to the Sindh Environmental Protection Agency, Government of Sindh (SEPA) for a public hearing in Thar which is planned for 3rd Quarter 2013. As with the Baseline Studies, your Company believes that there should be no major impediments for the project.

With the grant of the Mining Lease, signing of the JDA with KESC, implementation plan to proceed with open pit mining operation and commencement of pre-development work, Oracle is definitely moving from the development to the implementation phase.


Shahrukh Khan
Chief Executive Officer
25 March 2013

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the Group in the year under review was that of the exploration for and development of coal in Pakistan. The exploration and development is primarily carried out in Pakistan, but 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 outlook and 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 resettlements, population inflow and 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 operational phase.

The mine must be de-watered prior to mine construction and during production. The water produced must be disposed of safely.

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).

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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

RESULTS AND DIVIDENDS

During the year the Group continued to utilise its funds to develop its Pakistan Thar mine project. The 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 £741,799 (2011: £948,092). No dividends will be distributed for the year ended 31 December 2012 (2011: nil).

GOING CONCERN

The Directors have considered the cashflow 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% or more of the Group's ordinary shares on 31 December 2012:

	Shareholding	% holding
Mr S Khan	29,530,791	13.74%
Regency Mines plc	23,600,000	10.93%
Starvest plc	21,867,333	10.12%
Sunvest Corporation Limited	20,000,000	9.26%
Mr A Neubauer	19,335,330	8.95%
Mr R Rowan	10,000,000	4.63%

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 29th May 2012, shareholders gave authority for the Directors to allot equity securities for cash up to an aggregate nominal value of £200,000.

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.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

DIRECTORS

The Directors during the year under review were

Mr W A Loader	Chairman
Mr S Khan	Chief Executive
Mr A C R Scutt	Senior Independent Non-Executive Director
Mr M R Stead	Non-Executive Director
Mr G A Philip	Finance Director

The beneficial interests of the Directors holding office on 31 December 2012 in the issued share capital of the company were as follows

Ordinary 0.1p shares

	31 12 12	1 1 12 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	200,000	5p	31 03 2017
Mr M R Stead	250,000	10p	31 03 2017

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Adrian Loader

Chairman

Adrian 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 a Director of Holcim and a member of the International Advisory Board of Garda World. He previously served on the boards of Shell Canada, Alliance-Boots, Candax Energy and Compton Petroleum, the last two as Chairman. Mr Loader is a Fellow of the Chartered Institute of Personnel and Development and holds a Masters degree in History from Cambridge University.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Shahrukh Khan
Chief Executive Officer

Mr Khan was educated in USA and 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.

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 unlisted Agricola Resources plc.

Roderick Stead
Non-executive Director

Mr Stead was awarded a BSc in Economics from the London School of Economics and is 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 and Company Secretary

Tony holds a Bachelors 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

Brian is a Mining Engineer with over 30 years international experience and 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 UK member of Eurocoal Executive Committee.

GROUP'S POLICY ON PAYMENT OF CREDITORS

The Group has a 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 40 days.

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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

REMUNERATION REPORT

This report has been prepared in accordance with the requirements of Schedules 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.

Remuneration Policy

Executive remuneration packages are 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.

Aggregate Directors' Remuneration

The remuneration paid to the Directors, in accordance with the service contracts, during the year ended 31 December 2012 was as follows:

	Salary & fees £	Pensions £	Termination benefits £	Share based payments £	2012 Total £	2011 Total £
Executive						
Mr S Khan	112,767	-	-	-	112,767	91,761
Mr G A Philip	73,938	-	-	-	73,938	47,352
Non-executive						
Mr M R Stead	38,797	-	-	-	38,797	64,727
Mr A C R Scutt	27,416	-	-	-	27,416	23,643
Mr W A Loader	61,557	-	-	-	61,557	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 2 2007	1 month
Mr G A Philip	1 10 2011	1 month
Non-executive		
Mr M R Stead	1 11 2007	6 months
Mr A C R Scutt	22 12 2006	6 months
Mr W A Loader	1 8 2011	3 months

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

CORPORATE GOVERNANCE REPORT

Throughout 2012 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 2012 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 two other 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 9.

All Directors had access throughout the year to the advice and services of the Company Secretary, Mr G A Philip, who was responsible for ensuring that Board procedures and applicable regulations under the Company's Articles of Association or otherwise were 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 every two months 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 Nomination Committee, issue of shares and warrants, appointment of a financial advisor, approval of announcements to the market, and a final investment decision to proceed with project implementation. The Board met 11 times during the year.

Board Committees

The Board Committees, which are comprised of 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, and (b) advising the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses 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 M R Stead (Chairman) and Mr A C R Scutt. During the year there were three 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), Mr A C R Scutt and Mr M R Stead. During the year there were two fully attended meetings.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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. No meetings were needed during the year as matters were covered by Board 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 2012 with a series of changes being made particularly in respect of commitments, payments, cashflow 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 brokers, presented to shareholders regularly during the year.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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,
- 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:



Adrian Loader
Chairman
25 March 2013

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 2012 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 financial statements 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 Chairman's Statement, the Chief Executive's Report and the Report of the Directors 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 2012 and of the group's loss for the year then ended,
- 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.

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

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.

Emphasis of matter - Exploration costs

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 10 to the financial statements concerning the valuation of the exploration costs. The ability of the Group to continue its exploration activities and justify sufficient value to justify the carrying value of the intangible assets is dependent on them being able to generate sufficient funds. Based upon the current economic climate there exists a material uncertainty which may cast significant doubt as to whether the Group will be able to generate sufficient funds and therefore the Group's ability to continue all of its exploration activities. The financial statements do not include the adjustments that would be necessary if the Group was unable to raise these funds.

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 28 March 2013

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £	2011 £
CONTINUING OPERATIONS			
Revenue	2	-	-
Administrative expenses		<u>(743,663)</u>	<u>(660,156)</u>
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS		(743,663)	(660,156)
Exceptional items	4	<u>-</u>	<u>(293,429)</u>
OPERATING LOSS		(743,663)	(953,585)
Finance income	5	<u>1,864</u>	<u>5,493</u>
LOSS BEFORE INCOME TAX	6	(741,799)	(948,092)
Income tax	7	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u>(741,799)</u>	<u>(948,092)</u>
Loss attributable to Owners of the parent		<u>(741,799)</u>	<u>(948,092)</u>
Earnings per share expressed in pence per share			
Basic	9	-0 35	-0 46
Diluted		<u>-0 33</u>	<u>-0 42</u>

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

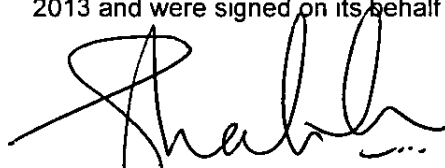
	2012 £	2011 £
LOSS FOR THE YEAR	(741,799)	(948,092)
OTHER COMPREHENSIVE INCOME		
Exchange difference on consolidation	(10,742)	(3,884)
Income tax relating to other comprehensive income	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>(10,742)</u>	<u>(3,884)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(752,541)</u>	<u>(951,976)</u>
Total comprehensive income attributable to Owners of the parent	<u>(752,541)</u>	<u>(951,976)</u>

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2012

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	3,672,424	3,204,424
Property, plant and equipment	11	1,816	2,127
Investments	12	-	-
Loans and other financial assets	13	<u>60,149</u>	<u>62,705</u>
		<u>3,734,389</u>	<u>3,269,256</u>
CURRENT ASSETS			
Trade and other receivables	14	52,016	91,271
Cash and cash equivalents	15	<u>99,592</u>	<u>1,604,602</u>
		<u>151,608</u>	<u>1,695,873</u>
TOTAL ASSETS		<u><u>3,885,997</u></u>	<u><u>4,965,129</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	216,011	214,211
Share premium	18	6,070,418	6,029,702
Translation reserve	18	(19,189)	(8,447)
Share scheme reserve	18	63,070	63,070
Retained earnings	18	<u>(2,824,688)</u>	<u>(2,082,889)</u>
		3,505,622	4,215,647
Non-controlling interests	16	<u>16,029</u>	<u>16,029</u>
TOTAL EQUITY		<u><u>3,521,651</u></u>	<u><u>4,231,676</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	<u>364,346</u>	<u>733,453</u>
TOTAL LIABILITIES		<u><u>364,346</u></u>	<u><u>733,453</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,885,997</u></u>	<u><u>4,965,129</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2013 and were signed on its behalf by



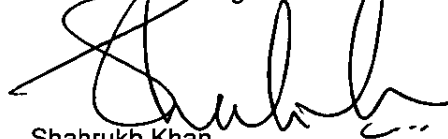
Shahrukh Khan
 Chief Executive Officer

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2012

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	2,639,040	2,258,391
Property, plant and equipment	11	331	-
Investments	12	64,115	64,115
Loans and other financial assets	13	<u>1,033,339</u>	<u>901,173</u>
		<u>3,736,825</u>	<u>3,223,679</u>
CURRENT ASSETS			
Trade and other receivables	14	89,364	114,247
Cash and cash equivalents	15	<u>97,686</u>	<u>1,594,780</u>
		<u>187,050</u>	<u>1,709,027</u>
TOTAL ASSETS		<u><u>3,923,875</u></u>	<u><u>4,932,706</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	216,011	214,211
Share premium	18	6,070,418	6,029,702
Share scheme reserve	18	63,070	63,070
Retained earnings	18	<u>(2,786,785)</u>	<u>(2,059,304)</u>
TOTAL EQUITY		<u>3,562,714</u>	<u>4,247,679</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	<u>361,161</u>	<u>685,027</u>
TOTAL LIABILITIES		<u>361,161</u>	<u>685,027</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,923,875</u></u>	<u><u>4,932,706</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2013 and were signed on its behalf by



Shahrukh Khan
 Chief Executive Officer

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Called up share capital £	Retained earnings £	Share premium £	Translation reserve £
Balance at 1 January 2011	184,211	(1,134,797)	3,284,291	(4,563)
Changes in equity				
Issue of share capital	30,000	-	2,745,411	-
Equity-settled share-based payment transactions	-	-	-	-
Loss for the year	-	(948,092)	-	-
Other comprehensive income	-	-	-	(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>
Changes in equity				
Issue of share capital	1,800	-	40,716	-
Loss for the year	-	(741,799)	-	-
Other comprehensive income	-	-	-	(10,742)
Balance at 31 December 2012	<u>216,011</u>	<u>(2,824,688)</u>	<u>6,070,418</u>	<u>(19,189)</u>

	Share scheme reserve £	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2011	-	2,329,142	16,029	2,345,171
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
Loss for the year	-	(948,092)	-	(948,092)
Other comprehensive income	-	(3,884)	-	(3,884)
Balance at 31 December 2011	<u>63,070</u>	<u>4,215,647</u>	<u>16,029</u>	<u>4,231,676</u>
Changes in equity				
Issue of share capital	-	42,516	-	42,516
Loss for the year	-	(741,799)	-	(741,799)
Other comprehensive income	-	(10,742)	-	(10,742)
Balance at 31 December 2012	<u>63,070</u>	<u>3,505,622</u>	<u>16,029</u>	<u>3,521,651</u>

The notes form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Called up share capital £	Retained earnings £	Share premium £	Share scheme reserve £	Total equity £
Balance at 1 January 2011	184,211	(1,121,437)	3,284,291	-	2,347,065
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
Loss for the year	-	(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>
Changes in equity					
Issue of share capital	1,800	-	40,716	-	42,516
Loss for the year	-	(727,481)	-	-	(727,481)
Balance at 31 December 2012	<u>216,011</u>	<u>(2,786,785)</u>	<u>6,070,418</u>	<u>63,070</u>	<u>3,562,714</u>

The notes form part of these financial statements

ORACLE COALFIELDS PLC GROUP OF COMPANIES (REGISTERED NUMBER. 05867160)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	1	<u>(446,246)</u>	<u>(642,572)</u>
Net cash from operating activities		<u>(446,246)</u>	<u>(642,572)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(1,100,872)	(2,067,152)
Purchase of tangible fixed assets		(497)	-
Interest received		<u>1,247</u>	<u>4,878</u>
Net cash from investing activities		<u>(1,100,122)</u>	<u>(2,062,274)</u>
Cash flows from financing activities			
Proceeds of share issue		42,667	3,000,000
Cost of share issue		<u>(151)</u>	<u>(195,000)</u>
Net cash from financing activities		<u>42,516</u>	<u>2,805,000</u>
(Decrease)/increase in cash and cash equivalents			
		<u>(1,503,852)</u>	<u>100,154</u>
Cash and cash equivalents at beginning of year as restated	2	<u>1,603,444</u>	<u>1,504,448</u>
Cash and cash equivalents at end of year	2	<u><u>99,592</u></u>	<u><u>1,604,602</u></u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	2012	2011
	£	£
Loss before income tax	(741,799)	(948,092)
Depreciation charges	166	-
Equity-settled share-based transactions	-	33,482
Finance income	<u>(1,864)</u>	<u>(5,493)</u>
	(743,497)	(920,103)
Decrease/(increase) in trade and other receivables	39,872	(54,563)
Increase in trade and other payables	<u>257,379</u>	<u>332,094</u>
Cash generated from operations	<u>(446,246)</u>	<u>(642,572)</u>

2 CASH AND CASH EQUIVALENTS

The amount 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 2012

	31/12/12	31/12/11
	£	£
Cash and cash equivalents as previously reported	99,592	1,604,602
Effect of exchange rate changes	<u>-</u>	<u>(1,158)</u>
Cash and cash equivalents as restated	<u>99,592</u>	<u>1,603,444</u>

Year ended 31 December 2011

	31/12/11	31/12/10
	£	£
Cash and cash equivalents as previously reported	1,604,602	1,506,475
Effect of exchange rate changes	<u>-</u>	<u>(2,027)</u>
Cash and cash equivalents as restated	<u>1,604,602</u>	<u>1,504,448</u>

Cash and cash equivalents consist of cash in and hand and balances with banks

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1 ACCOUNTING POLICIES

Reporting entity

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

Going concern

The Directors have considered the cashflow requirements of the Group over the next 18 months. If the Group is to continue its explorations 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 2012**

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

1 **ACCOUNTING POLICIES - continued**

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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the income statement 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 2012

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 2012 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 12 Income Taxes (amended 2010) - limited scope amendment
- 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 2012 and have not been applied in preparing these financial statements

- IAS 1 Presentation of Financial Statements (amended 2011 and 2012)
- IAS 16 Property, Plant and Equipment (amended 2012)
- IAS 19 Employee Benefits (amended 2011)
- IAS 27 Separate Financial Statements (amended 2011 and 2012)
- IAS 28 Investments in Associates (amended 2011)
- IAS 32 Financial Instruments (amended 2011 and 2012)
- IAS 34 Interim Financial Reporting (amended 2012)
- IFRS 1 First-time adoption of International Financial Reporting Standards (amended 2012)
- IFRS 7 Financial Instruments (amended 2011)
- IFRS 9 Financial Instruments (issued 2009, 2010 and 2011)
- IFRS 10 Consolidated Financial Statements (issued 2011 and 2012)
- IFRS 11 Joint Arrangements (issued 2011 and 2012)
- IFRS 12 Disclosure of Interests in Other Entities (issued 2011 and 2012)
- IFRS 13 Fair Value Measurement (issued 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (not yet EU endorsed)

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 for and development of coal in Pakistan. All expenses are in respect of this one activity and there are no business segments requiring separate disclosure

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

3 EMPLOYEES AND DIRECTORS

	2012 £	2011 £
Wages and salaries	410,354	244,081
Social security costs	<u>50,280</u>	<u>27,857</u>
	<u>460,634</u>	<u>271,938</u>

The above costs include salaries of £101,400 (2011 - nil) and social security costs of £14,780 (2011 - nil) which have been capitalised within intangible assets exploration costs on the basis that they were incurred solely in respect of the development of the exploration project

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

	2012	2011
Directors	5	5
Administration and production	<u>2</u>	<u>1</u>
	<u>7</u>	<u>6</u>

	2012 £	2011 £
Directors' remuneration	<u>280,880</u>	<u>205,923</u>

Information regarding the highest paid director is as follows

	2012 £	2011 £
Emoluments etc	<u>100,000</u>	<u>81,667</u>

4 EXCEPTIONAL ITEMS

During the 2011 the Group incurred costs of £225,929 in respect of delisting from the PLUS market and achieving a listing on AIM. Included in the costs is £170,929 for legal and professional fees, together with £55,000 paid to the auditors in their capacity as reporting accountants

5 NET FINANCE INCOME

	2012 £	2011 £
Finance income		
Deposit account interest	1,247	4,878
Other loan interest	<u>617</u>	<u>615</u>
	<u>1,864</u>	<u>5,493</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

6 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging

	2012 £	2011 £
Other operating leases	41,369	21,981
Depreciation - owned assets	559	569
Auditors' remuneration	14,850	11,574
Foreign exchange differences	341	-
Auditors' other services - reporting accountant for AIM application	-	55,000
Equity-settled share-based payment transactions	<u>-</u>	<u>33,482</u>

The depreciation charges shown above include £393 (2011 - £569) which has been capitalised as exploration costs by the subsidiary company in accordance with the accounting policy

7 INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011

Factors affecting the tax expense

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

	2012 £	2011 £
Loss on ordinary activities before income tax	<u>(741,799)</u>	<u>(948,092)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.500% (2011 - 26.500%)	(181,741)	(251,244)
Effects of		
Interest capitalised in subsidiary	3,508	2,710
Potential deferred taxation on losses for year	155,372	170,775
Effect of change of rate of tax	22,942	-
Expenses disallowed for tax purposes	-	77,759
Capital allowances in advance of depreciation	<u>(81)</u>	<u>-</u>
Tax expense	<u>-</u>	<u>-</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2012 Tax £	Net £
Exchange difference on consolidation	<u>(10,742)</u>	<u>-</u>	<u>(10,742)</u>
	<u>(10,742)</u>	<u>-</u>	<u>(10,742)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

7 INCOME TAX - continued

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

The Group and Company has estimated excess management charges of £2,257,310 (2011 - £1,529,498) 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 (2011 - nil)

8 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(727,481) (2011 - £(937,867))

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 £	2012 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(741,799)	214,504,260	-0.35
Effect of dilutive securities			
Options granted	-	<u>13,531,184</u>	-
Diluted EPS			
Adjusted earnings	<u>(741,799)</u>	<u>228,035,444</u>	<u>-0.33</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

9 EARNINGS PER SHARE - continued

	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	-	<u>21,801,507</u>	-
Diluted EPS			
Adjusted earnings	<u>(948,092)</u>	<u>227,464,562</u>	<u>-0 42</u>

10 INTANGIBLE ASSETS

Group

	Exploration costs £
COST	
At 1 January 2012	3,204,424
Additions	581,838
Exchange differences	<u>(113,838)</u>
At 31 December 2012	<u>3,672,424</u>
NET BOOK VALUE	
At 31 December 2012	<u>3,672,424</u>

	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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

10 INTANGIBLE ASSETS - continued

Company

	Exploration costs £
COST	
At 1 January 2012	2,258,391
Additions	<u>380,649</u>
At 31 December 2012	<u>2,639,040</u>
NET BOOK VALUE	
At 31 December 2012	<u>2,639,040</u>

	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>

11 PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 January 2012	5,868	419	6,287
Additions	-	497	497
Exchange differences	<u>(691)</u>	<u>(49)</u>	<u>(740)</u>
At 31 December 2012	<u>5,177</u>	<u>867</u>	<u>6,044</u>
DEPRECIATION			
At 1 January 2012	3,946	214	4,160
Charge for year	339	220	559
Exchange differences	<u>(466)</u>	<u>(25)</u>	<u>(491)</u>
At 31 December 2012	<u>3,819</u>	<u>409</u>	<u>4,228</u>
NET BOOK VALUE			
At 31 December 2012	<u>1,358</u>	<u>458</u>	<u>1,816</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

11 PROPERTY, PLANT AND EQUIPMENT - continued

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>

Company

	Computer equipment £
COST	
Additions	<u>497</u>
At 31 December 2012	<u>497</u>
DEPRECIATION	
Charge for year	<u>166</u>
At 31 December 2012	<u>166</u>
NET BOOK VALUE	
At 31 December 2012	<u>331</u>

12 INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2012 and 31 December 2012	<u>64,115</u>
NET BOOK VALUE	
At 31 December 2012	<u>64,115</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

12 INVESTMENTS - continued

Company

Shares in
group
undertakings
£

COST

At 1 January 2011
and 31 December 2011

64,115

NET BOOK VALUE

At 31 December 2011

64,115

The group or the company's investments at the balance sheet 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

	2012 £	2011 £
Aggregate capital and reserves	<u>80,144</u>	<u>80,144</u>

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% of the ordinary share capital at par, fully paid by cash.

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

13 LOANS AND OTHER FINANCIAL ASSETS

Group

	Other loans £
At 1 January 2012	62,705
Exchange movement	<u>(2,556)</u>

At 31 December 2012	<u>60,149</u>
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	Other loans £
At 1 January 2011	63,645
Exchange movement	<u>(940)</u>

At 31 December 2011	<u>62,705</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

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% 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% 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% 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 (2011 - £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 (2011 - £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 £19,120 (2011 - £21,676) 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 2012	860,144	41,029	901,173
New in year	<u>132,166</u>	-	<u>132,166</u>
At 31 December 2012	<u>992,310</u>	<u>41,029</u>	<u>1,033,339</u>
	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>421,808</u>
At 31 December 2011	<u>860,144</u>	<u>41,029</u>	<u>901,173</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

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 (2011 - £16,029) made by Oracle Coalfields PLC to Sindh Koela Limited, representing Sindh Koela Limited's initial 20% shareholding of 200,000 shares of PKR 10 per share.

At the statement of financial position date there is a loan of £25,000 (2011 - £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 £132,166 (2011 - £421,808) to Sindh Carbon Energy Limited, its subsidiary company during the period and the amount outstanding at the statement of financial position date was £992,310 (2011 - £860,144). Interest accrues on a daily basis at a rate of 1% 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	
	2012	2011	2012	2011
	£	£	£	£
Current				
Other receivables	34,339	4,804	72,108	28,257
VAT	5,363	52,845	5,363	52,845
Prepayments and accrued income	<u>12,314</u>	<u>33,622</u>	<u>11,893</u>	<u>33,145</u>
	<u>52,016</u>	<u>91,271</u>	<u>89,364</u>	<u>114,247</u>

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Cash in hand	25	-	25	-
Bank deposit account	87,661	1,584,780	87,661	1,584,780
Bank accounts	<u>11,906</u>	<u>19,822</u>	<u>10,000</u>	<u>10,000</u>
	<u>99,592</u>	<u>1,604,602</u>	<u>97,686</u>	<u>1,594,780</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

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

	2012 £	2011 £
Allotted, issued and fully paid 216,011,000 (2011 - 214,211,000) Ordinary shares of 0 1p each	<u>216,011</u>	<u>214,211</u>

666,666 Ordinary shares of 0 1p each were allotted as fully paid for cash at a premium of 2 9p per share during the year

1,133,334 Ordinary shares of 0 1p each were allotted as fully paid for cash at a premium of 1 9p per share during the year

The number of shares in issue are as follows

	2012 No	2011 No
At 1 January 2012	214,211,000	184,211,000
Issued during the year	<u>1,800,000</u>	<u>30,000,000</u>
At 31 December 2012	<u>216,011,000</u>	<u>214,211,000</u>

18 RESERVES

Group

	Retained earnings £	Share premium £	Translation reserve £	Share scheme reserve £	Totals £
At 1 January 2012	(2,082,889)	6,029,702	(8,447)	63,070	4,001,436
Deficit for the year	(741,799)	-	-	-	(741,799)
Cash share issue	-	40,867	-	-	40,867
Cost of share issue	-	(151)	-	-	(151)
Exchange translation difference	-	-	<u>(10,742)</u>	-	<u>(10,742)</u>
At 31 December 2012	<u>(2,824,688)</u>	<u>6,070,418</u>	<u>(19,189)</u>	<u>63,070</u>	<u>3,289,611</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

18 RESERVES - continued

	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>

Company

	Retained earnings £	Share premium £	Share scheme reserve £	Totals £
At 1 January 2012	(2,059,304)	6,029,702	63,070	4,033,468
Deficit for the year	(727,481)	-	-	(727,481)
Cash share issue	-	40,867	-	40,867
Cost of share issue	-	(151)	-	(151)
At 31 December 2012	<u>(2,786,785)</u>	<u>6,070,418</u>	<u>63,070</u>	<u>3,346,703</u>

	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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Current				
Trade payables	99,677	472,817	99,677	472,817
Social security and other taxes	3,817	17,121	3,817	17,121
Other payables	218,350	18,824	218,350	18,824
Accruals and deferred income	<u>42,502</u>	<u>224,691</u>	<u>39,317</u>	<u>176,265</u>
	<u>364,346</u>	<u>733,453</u>	<u>361,161</u>	<u>685,027</u>

20 LEASING AGREEMENTS

Group

	Non-cancellable operating leases	
	2012 £	2011 £
Within one year	19,200	38,400
Between one and five years	<u>-</u>	<u>19,200</u>
	<u>19,200</u>	<u>57,600</u>

Company

	2012	2011
	£	£
Within one year	19,200	38,400
Between one and five years	<u>-</u>	<u>19,200</u>
	<u>19,200</u>	<u>57,600</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

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	2012 £	2011 £
Current liabilities		
Trade and other payables	360,548	716,332
Tax liabilities	<u>3,817</u>	<u>17,121</u>
	<u>364,345</u>	<u>733,453</u>
Company		
Current liabilities		
Trade and other payables	357,343	667,906
Tax liabilities	<u>3,817</u>	<u>17,121</u>
	<u>361,160</u>	<u>685,027</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 £992,310 (2011 - £860,144) 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.

The Company entered in July 2012 into a £2 million Equity Line Facility with Dutchess Opportunity Cayman Fund Ltd and made a drawdown of a net amount of £22,542 at year-end through the issue of 1,133,334 new ordinary shares of 0.1p each at a gross price of 2p per share (Note 17 refers).

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 2012. All amounts are stated at their carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

21 FINANCIAL INSTRUMENTS - continued

Group

At 31 December 2012

	Fair value through profit and loss	Available for sale	Loans and receivables
	£	£	£
Cash and cash equivalents	-	-	99,592
Derivative financial assets	35,149	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	77,016
Other financial liabilities	-	-	-
	<u>35,149</u>	<u>-</u>	<u>176,608</u>

	Derivatives used for hedging	Amortised cost	Total
	£	£	£
Cash and cash equivalents	-	-	99,592
Derivative financial assets	-	-	35,149
Derivative financial liabilities	-	-	-
Other financial assets	-	-	77,016
Other financial liabilities	-	(364,345)	(364,345)
	<u>-</u>	<u>(364,345)</u>	<u>(152,588)</u>

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	-	-	116,271
Other financial liabilities	-	(733,453)	(733,453)
	<u>-</u>	<u>(733,453)</u>	<u>1,025,125</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

21 FINANCIAL INSTRUMENTS - continued

Company

At 31 December 2012

	Fair value through profit and loss	Available for sale	Loans and receivables
	£	£	£
Cash and cash equivalents	-	-	97,686
Derivative financial assets	16,029	-	-
Derivative financial liabilities	-	-	-
Other financial assets	-	-	1,106,674
Other financial liabilities	-	-	-
	<u>16,029</u>	<u>-</u>	<u>1,204,360</u>

	Derivatives used for hedging	Amortised cost	Total
	£	£	£
Cash and cash equivalents	-	-	97,686
Derivative financial assets	-	-	16,029
Derivative financial liabilities	-	-	-
Other financial assets	-	-	1,106,674
Other financial liabilities	-	(361,160)	(361,160)
	<u>-</u>	<u>(361,160)</u>	<u>859,229</u>

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	-	(685,027)	(685,027)
	<u>-</u>	<u>(685,027)</u>	<u>1,925,173</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

21 FINANCIAL INSTRUMENTS - continued

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% difference in market interest rates applicable at 31 December 2012 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% difference in the market rate of the Pakistan Rupee

The sensitivity analysis includes the following assumptions

- a) Changes in market interest rates only affect interest income or expense of variable financial instruments
- b) 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	-	-	(191)	191
Loans	-	-	(3,515)	3,515
Trade receivables	-	-	(56)	56
Trade payables	<u>-</u>	<u>-</u>	<u>319</u>	<u>(319)</u>
	<u>-</u>	<u>-</u>	<u>(3,443)</u>	<u>3,443</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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

22 RELATED PARTY DISCLOSURES

During the year, Oracle Coalfields PLC has accrued interest receivable of £14,318 (2011 - £10,225) and £617 (2011 - £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:

	2012 £	2011 £
Short-term employee benefits	314,475	230,067
Post-employment benefits	-	-
Termination benefits	-	-
Share-based benefits	-	33,482
	<u>314,475</u>	<u>263,549</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 EVENTS AFTER THE REPORTING PERIOD

Following a share placement on 18 January 2013, the Company raised £934,240 (before expenses) from the placement of 62,282,707 new ordinary shares at a placing price of 1.5p per share. Share capital of £622,827 (62,282,707 shares of 0.1p nominal value each) was subsequently admitted to trading on AIM on 23 January 2013 and the total share premium of £311,413 was recorded.

Other than the above, there has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material nature, likely, in the opinion of the Directors of the Group to effect:

- i) The Group's operations in future financial periods, or
- ii) The results of those operations in future periods, or
- iii) The Group's state of affairs in future financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2012	2011
	£	£
Loss for the financial year	(741,799)	(948,092)
Proceeds of share issue	42,667	3,000,000
Cost of share issue	(151)	(224,589)
Exchange translation difference	(10,742)	(3,884)
Equity-settled share-based transactions	<u>-</u>	<u>63,070</u>
Net (reduction)/addition to shareholders' funds	(710,025)	1,886,505
Opening shareholders' funds	<u>4,215,647</u>	<u>2,329,142</u>
Closing shareholders' funds	<u>3,505,622</u>	<u>4,215,647</u>

Company

	2012	2011
	£	£
Loss for the financial year	(727,481)	(937,867)
Proceeds from issue of shares	42,667	3,000,000
Cost of share issue	(151)	(224,589)
Equity-settled share-based transactions	<u>-</u>	<u>63,070</u>
Net (reduction)/addition to shareholders' funds	(684,965)	1,900,614
Opening shareholders' funds	<u>4,247,679</u>	<u>2,347,065</u>
Closing shareholders' funds	<u>3,562,714</u>	<u>4,247,679</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

25 SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option programme that entitles the holders to purchase shares in the Company 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 (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
23 July 2012	666,666	3 years

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

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at 1 January	5 60p	22,630,000	5 00p	20,780,000
Expired during the period	5 00p	(12,500,000)	-	-
Granted during period	4 80p	<u>666,666</u>	9 32p	<u>1,850,000</u>
Outstanding at 31 December	5 73p	<u>10,796,666</u>	5 60p	<u>22,630,000</u>
Exercisable at 31 December	5 73p	<u>10,796,666</u>	5 23p	<u>13,100,000</u>

No share options were exercised during the year (2011 - nil). During the year 12,500,000 options expired unexercised (2011 - nil) with a weighted average exercise price of 5p. The options outstanding at 31 December 2012 have an exercise price of 5 73p (2011 - 5 6p), and a weighted average remaining contractual life of 3 70 years (2011 - 3 93 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 a binomial lattice model, with the following inputs

	Services 23 07 12	Services 1 08 11	Services 18 04 11	Commission 14 04 11	Services 13 02 07
Fair value at grant date	2 75p	8 75p	14 11p	14 67p	0 0003p
Share price	1p	1p	1p	1p	1p
Exercise price	4 8p	10p	5p	10p	5p
Expected volatility	43%	56%	67%	67%	20%
Option life	3 years	5 years	5 years	5 years	5 years
Risk-free interest rate	3 75%	4%	4%	4%	5%

The expected volatility was determined by reviewing the actual volatility of the company'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 £nil (2011 - £33,482) for the year in respect of goods and services received, and share placement commission of £nil (2011 - £29,588) in respect of equity-settled share-based payment transactions.