

REGISTERED NUMBER: 05867160 (England and Wales)

**GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
FOR
ORACLE POWER PLC GROUP OF COMPANIES**

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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ORACLE POWER PLC GROUP OF COMPANIES

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2017

Oracle Power PLC (formerly Oracle Coalfields PLC) is registered as a public company under English Law. Its shares are listed on the AIM market of the London Stock Exchange. Oracle Power PLC is incorporated and domiciled in England and Wales and its registered number is 05867160.

DIRECTORS:	Mr S Khan Mr A C R Scutt Mr M W Steed (appointed 12.07.2017) Mr A Migge (appointed 2.08.2017) Mr Y Mordacq (resigned 30.10.2017)	
SECRETARY:	Mr T Everitt	
REGISTERED OFFICE:	Tennyson House, Cambridge Business Park, Cambridge, CB4 0WZ.	
REGISTERED NUMBER:	05867160 (England and Wales)	
AUDITORS:	Price Bailey LLP Chartered Accountants & Statutory Auditors Tennyson House, Cambridge Business Park, Cambridge, CB4 0WZ	
NOMINATED ADVISOR:	Grant Thornton UK LLP 30 Finsbury Square London, EC2P 2YU	
REGISTRAR:	Neville Registrars Limited 18 Laurel Lane, Halesowen West Midlands, B63 3DA	
BROKERS:	Brandon Hill Capital Limited 1 Tudor Street London, EC4Y 0AH	Peterhouse Corporate Finance Limited 15 Eldon Street London EC2M 7LD
SOLICITORS:	Trowers & Hamlins LLP 40 Tower Hill London, EC3N 4DX	HaiderMota BNR D-79, Block No. 5, Karachi 75600, Pakistan
BANKERS:	Royal Bank of Scotland plc 1st Floor, Conqueror House Vision Park, Histon Cambridge, CB24 9NL Habib Metropolitan Bank Habib Bank Plaza I.I.Chundrigar Road Karachi-75650, Pakistan	Habib Bank AG Zurich Moorgate Branch, Habib House 42 Moorgate London, EC2R 6JJ
PUBLIC RELATIONS:	Blytheweigh 4-5 Castle Street London EC3V 9DL	Fortbridge Consultancy 61 Monkton Street London SE11 4TX

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

I am pleased to present the results for Oracle Power PLC (the "Company" or "Oracle") for the year ended 31 December 2017.

Oracle is developing an integrated lignite coal mine and mine mouth power plant located in Block VI of the Thar desert in the south-east of the Sindh Province of Pakistan (the "Project").

In November 2017, we entered into a Memorandum of Understanding with Sichuan Provincial Investment Group Co. Limited ("SCIG") and with PowerChina International Group Limited ("PowerChina") to take this project forward to its conclusion. I take this opportunity to welcome SCIG who are new to this Project and who will bring great expertise and value. PowerChina have made significant investment already in Pakistan and we value their contribution to this partnership.

The involvement of SCIG and Power China in the Project is under the general auspices of the China Pakistan Economic Corridor ("CPEC"). The Project was raised to "Priority Listing" in CPEC in January 2017 which underlines the importance of this project to China as well as to Pakistan.

Operational highlights of the year include preparation, submission and the public hearing for the Environmental and Social Impact Assessment ("ESIA") for the power plant, the update of the mine ESIA originally carried out in 2012, an updated application to the Private Power Infrastructure Board and a population census. These and other activities are described in detail in the Chief Executive's Report.

Our work in 2018 will concentrate on formalising detailed agreements with our Chinese partners including securing of the financing for their share of the equity and all project debt. We will work with relevant Government bodies with regards to permissions, licences and other approvals that need to be obtained.

In 2017, we raised £771,000 and a further £550,000 was raised in March 2018, before costs. The remaining outstanding shares in our Pakistan mining subsidiary, Sindh Carbon Energy Limited, were acquired through a share exchange in January 2018 and, as a consequence, Oracle now owns 100% of both Pakistani subsidiaries.

Thar coal is one of the largest resources in the world. The Project will play a vital role in the advancement of the economy of Pakistan by creating much needed additional electricity base load. By exploiting this national resource as a source of fuel for power, it will free up valuable foreign exchange which can then be used elsewhere.

The World Bank reports (November 2017) that Pakistan's growth remained strong in 2017, with agriculture and the services sector driving growth. Inflation remains under control. There are however growing fiscal and external imbalances which will need to be addressed so as not to impede the country's growth prospects. In general, there has been improving political stability over recent years.

The broad parameters of security remain as last year. There have been no major incidents, as the army is providing security to CPEC projects.

We are most grateful to the Pakistani authorities at both federal and provincial levels for the constructive way in which they have supported and continue to support our project.

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

As a newcomer to the Board and to the Chairmanship, I would like especially to thank my predecessor, Anthony Scutt, for his valued contribution to the company as Chairman. I am grateful that we can continue to benefit from Anthony's experience as he has agreed to continue as a Director and for his resumption as Senior Independent Director. I would also like to thank Shahrukh Khan, our CEO, for his patience in introducing me to Oracle as well as Yves Mordacq who had to resign as a Director in October 2017 for personal reasons; his service was also valued. Andreas Migge joined the Board in August 2017. As an investment banker, he brings cross border experience in the resource and energy sector and will be of much value to the company going forward. Our management is unchanged, and I would also like to acknowledge their major contribution to the company.

Above all I wish to thank our shareholders for their continued confidence, patience and support, enabling us to bring the project towards realisation.



Mark Steed
Chairman
3 May 2018

**CHIEF EXECUTIVE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Economic growth in Pakistan was estimated by the World Bank to be 5.2% in 2017 and is predicted to increase to 5.5% in 2018. Investment in the infrastructure and energy sectors currently underway will improve Pakistan's competitiveness. At the same time electricity shortfalls continue to restrict the country's development and in its 2017 State of Industry Report the National Electric Power Regulatory Authority ("NEPRA") states that 8,800MW of new generation is planned over the coming two years. Indeed in 2017 two major plants based on imported coal have been commissioned at Sahiwal and at Port Qasim, each of 1,320 MW capacity. Other projects under the China Pakistan Economic Corridor ("CPEC") in the Thar Coalfield, including our Thar Block VI project, once developed, will be major contributors to this increased generation capacity. In 2017, our Thar Block VI integrated mine and power plant project was elevated to the Priority List of approved CPEC projects confirming both Chinese and Pakistan Government support for the development.

NEPRA also states "Major power generation projects being developed under CPEC umbrella or otherwise need to achieve target completion dates, so that confidence of the national and international stakeholders, in Government of Pakistan energy policies, is not lost and the present momentum of economic turnaround is maintained." NEPRA also reports that the transmission and distribution networks need considerable upgrading to accommodate the new generation planned.

As reported last year, Oracle's subsidiary Thar Electricity Private Limited ("TEPL") made an application in January 2017 to the Private Power and Infrastructure Board ("PPIB") to secure a Letter of Intent ("LOI") which would enable a Generation Licence and Tariff application to be submitted to NEPRA as the next stage in the approval process. An updated application was submitted to PPIB following the announcement by NEPRA in July 2017 of a new Upfront Tariff for Thar Coal. The new Upfront Tariff regime also specified that all new power plants would have to employ supercritical technology.

Following discussions with our Chinese partners we entered a new Memorandum of Understanding with Sichuan Provincial Investment Group Company Limited. ("SCIG") and PowerChina International Group Limited ("PowerChina") to progress the updated application to PPIB for the LOI for initially a 700MW supercritical plant with plans to increase it by an additional 700MW in second phase, totalling 1,400MW at our Block VI site. It is to be noted that the increase in power plant size from 660MW to 700MW is based on heightened demand. The Chinese would take a majority shareholding in the project with SCIG having 78%, PowerChina 9.9% and Oracle 12.1% of the project companies with Oracle having its opportunity to increase its shareholding. A Consortium Agreement was submitted to PPIB to reflect this.

In February 2018, PPIB confirmed that they would issue the LOI along with a Notice to Proceed so that the applications for a Generation Licence and new Upfront Tariff can be made to NEPRA within 3 months of the issuance of the LOI. Following this PPIB would issue a Letter of Support so that the Power Purchase Agreement ("PPA") can be finalised with the Central Power Purchasing Authority along with the Implementation Agreement with the Government of Pakistan which guarantees payment under the PPA. All of this will enable financial close to be achieved.

In addition to the regulatory processes in Pakistan, we will be finalising Engineering and Procurement Contracts ("EPC") with our Chinese partners along with Operation and Maintenance contracts for the construction and operation of the mine and power plant.

In March 2017, Mott MacDonald completed the Environmental and Social Impact Assessment ("ESIA") for the power plant and we submitted it to the Sindh Environmental Protection Agency ("SEPA") for approval. A public hearing was held on the site in July 2017 and was attended by the local community and other stakeholders; the proposal was well received. Also, in March 2017 Wardell Armstrong updated the original mine ESIA and brought it up to full international standards.

**CHIEF EXECUTIVE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Work is continuing on site in preparation for development in particular to establish land ownership so that land acquisition and resettlement can be undertaken in accordance with the Resettlement Policy Framework published by the Sindh Coal Authority Energy Department in May 2015 which has been written to conform to international best practice. In March 2017, we conducted a census of the six villages in Block VI to establish population and livestock numbers. In addition, we are working to implement a Corporate Social Responsibility Programme ("CSR") to provide early benefits to the local community in terms of water, basic healthcare, education and veterinary support.

Our work in 2018 will concentrate on formalising agreements and contracts with our Chinese partners to bring the project to full implementation along with securing all the financing arrangements, including our equity funding.

I am most grateful to both the Provincial Government of Sindh and the Federal Government of Pakistan for their continuing support for developments in the Thar Coalfield, and our Block VI project in particular, which should be a major contributor to alleviating the electricity shortfall in the country. The Company again extends its thanks to the shareholders for their continued patience and support.



Shahrukh Khan,
Chief Executive Officer
3 May 2018

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their strategic report of the Company and the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITY AND BUSINESS MODEL

The principal activity of the Group in the year under review was that of an energy project, based on the exploration for and development of coal, and building a mine-mouth power station 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. The Group's business model is to create value through a balanced portfolio of energy assets at the various stages in the value cycle, in the procurement of exploration leases, exploration work, development of commercially viable discoveries, their implementation and operation. The Group will seek judiciously to enhance value further through asset trade.

REVIEW OF THE BUSINESS

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 Statement of Profit or Loss and hence determine the loss for Oracle Power PLC Group of Companies after taxation of £1,047,354 (2016: £913,464).

The Chairman, in his Statement, and the Chief Executive Officer in his Report, have fully described the activities of the Company during the financial year and the further steps now required to take the Company through to financial close.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

PRINCIPAL RISKS AND UNCERTAINTIES

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 an open pit mine supplying a mine-mouth power plant. The principal strategic and operational risks and uncertainties facing the Group are described below, together with the steps taken for their mitigation. Information on financial risk management is set out in the Financial Instruments section in this report.

The principal risks and uncertainties for the Company are:

	Likelihood of Issue	Impact if Issue Arises
Financial Close	Medium	High
Project completion	Low/Medium	High
Operating	Low	Low/Medium
Economic	Low/Medium	Low
Financing	Low	High
Political, legal and regulatory	Medium	Medium/High

Following the signing of a Memorandum of Understanding ("MOU") with its intended Chinese partners, Sichuan Provincial Investment Group Company Limited ("SCIG") and PowerChina International Group Limited ("PowerChina"), the immediate challenge for the Company is securing a binding Shareholders Agreement to move to financial close and project completion. There are risks following the signing of the Shareholders Agreement of not reaching financial close, principally in securing the further permission needed from the Pakistani Authorities and securing of finance. Also it will be necessary to draw up Engineering, Procurement and Construction ("EPC") contracts for the mine and the power plant. Economic risk is protected, including cost increase, through the Government of Pakistan's cost-plus pricing mechanism.

One consequence of the Shareholders Agreement will be that Oracle transfers operatorship of the project. Whilst this should be no issue for project completion and ongoing operations, Oracle will need to assure that its influence is maintained in relations with Government and stakeholders in Pakistan.

There remains political risk, for example a falling out between Pakistan and China in some way leading to the tariff mechanisms, or overseas remittance of dividends and debt servicing not being honoured.

The Company has considered cyber risk and considers that at its present stage of development, cyber threat is containable within its normal control processes. The Company will though be alert to the changing nature of this threat as the Company's business develops.

The risks are detailed below, along with the key measures taken for mitigation.

**Financial Close
Risk**

Following the signing of a MOU with SCIG and PowerChina, the primary risk is bringing this Understanding to a binding Shareholders Agreement. The principal elements in this decision by the Company's Chinese partners are a satisfactory view of technical aspects of the project and of its legal and regulatory aspects.

Mitigation

The Company has used world leading consultants in feasibility work, to ensure a fully technically sound project. Recognising that major coal development is new for Pakistan, the Company has worked closely with the regulatory bodies and with professional advisers within Pakistan to ensure an effective regulatory regime. Immediately neighbouring Block II achieved financial close in April 2016. Their experience so far supports the soundness of initial technical feasibility studies that have been carried out. Also the regulatory regime, as laid out, has been fully applied by the Authorities. Neither of these aspects should bear negatively on the Chinese decision to enter into a binding Shareholders Agreement.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Project Completion Risk

Risk

The Block VI development comprises both a mine and a power plant. Various factors could give rise to delay in completion. These include:

- Delay in mine development either due to geological issues or project execution (e.g. equipment not available as planned);
- Power plant not developed as planned or fails performance tests;
- Dewatering of mine does not work as planned or excess water cannot be effectively disposed of;
- Transmission lines are not completed on time.

The risks are increased by the inter-dependence of the mine and the power plant; the mine needs the power plant to be ready to commence full coal production and the power plant relies on coal from the mine being available to commence power generation. Power delivery to the grid relies upon the transmission facilities being in operation.

Mitigation

- The Parties to the MOU intend to bring leading EPC contractors into the running of the project.
- The transmission lines are at present under construction. The Company is in close contact with the relevant Government authorities regarding water management issues.
- The Company will take out the normal suite of insurance policies.
- As noted above, to the extent that delays lead to increased cost, these would be recoverable through the coal and electricity pricing mechanisms.
- The project is on the Priority List of the China-Pakistan Economic Corridor ("CPEC").

Operating Risk

Risk

Technical issues, similar to those described under Completion Risk, may affect the operation of both the mine and the power plant. Interdependence is also a key issue in the operational phase; failure to produce coal as planned would constrain power generation and failure of the power plant to operate to the assumed load factor will constrain coal production.

Water is an additional risk during production operations. Further hydrology work is planned before project completion, from which the hydrology dynamics will become clearer. The mine will require dewatering, and water is required for the power plant process. Whilst the mine water production is expected to meet the power plant needs, the amount of dewatering needed and any imbalance in the water production and utilisation may cause additional cost pressures.

Mitigation

- As for Project Completion Risk, both the mine and the power plant will be operated by the same world leading contractors.
- As for Project Completion Risk, the Company will take out the normal suite of insurance policies.
- As for Project Completion Risk, to the extent that operational issues give rise to cost increases, these should also be recoverable through the coal and electricity pricing mechanisms.
- If more water is required, either the Company will ask the Government to meet its obligations, or more water wells will be drilled.

Economic Risk

Risk

The economic performance of the Company could be affected by movements in international markets. These include:

- Exchange rate movements amongst the four currencies, US Dollar, Remnimbi, Pakistani Rupee, Pound Sterling that affect the company.
- Increased interest rates which, if arising during construction, would add to capital costs.
- Fall in international energy prices encouraging import either of imported coal, gas or oil.
- US\$ inflation which could raise capital and operating costs.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The income streams of the mine and the power plant are based on two key agreements: the Coal Sales Agreement for sales of coal to the power plant and the Power Purchase Agreement for sales of electricity to the National Transmission and Despatch Company, under which the Internal Rate of Return is guaranteed by the Pakistani Government in US Dollar terms. Therefore, at a project level the project is protected against adverse currency movements, eg a strengthening Remnimb, which would increase the cost of Chinese equipment. At a corporate level, Oracle's flow of dividends is protected in US\$ terms, so there is a risk of loss or gain in £ Sterling terms. The project is also protected against adverse movements in interest rates and in US\$ inflation.

Mitigation

- Cost variances resulting from exchange rate movements and US\$ inflation should generally be recoverable through the coal and electricity pricing mechanisms.
- The risk posed by further importation of coal or oil for power generation is not considered to be high given the large price differentials and the present lack of power plants. The savings in foreign exchange to the country of import substitution through local energy production are clear.

Financing Risk

The MOU signed with SCIG and PowerChina, two well financed Chinese companies, envisages equity funding of the project from the Chinese partners of up to 87.9% of the total. They will also lead discussions with Sinosure, the Chinese Export and Credit Agency, for the underwriting and placing of project finance.

Mitigation

Over 90% of the project's finance will be firmly available through the Chinese partners (both debt and equity). This should give enough confidence to incoming shareholders to allow the Company to raise the balance of Oracle's share of equity. This view is supported by Brokers Brandon Hill Capital Limited and Peterhouse Corporate Finance Limited.

Political, Legal, Regulatory and Fiscal Risks

Risk

The Federal and Sindh Governments have demonstrated strong support for the integrated Thar coal mining and power plant development and for maintaining the supportive regulatory and fiscal regime at present in place. Risks arise from:

- Change in regime.
- Shorter term, the funding and completion of local infrastructure, including the power transmission line from the power plant.
- Longer term, when investment has been made, adversely varying the fiscal regime, the lease terms or the royalty and tax rates, making foreign exchange available to meet debt servicing requirements and dividend payments.
- Bureaucratic interpretation of regulations, including pricing mechanisms, also potentially leading to delay.
- Security and terrorism, particularly as operations in Thar take on a higher profile.
- Transfer of operatorship to Chinese partners and Oracle becoming a minority partner.
- NGO activism.

Mitigation

- The shortage of power and the imperative to develop Thar would be clear to any incoming government.
- Much of the planned major infrastructure is already in place.
- Longer term, there are strong international forces to ensure that foreign investment is properly protected, i.e. CPEC and Investment Treaties with China and the UK. The Company will consider whether political risk insurance could be a cost effective mitigant.
- Oracle has a strong working relationship with all relevant levels of Government and will use these relationships to address potential bureaucracy and delay.
- The Government has set up a special force with overall responsibility for security in Thar. Oracle is putting in place a comprehensive security plan to complement Government agencies.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

- Oracle will seek to ensure that its present strong relationships in Pakistan continue.
- From the outset, Oracle has understood the need to act as an exemplary corporate citizen. Oracle has long established a Community Liaison Officer and will continue to foster good relationships with local communities. Oracle will work to ensure that it and its Chinese partners work with other developers of Thar Coal, for example Sindh Engro in Block II in joining the Thar Foundation, set up to coordinate welfare initiatives.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Objective: Oracle Power PLC is a responsible corporate entity and is continuing to apply international best practice to the Thar project. The Company is aware of the key role it has to play in developing this pioneering project, in minimising the impact its operations can have on the natural and social environment and in creating opportunities for the local community.

Environmental and Social Impact Assessment ("ESIA")

Oracle commissioned Wardell Armstrong International Ltd. ("WAI") to produce an ESIA for the Block VI project. WAI is working with Hagler Bailly Pakistan, a local group of environmental consultants, based in Islamabad, to complete the ESIA to meet both national and international standards. The ESIA was completed and submitted in April 2013 to the Sindh Environmental Protection Agency, Government of Sindh ("SEPA"). A public hearing was held on site in June 2013, attended by the local people along with government representatives, SEPA, various non-governmental organisations ("NGO") and the Company's consultants as part of the public consultation process. The project along with its impacts and mitigation plans were presented to the public and all were given the opportunity to comment on the proposals and question the Company and the Government on all aspects of the proposed development. There was overall support for the project and the Company will continue its consultation with the local people as the project moves into the implementation phase.

Early in July 2013 SEPA held a Technical Committee Hearing in Karachi to examine the technical aspects of the ESIA and to take on board concerns raised at the public hearing which was attended by the Company and its consultants along with government representatives. All the technical queries raised by the panel were addressed satisfactorily and the Company outlined how the Environmental Management Plan would be implemented and monitored through the life of the project.

Following these meetings SEPA has issued the "No Objection" Certificate giving formal approval for the ESIA in January 2014 which is another significant step towards mine development.

In 2016 Mott MacDonald were commissioned to prepare an ESIA for a 660MW mine mouth power plant which was completed in March 2017 and submitted to SEPA for approval. A public hearing was held on the site in July 2017 and was attended by the local communities and other stakeholders and was well received. Also, in March 2017 the mine ESIA was updated and brought up to international standards by WAI and aligned with the power plant ESIA.

Community and Consultation

In addition to the environmental characterisation of the site and its environs, a comprehensive social data gathering campaign has been completed. Background information on local demography, village structure, local culture, resources and socioeconomics has been collected. In addition, an ongoing public consultation has been undertaken to gather the views and opinions of local stakeholders (both at a local and national level) and to disseminate information about the project.

Resettlement

Community response has generally been positive, with an interest in the project, and the associated community benefits that it will deliver. As a result of the location of the lignite seams, and the requirement for associated infrastructure, some relocation of local communities currently residing within the Block, will be required.

The Government of Sindh Thar Coal and Energy Board published the Resettlement Policy Framework in May 2015 which sets out the formal mechanism for resettlement in Thar and is generally in line with international performance standards.

A Resettlement Framework and Resettlement Action Plan ("RAP") was prepared and submitted to SEPA in April 2014 as required under the ESIA approval. The RAP has been prepared in line with the Government's Resettlement Framework Policy. The RAP has been prepared to ensure that the process is managed in line with best practice standards, and a full programme of consultation, specifically dealing with this issue is being instigated. Communities will be resettled locally (i.e. within the Block area). In 2017 a census of the six local villages within Block VI was undertaken by Mott MacDonald of the number of people and their livestock holding along with a preliminary land ownership survey as required under the RAP.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The next stage of the process is to carry out a detailed land ownership survey of the mine and power plant areas to identify the land owners and their families, livestock, and agricultural assets prior to formal land acquisition procedures which will be instigated at the time of project implementation. This process is underway and will be ongoing in 2018. As part of the resettlement process, which will occur in full consultation with the affected communities and Project Affected Peoples, resettled communities will be given equivalent alternative lands for their villages. Oracle intends to construct replacement villages, with full electricity, sanitation, and potable water supply, and culturally appropriate places of worship, with opportunities for a local market area. The exact design of resettlement villages will be decided in consultation with the affected communities.

Oracle Social Development Initiatives

Oracle has appointed a Community Liaison Officer ("CLO") in 2012 to act as the local point of contact for stakeholders and to receive information from, and disseminate information to, local community members. The CLO also acts as an intermediary to represent the interests of the local communities to Oracle. As part of Oracle's CSR initiatives, a strategy is being developed to identify and support community development projects. This is an ongoing process and will continue as the project moves into implementation.

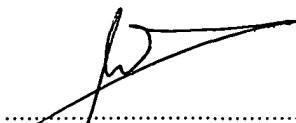
Benefits and Opportunities

Oracle is working with local groups to ensure that the Block VI project delivers sustainable benefits to the communities, and an overall improvement in local living conditions, whilst also positively responding to the energy crisis in Pakistan. This project will result in direct and indirect benefits to the local communities. Direct benefits will include employment at the mine and power plant, whilst indirect benefits may include revenues generated by local supply of goods and services to the operations.

Benefits and Opportunities include:

- Improvements and extension of the existing government primary schools in Block VI;
- Training of literate male and female community members for teaching;
- Extension of the building to support more students;
- Supply of stationery and other provisions;
- Bi-annual hygiene and healthcare awareness campaign in all communities;
- Setting up water filter systems in all communities;
- Awareness campaign on methods to improve livestock health and productivity in all communities; and
- Construction of a road to connect local villages and communities to the mine site access road proposed under the project.

ON BEHALF OF THE BOARD:



Mark Steed - Director

Date: 3 May 2018

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2017.

CHANGE OF NAME

The group passed a special resolution on 26 June 2017 changing its name from Oracle Coalfields PLC to Oracle Power PLC.

DIVIDENDS

No dividends will be declared for the year ended 31 December 2017.

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 2017**

DIRECTORS

The Directors during the year under review were:

Mr M W Steed	Joined the Board as a Non-Executive Director on 12 July 2017; appointed as Chairman on 24 January 2018;
Mr S Khan	Chief Executive Officer;
Mr A C R Scutt	Chairman until 24 January 2018; Senior Independent Non-Executive Director;
Mr A Migge	Non-Executive Director, joined the Board on 2 August 2017;
Mr Y Mordacq	Resigned on 30 October 2017

The beneficial interests of the Directors holding office on 31 December 2017 in the issued share capital of the company were as follows:

Ordinary 0.1p shares

	31.12.17	1.1.17
Mr S Khan	32,841,049	32,841,049
Mr A C R Scutt	1,686,595	1,686,595
Mr M W Steed	342,500	-

In addition to the above, in his capacity as a joint honorary trustee, Mr Scutt also holds 424,000 shares for The Acumen Brigade Investment Club and 315,000 shares for The Ridgeway Investors Group. Mr Scutt is not a beneficial member of these investment clubs and has no beneficial interest in the shareholdings.

Mr Steed acquired a further 637,500 shares on 12 January 2018, taking his total holding to 1,000,000.

Ordinary 0.1p shares under option

The Directors interests in share options expired unexercised during the year and no options were are held.

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mark Steed
Chairman

Mr Steed has had a career in the field of international stock and commodity markets, the management of offshore hedge funds, corporate finance and trading in securities in emerging economies. He has worked with and set up various portfolio and fund management companies, in the roles of Chief Executive Officer, Chief Financial Officer and Compliance Officer. Notably he has been involved in the set up of Amstel Securities LLP, City Capital Securities Limited, Shard Capital Partners LLP and the Sion Hall Family Office. He is a Member of the Institute of Chartered Accountants in England and Wales, a Member of the Chartered Institute for Securities and a Member of the Chartered Institute of Marketing. Within the Company, Mr Steed, in addition to his role as Chairman, oversees corporate, financial and audit matters.

Shahrukh Khan
Chief Executive Officer

Mr Khan was educated in the 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Anthony Scutt

Senior Independent and Non-Executive Director

Mr Scutt is a qualified Chartered Secretary and a Certified Internal Auditor with the US Institute of Internal Auditors. He has over 30 years of financial management experience with Shell International Petroleum and has 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. Within the Company, Mr Scutt, in addition to his role as Senior Independent Director, oversees corporate, financial, HR and audit matters.

Andreas Migge

Non-Executive Director

Mr Migge has had a career in investment banking and private equity with a focus on energy and natural resources. He has an international background, having worked in the US, Europe, Asia and the Middle East. Mr Migge has considerable international transaction experience, notably leading the acquisition of the power plants Lalpir and Pakgen in Pakistan, which was voted "Deal of the Year Asia". In 2014, he was a founding investor and member of the sponsor team for the Reata Prospect, an on-going shale oil exploration project in the Permian Basin in the US. Mr Migge has also led investments in power projects in Iraq and coal mining restructuring projects in the US. He served in the Special Forces of the German Air Force and holds an MBA from Yale University. Within the Company, Mr Migge oversees technical and business development matters and HR matters.

Simon Smith

Finance Manager

Mr Smith has a background in finance from a 25 year career in Shell, in a variety of posts. He was Finance Director in Sierra Leone and in Egypt where he also deputised for the Chief Executive. He also worked in Shell's M&A unit, particularly on the sale of Billiton, Shell's Metals division, the sale of Shell's agrochemical interests and Shell's early expansion into eastern Europe. Latterly he headed up Group Finance HR. Mr Smith has an MA in Economics from the University of Cambridge and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Brian Rostron

Mining and Contracts Manager

Mr Rostron 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 been a Director of Miller Argent South Wales Ltd, H.J. Banks Mining, Scottish Coal Company, Coal Contractors Ltd as well as the Director General of the Confederation of UK Coal Producers. Mr Rostron has a BSc. in Combined Science (Geology and Economics) from Sunderland Polytechnic and a MSc. in Mining Engineering from the University of Newcastle-upon-Tyne. He is a Member of the Institution of Materials, Minerals and Mining, a Fellow of the Geological Society, a Fellow of the Institute of Quarrying and a Member of the Institute of Explosive Engineers.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

GOING CONCERN

The Directors have considered the cashflow requirements of the Group over the next 12 months. It will be necessary to raise additional funds to bring the project to financial close and to continue to meet operational costs for the next 12 months. 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.

The long-term viability of the Group at the moment depends on the successful delivery of the Thar project. This includes finding partners who are able to provide the finance that the project requires, raising cash on the London Stock Exchange, bringing the project to financial close, successfully constructing the mine and the power plant, successful operations and addressing all of the risks outlined in this report (pages 7 to 9).

SUBSTANTIAL SHAREHOLDINGS

There have been two equity placings since 31 December 2017, on 12 January 2018 and on 27 March 2018. 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 2017 and on 27 March 2018:

	31 December 2017		27 March 2018	
	Shareholding	% holding	Shareholding	% holding
Power Equity Investments Limited	153,846,154	15.99%	153,846,154	14.03%
Brandon Hill	53,606,321	5.57%	60,749,178	5.54%
Narazio Consulting Limited	62,159,230	6.46%	62,159,230	5.67%
OWG PLC	108,848,587	11.32%	115,991,444	10.58%
Mr S Khan	32,841,049	3.41%	32,841,049	2.99%
Mr N Griffith	30,131,042	3.13%	31,916,756	2.91%
Sunvest Corporation Limited	30,000,000	3.12%	30,000,000	2.74%
Generali Ambition	29,042,515	3.02%	29,042,515	2.65%
Sindh Koela Limited	-	-	95,652,174	8.72%

AUTHORITY TO ISSUE SHARES

Each year at the AGM the Directors may seek authority to allot shares, with the authority when granted lasting until the next AGM. At the last AGM held on 23 June 2017 the shareholders gave authority for the Directors to allot equity securities for cash up to an aggregate nominal value of £250,000.

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.

In November 2017, the Company entered into a Memorandum of Understanding ("MOU") with Sichuan Provincial Investment Company Limited ("SCIG") and with Power China International Limited ("PowerChina"). This is described in the Chairman's Statement and the Chief Executive Officer's Report (on pages 2 to 5). As laid out in the MOU, subject to satisfactory conclusion of their due diligence process and to approval from Chinese Government Authorities, it is envisaged that SCIG and PowerChina will hold a majority equity position of 87.9% in the Company's Pakistani subsidiaries. Subject to the protections negotiated between the Parties in a Shareholders Agreement for minority interests, control of the Pakistani subsidiaries will be no longer be held by the Company.

The Company is not aware of, or party to, any other such agreement.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

REMUNERATION REPORT

As an AIM listed company, the Company is not required to comply with the UK Corporate Governance Code nor the Companies Act 2006 Section 420 regarding directors' remuneration reports. The Company has however chosen to prepare a directors' remuneration report in the interests of good governance.

A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the Financial Statements are submitted for shareholder approval.

Remuneration Policy

The Remuneration Committee is focused on ensuring that the Group's policies and procedures are effective for the Group's business and that executive remuneration packages are designed to attract, drive, motivate and retain executive Directors and senior management of the requisite calibre and expertise, and to reward them appropriately for creating and enhancing long-term value for shareholders. The performance measurement of the Chief Executive Officer and key members of the senior management team, and the determination of their annual remuneration package is undertaken by the Remuneration Committee.

The remuneration of the Non-Executive Directors is determined by the Board within limits set by the Articles of Association and in accordance with the general guidance principles adopted by the Quoted Companies Alliance for small and mid-size quoted Companies.

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 Director undertakes additional assignments for the Company, a fee will be agreed by the Board in respect of each assignment.

Aggregate Directors' Remuneration

The remuneration paid to the Directors, inclusive of Employer National Insurance contributions, in accordance with the service contracts, during the year ended 31 December 2017 was as follows:

	Salary & fees £	Bonuses £	Pensions £	Termination benefits £	Share based payments £	2017 Total £	2016 Total £
Executive							
Mr S Khan	143,711	25,000	5,000	-	-	173,711	144,234
Non-executive							
Mr M W Steed	12,915	-	-	-	-	12,915	-
Mr A C R Scutt	27,323	-	-	-	-	27,323	27,330
Mr Y Mordacq	20,833	-	-	-	-	20,833	7,292
Mr A Migge	10,350	-	-	-	-	10,350	-

Mr Mordacq was a director up to 30 October 2017, Mr Steed was a director from 12 July 2017 and Mr Migge was a director from 2 August 2017.

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	12 months
Non-executive		
Mr A C R Scutt	22.12.2006	6 months
Mr M Steed	12.07.2017	6 months
Mr A Migge	2.08.2017	6 months

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Performance Evaluation

The Board undertakes annually a formal evaluation of its performance and of its committees through a questionnaire and interview process involving individual Directors and Senior Managers that is overseen by the Senior Independent Director, Mr Scutt.

Executive Incentives

The Remuneration Committee will be preparing, before the project's financial close, recommendations to the Board for submission for shareholders' approval in respect of performance bonus schemes and long term incentives packages for executive Directors and managers. These proposals will be formulated after consultation with professional remuneration advisers, h2glenfern Ltd, and major shareholders.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

CORPORATE GOVERNANCE REPORT

During 2017 the Board continued its commitment to maintaining high standards of corporate governance, complying with the requirements of the corporate governance guidelines (the "Guidelines") for smaller quoted companies issued by the Quoted Companies Alliance. The principles set out in the Guidelines cover four areas: the Board, Directors' remuneration, accountability and audit, and relations with shareholders. With the exception of Directors' Remuneration (which is dealt with separately in the Remuneration Report), this statement sets out how the Board has applied such principles and the Company's compliance with the specific provisions of the Guidelines.

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 2017 the Board consisted of four Directors being the Chief Executive Officer, Mr Khan, the Chairman, Mr Scutt and two Non-executive Directors, Mr Steed and Mr Migge. All of these Directors have considerable experience in running quoted companies and in the energy sector in general. Details of their previous roles are given in the Report of the Directors. During 2017, there were some changes to the membership of the Board. Mr Mordaq resigned from the Board for personal reasons on 30 October 2017. Messrs Steed and Migge were newly appointed to the Board, Mr Steed on 12 July 2017 and Mr Migge on 2 August 2017. On 24 January 2018, Mr Scutt stepped down as Chairman, remaining a Non-executive Director and resuming his role as Senior Independent Director. He was replaced as Chairman by Mr Steed.

The Board has considered the independence of Messrs Mordacq, Steed and Migge and consider them to be fully independent.

Details of Directors' service contracts are given in the Remuneration Report. None of the Board have any conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment. All Directors are submitted for re-election after three years, subject to continued satisfactory performance. All Directors had access throughout the year to the advice and services of the Company Secretary, Mr Everitt, who is responsible for ensuring that Board procedures and applicable regulations under the Company's Articles of Association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

The Directors carry out annually an internal review of the effectiveness of the Board and this process was repeated in early 2018.

Board meetings

The Board of Directors meets at least every two months and 5 meetings were held in 2017. There is a defined schedule of matters reserved for its decision. The matters so reserved include responsibility for the overall Group strategy, approval of contracts, commitments to capital expenditure budgets over £10,000, appointment of Directors and staff, approval of remuneration of Directors on the recommendation of the Remuneration Committee, issue of shares and warrants, appointment of advisors, approval of announcements to the market, and a final investment decision to proceed with project implementation.

Board Committees

The Board Committees are comprised of Non-Executive Directors, except for the Nomination Committee which is chaired by the Chief Executive Officer, Mr Khan, and the Tender Board which additionally comprises Mr Rostron and Mr Smith. They operate within defined terms of reference, details of which are posted on the Company's website, and they report regularly to the Board. At this stage of the development of the Company the Board Committees are also charged with advising the Boards and management of the subsidiary companies.

It is anticipated that, as the subsidiary companies grow in size with development of the project, the subsidiaries will eventually form Board Committees of their own to advise their respective Boards. Such committees will include a Health, Safety and Environment Committee for each company based in Pakistan.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The meetings held in 2017 were as follows:

	Number of Meetings in 2017	Members (& attendance during the period of appointment)
The Board	5	Mr Khan (all), Mr Scutt (all), Mr Steed (all), Mr Migge (all), Mr Mordacq (all)
Nomination Committee	2	Mr Khan (all), Mr Scutt (all), Mr Migge (-)
Remuneration Committee	1	Mr Scutt (all), Mr Migge (-), Mr Mordacq (all)
Audit Committee	3	Mr Mordacq (all), Mr Scutt (absent once), Mr Steed (all)

Nomination Committee

The Nomination Committee was established post-admission to AIM 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 Committee also identifies and screens candidates for recommendation to the Board for the Remuneration and Audit Committees. The Nomination Committee also formulates proposals for succession planning of the Board and management. The Committee consists of Mr Khan as chairman, Mr Scutt and Mr Migge in place of Mr Mordacq following his resignation.

The Committee met twice in 2017.

The Committee also monitors the application of the Company policy on discrimination and encouraging diversity amongst the Company's workforce. No such issues were noted in 2017.

Remuneration Committee

The Remuneration Committee met once in 2017. The Committee consists of Mr Scutt as chairman and Mr Migge in place of Mr Mordacq following his resignation. It is responsible for reviewing the remuneration, performance bonuses, incentive schemes and pension provision for Board members and executives of the Company.

The Committee responsibility extends to the review of the remuneration of the Company's appointees to the Boards of the Company's subsidiaries.

The Committee engages the services of remuneration consultants h2glenfern Ltd for advice on policies concerning Board and executive remuneration, performance bonuses, incentive schemes and pensions.

It is policy that no individual participates in discussions or decisions concerning their own remuneration.

Audit Committee Report

The Audit Committee of the Board met three times in 2017. The Committee was chaired by Mr Mordacq until his resignation, when he was replaced by Mr Scutt. Mr Steed was appointed to the committee on 27 July 2017. Other Directors and officers are invited to attend where appropriate and Mr Smith, as Finance Manager, was in attendance at all the 2017 meetings.

The role of the Audit Committee is to monitor the integrity of the financial statements and to review any significant financial reporting issues, especially the consistency of, and changes to, accounting policy. The Committee also assesses the effectiveness of the Company's internal controls and risk management systems. The Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and replacement of the Company's external auditors. This extends to monitoring the effectiveness, remuneration and independence of the external auditors.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Whilst the Audit Committee is composed of Directors of Oracle Power PLC it also has a role to advise the Boards of the subsidiary companies.

The auditors of Oracle Power PLC are Price Bailey LLP who have served the Company since it was founded. Price Bailey have regularly rotated the audit engagement partner, the last time being in 2013; it is the intention to do so again immediately following the AGM in 2018. The Committee view is that Price Bailey have served the Company well and that their audit fee remains reasonable. The Committee has therefore concluded that, with the limited size of this audit, the costs of re-tendering could not be justified at this stage.

A.F. Ferguson & Co., the local affiliates in Karachi of PriceWaterhouseCoopers are auditors of Sindh Carbon Energy Limited and of Thar Electricity (Private) Ltd. PriceWaterhouseCoopers (London) advise the Group on global tax matters and their affiliate in Karachi (A. F. Ferguson and Co) advises the Group on Pakistani tax matters. These roles, of A.F. Ferguson & Co., are considered by the Audit Committee to be compatible with their role as auditors. In December 2017 the Partner and Manager in charge of the audit in Price Bailey attended the Audit Committee meeting to consider the year end timetable, discuss issues arising from the annual closing and possible post-balance sheet events. Recent changes in accounting standards were also discussed. No substantial impact on the Group accounts has been noted.

The 'going concern' assumption was reviewed by the Committee. The carrying values of the assets rely upon the successful raising of sufficient finance to reach an investment decision and the Report and Annual Accounts reflect that judgement.

In the area of internal controls, the Audit Committee monitors the internal control environment of the Group. The Committee also oversees the operations of the Market Abuse Regulations. The Committee considers that internal controls are sound, both in Oracle Power PLC and in the subsidiary companies. The Committee monitors the Company Internal Control Manual and makes amendments as they are needed.

The risk assessment exercise for the Company is undertaken annually under the supervision of the Audit Committee. The results of the most recent exercise are included in this Report in the section Principal Risks and Uncertainties (pages 7 to 10).

The Audit Committee noted, that following the signing of the Definitive Agreements as foreseen in the Memorandum of Understanding with SCIG and PowerChina, the Audit Committee would in future have more restricted access to the activities of Sindh Carbon Energy Limited and Thar Electricity (Private) Limited. The Audit Committee suggests that an internal audit process should be put in place, overseen by the external auditors or SCIG internal auditor and also that one director appointed by Oracle should participate in the audit process.

Tender Board Meetings

The meetings held in 2017 were as follows:

	Number of Meetings in 2017	Members (& attendance during period of appointment)
Tender Board	01	Mr Mordacq (all), Mr Rostron (all), Mr Smith (all), Mr Migge (-)

The Management meets regularly to discuss in detail project progress and all other aspects of the business and where appropriate tables recommendations to the Board for their consideration and approval.

Tender Board

The Tender Board was chaired by Mr Mordacq until his resignation, when he was replaced by Mr Migge. Mr Smith, as Finance Manager, and Mr Rostron, as Technical Manager, also serve on the Tender Board. Ms Ridha serves as Secretary to the Tender Board. One meeting was held in 2017.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The purpose of the Tender Board is to ensure the fair and objective consideration of bids received for services and goods of both capital and revenue expenditure. The Tender Board must be consulted on all contracts or purchases which could exceed £10,000. The Tender Board will recommend contract awards to the individuals authorised to commit the Company. In the case of contracts of £100,000 or more the final decision will be ratified by the Companies' Board of Directors.

Matters to be referred to the Tender Board are:

- lists of proposed tenderers
- lists of proposed vendors
- proposals to negotiate rather than tender contracts
- opening and recording of sealed bids (which may be delegated to appropriate officers)
- proposals to award contracts
- variations, claims and over expenditure on contracts when these exceed 7% of the original price
- renewal of existing contracts

For all major contracts (over £100,000) it is required to submit to the Tender Board the list of contractors to be invited and the invitation to tender documents. Arrangements for opening sealed bids and negotiating with contractors should be agreed with the Tender Board. Normally tenders should be received in sealed envelopes directly by the Secretary of the Tender Board and filed securely.

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 Board and the Nominated Advisers

Internal controls

The Directors have overall responsibility for ensuring that the Group maintains a system of internal controls 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 controls, 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.

The Board has delegated responsibility for the monitoring of internal control to the Audit Committee, and this is covered in the Audit Committee Report.

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 Officer, supported by the Group's brokers, makes interim presentations to shareholders as needed. Mr Scutt resumed his role as Senior Independent Director when he stepped down as Chairman on 24 January 2018.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017**

DIRECTORS' RESPONSIBILITIES STATEMENT

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 IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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.

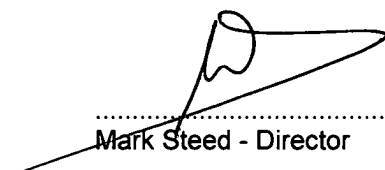
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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:



.....
Mark Steed - Director

Date: 3 May 2018

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

Opinion

We have audited the financial statements of Oracle Power plc Group of Companies (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 on pages twenty seven to fifty eight. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which indicates that the Group will need to raise additional funds to bring their project to financial close and continue to meet ongoing operational costs for the next 12 months. Whilst the directors expect to meet funding requirements, based upon the current economic environment there exists a material uncertainty which may cast significant doubt as to whether the Group will be able to raise sufficient funds and therefore continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Annual Report, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Paul Cullen FCCA (Senior Statutory Auditor)
for and on behalf of Price Bailey LLP
Chartered Accountants & Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

Date: 3 May 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
CONTINUING OPERATIONS			
Revenue	3	-	-
Administrative expenses		<u>(1,027,951)</u>	<u>(919,190)</u>
OPERATING LOSS		<u>(1,027,951)</u>	<u>(919,190)</u>
Finance costs	5	(21,544)	-
Finance income	5	<u>2,141</u>	<u>5,726</u>
LOSS BEFORE INCOME TAX	6	<u>(1,047,354)</u>	<u>(913,464)</u>
Income tax	7	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u><u>(1,047,354)</u></u>	<u><u>(913,464)</u></u>
Loss attributable to:			
Owners of the parent		(1,047,269)	(913,258)
Non-controlling interests		<u>(85)</u>	<u>(206)</u>
		<u><u>(1,047,354)</u></u>	<u><u>(913,464)</u></u>
Earnings per share expressed in pence per share:	8		
Basic		-0.11	-0.10
Diluted		<u>-0.11</u>	<u>-0.10</u>

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
LOSS FOR THE YEAR	(1,047,354)	(913,464)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Exchange difference on consolidation	(239,356)	278,662
Income tax relating to items of other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>(239,356)</u>	<u>278,662</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(1,286,710)</u>	<u>(634,802)</u>
Total comprehensive income attributable to:		
Owners of the parent	(1,281,884)	(647,326)
Non-controlling interests	<u>(4,826)</u>	<u>12,524</u>
	<u>(1,286,710)</u>	<u>(634,802)</u>

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	4,839,316	4,779,496
Property, plant and equipment	10	18,076	23,790
Loans and other financial assets	12	<u>370,291</u>	<u>405,446</u>
		<u>5,227,683</u>	<u>5,208,732</u>
CURRENT ASSETS			
Trade and other receivables	13	72,546	98,851
Cash and cash equivalents	14	<u>126,178</u>	<u>505,904</u>
		<u>198,724</u>	<u>604,755</u>
TOTAL ASSETS		<u>5,426,407</u>	<u>5,813,487</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	961,884	911,783
Share premium	17	11,622,166	10,900,723
Translation reserve	17	(96,030)	143,326
Share scheme reserve	17	-	109,588
Retained earnings	17	<u>(7,355,072)</u>	<u>(6,417,391)</u>
		5,132,948	5,648,029
Non-controlling interests	15	<u>12,841</u>	<u>17,667</u>
TOTAL EQUITY		<u>5,145,789</u>	<u>5,665,696</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	<u>280,618</u>	<u>147,791</u>
TOTAL LIABILITIES		<u>280,618</u>	<u>147,791</u>
TOTAL EQUITY AND LIABILITIES		<u>5,426,407</u>	<u>5,813,487</u>

The financial statements were approved and authorised for issue by the Board of Directors on 3 May 2018 and were signed on its behalf by:



Mr S Khan - Director

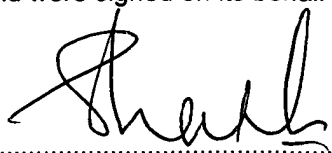
The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	3,247,597	3,133,782
Property, plant and equipment	10	2,448	1,109
Investments	11	1,502,947	1,502,847
Loans and other financial assets	12	<u>1,436,329</u>	<u>1,309,444</u>
		<u>6,189,321</u>	<u>5,947,182</u>
CURRENT ASSETS			
Trade and other receivables	13	182,047	195,904
Cash and cash equivalents	14	<u>109,528</u>	<u>466,612</u>
		<u>291,575</u>	<u>662,516</u>
TOTAL ASSETS		<u><u>6,480,896</u></u>	<u><u>6,609,698</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	961,884	911,783
Share premium	17	11,622,166	10,900,723
Share scheme reserve	17	-	109,588
Retained earnings	17	<u>(7,152,409)</u>	<u>(6,237,955)</u>
TOTAL EQUITY		<u>5,431,641</u>	<u>5,684,139</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	<u>1,049,255</u>	<u>925,559</u>
TOTAL LIABILITIES		<u>1,049,255</u>	<u>925,559</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,480,896</u></u>	<u><u>6,609,698</u></u>

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 £1,024,042 (2016 - £883,586).

The financial statements were approved and authorised for issue by the Board of Directors on 3 May 2018 and were signed on its behalf by:



Mr S Khan - Director

The notes form part of these financial statements

ORACLE POWER PLC GROUP OF COMPANIES (REGISTERED NUMBER: 05867160)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Retained earnings £	Share premium £	Translation reserve £	Share scheme reserve £	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2016	911,783	(5,534,399)	10,900,723	(132,534)	149,782	6,295,355	5,143	6,300,498
Loss for the year	-	(913,258)	-	-	-	(913,258)	(206)	(913,464)
Other comprehensive income								
Exchange difference on consolidation	-	-	-	288,684	-	288,684	(10,022)	278,662
Total comprehensive income	-	(913,258)	-	288,684	-	(624,574)	(10,228)	(634,802)
Transactions with owners								
Increased investment in subsidiary	-	(9,928)	-	(12,824)	-	(22,752)	22,752	-
Share options expired	-	40,194	-	-	(40,194)	-	-	-
Total transactions with owners	-	30,266	-	(12,824)	(40,194)	(22,752)	22,752	-
Balance at 31 December 2016	<u>911,783</u>	<u>(6,417,391)</u>	<u>10,900,723</u>	<u>143,326</u>	<u>109,588</u>	<u>5,648,029</u>	<u>17,667</u>	<u>5,665,696</u>
Loss for the year	-	(1,047,269)	-	-	-	(1,047,269)	(85)	(1,047,354)
Other comprehensive income								
Exchange difference on consolidation	-	-	-	(239,356)	-	(239,356)	(4,741)	(244,097)
Total comprehensive income	-	(1,047,269)	-	(239,356)	-	(1,286,625)	(4,826)	(1,291,451)
Transactions with owners								
Issue of share capital	50,101	-	721,443	-	-	771,544	-	771,544
Share options expired	-	22,876	-	-	(22,876)	-	-	-
Share options exercised	-	86,712	-	-	(86,712)	-	-	-
Total transactions with owners	<u>50,101</u>	<u>109,588</u>	<u>721,443</u>	<u>-</u>	<u>(109,588)</u>	<u>771,544</u>	<u>-</u>	<u>771,544</u>
Balance at 31 December 2017	<u>961,884</u>	<u>(7,355,072)</u>	<u>11,622,166</u>	<u>(96,030)</u>	<u>-</u>	<u>5,132,948</u>	<u>12,841</u>	<u>5,145,789</u>

The notes form part of these financial statements

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Retained earnings £	Share premium £	Share scheme reserve £	Total equity £
Balance at 1 January 2016	911,783	(5,394,563)	10,900,723	149,782	6,567,725
Loss for the year	-	(883,586)	-	-	(883,586)
Total comprehensive income	-	(883,586)	-	-	(883,586)
Transactions with owners					
Issue of share capital	-	-	-	-	-
Share options expired	-	40,194	-	(40,194)	-
Total transactions with owners	-	40,194	-	(40,194)	-
Balance at 31 December 2016	<u>911,783</u>	<u>(6,237,955)</u>	<u>10,900,723</u>	<u>109,588</u>	<u>5,684,139</u>
Loss for the year	-	(1,024,042)	-	-	(1,024,042)
Total comprehensive income	-	(1,024,042)	-	-	(1,024,042)
Transactions with owners					
Issue of share capital	50,101	-	721,443	-	771,544
Share options expired	-	22,876	-	(22,876)	-
Share options exercised	-	86,712	-	(86,712)	-
Total transactions with owners	50,101	109,588	721,443	(109,588)	771,544
Balance at 31 December 2017	<u>961,884</u>	<u>(7,152,409)</u>	<u>11,622,166</u>	<u>-</u>	<u>5,431,641</u>

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	(830,845)	(1,028,337)
Interest paid		<u>(21,544)</u>	<u>-</u>
Net cash from operating activities		<u>(852,389)</u>	<u>(1,028,337)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(294,548)	(334,044)
Purchase of tangible fixed assets		(2,840)	(1,663)
Interest received		<u>2,141</u>	<u>5,726</u>
Net cash from investing activities		<u>(295,247)</u>	<u>(329,981)</u>
Cash flows from financing activities			
Proceeds of share issue		<u>771,544</u>	<u>-</u>
Net cash from financing activities		<u>771,544</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Decrease in cash and cash equivalents		(376,092)	(1,358,318)
Cash and cash equivalents at beginning of year	2	505,904	1,860,662
Effect of foreign exchange rate changes		<u>(3,634)</u>	<u>3,560</u>
Cash and cash equivalents at end of year	2	<u>126,178</u>	<u>505,904</u>

The notes form part of these financial statements

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	(829,518)	(1,024,052)
Interest paid		<u>(21,544)</u>	<u>-</u>
Net cash from operating activities		<u>(851,062)</u>	<u>(1,024,052)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(113,815)	(196,939)
Purchase of tangible fixed assets		(2,840)	(1,663)
Investment in subsidiary		(100)	-
Loans to subsidiaries		(163,052)	(140,000)
Interest received		<u>2,141</u>	<u>5,726</u>
Net cash from investing activities		<u>(277,666)</u>	<u>(332,876)</u>
Cash flows from financing activities			
Loan from subsidiary		100	-
Proceeds of share issue		<u>771,544</u>	<u>-</u>
Net cash from financing activities		<u>771,644</u>	<u>-</u>
Decrease in cash and cash equivalents		<u>(357,084)</u>	<u>(1,356,928)</u>
Cash and cash equivalents at beginning of year	2	466,612	1,824,114
Effect of foreign exchange rate changes		<u>-</u>	<u>(574)</u>
Cash and cash equivalents at end of year	2	<u><u>109,528</u></u>	<u><u>466,612</u></u>

The notes form part of these financial statements

**NOTES TO THE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Group

	2017 £	2016 £
Loss before income tax	(1,047,354)	(913,464)
Depreciation charges	1,501	554
Loss/(Gain) on foreign exchange movement	36,473	(66,196)
Finance costs	21,544	-
Finance income	(2,141)	(5,726)
	(989,977)	(984,832)
Decrease/(increase) in trade and other receivables	26,305	(11,247)
Increase/(decrease) in trade and other payables	132,827	(32,258)
Cash generated from operations	(830,845)	(1,028,337)

Company

	2017 £	2016 £
Loss before income tax	(1,024,042)	(883,586)
Depreciation charges	1,501	554
Loss/(Gain) on foreign exchange movement	36,167	(66,196)
Finance costs	21,544	-
Finance income	(14,920)	(19,134)
	(979,750)	(968,362)
Decrease/(increase) in trade and other receivables	26,636	(9,959)
Increase/(decrease) in trade and other payables	123,596	(45,731)
Cash generated from operations	(829,518)	(1,024,052)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statements of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

	Group		Company	
Year ended 31 December 2017				
	31/12/17 £	1/1/17 £	31/12/17 £	1/1/17 £
Cash and cash equivalents	<u>126,178</u>	<u>505,904</u>	<u>109,528</u>	<u>466,612</u>
Year ended 31 December 2016				
	31/12/16 £	1/1/16 £	31/12/16 £	1/1/16 £
Cash and cash equivalents	<u>505,904</u>	<u>1,860,662</u>	<u>466,612</u>	<u>1,824,114</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. STATUTORY INFORMATION

Oracle Power PLC Group is a group domiciled in United Kingdom. The parent is a public company, limited by shares and registered in England and Wales. The company's registered number and registered office address can be found on the General Information page. The Group is primarily involved in an energy project, based on the exploration and development of coal and building a mine-mouth power plant in Pakistan. The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Going concern

The Directors have considered the cashflow requirements of the Group over the next 12 months. It will be necessary to raise additional funds to bring the project to financial close and to continue to meet operational costs for the next 12 months. 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 as adopted by the European Union 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.

At the balance sheet date the intangible assets are carried forward at their cost of £4,839,316.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES - continued

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;

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.

Fixtures and fittings	- 15% on reducing balance
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 statement of profit or loss. Investments in subsidiaries are fully consolidated within the Group financial statements.

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 performance bonds deposited in US Dollars 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 2017**

2. 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 locally.

Hire purchase and leasing commitments

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

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

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 statement of profit or loss 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 statement of profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of profit or loss 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 2017

2. ACCOUNTING POLICIES - continued

New standards and interpretations applied

In preparing these financial statements the Company has reviewed all new standards and interpretations.

New Standards, Interpretations and Amendments effective from 1 January 2017

The following new and revised Standards and Interpretations have been adopted in these financial statements but their adoption has not had any significant impact on the amounts reported in these financial statements:

- IAS 7 Statement of Cash Flows (amended 2016)
- IAS 12 Income Taxes (amended 2016)
- IFRS 12 Disclosure of Interests in Other Entities (amended 2016)

The other new and revised Standards and Interpretations are not considered to be relevant to the Company's financial reporting and operations and are not detailed in these financial statements.

New Standards, Interpretations and Amendments that are not yet effective and have not been adopted early

The following new and revised Standards and Interpretations are relevant to the Company but not yet effective for the year commencing 1 January 2017 and have not been applied in preparing these financial statements:

- IAS 12 Income Taxes (amended 2017)
- IAS 23 Borrowing Costs (amended 2017)
- IAS 28 Investment in Associates and Joint Ventures (amended 2016 & 2017)
- IFRS 2 Share-based Payment (amended 2016)
- IFRS 9 Financial Instruments (amended 2017)
- IFRS 16 Leases (issued 2016)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued 2016)

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.

3. SEGMENTAL REPORTING

The principal activity of the Group is an energy project, based on the exploration and development of coal and building a mine-mouth power plant in Pakistan. All expenditure is in respect of this one activity and the £4,839,316 (2016: £4,779,496) intangible non-current assets of the Group are wholly attributable to the project in Pakistan.

4. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	430,724	437,688
Social security costs	44,509	46,943
Pension contributions to money purchase schemes	<u>10,511</u>	<u>8,996</u>
	<u>485,744</u>	<u>493,627</u>

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

	2017	2016
Directors	4	3
Administration and production	<u>3</u>	<u>3</u>
	<u>7</u>	<u>6</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

4. EMPLOYEES AND DIRECTORS - continued

	2017 £	2016 £
Directors' remuneration	217,943	218,884
Company contributions to Directors' pension money purchase schemes	5,000	4,680
Compensation to director for loss of office	-	2,083

The number of Directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2017 £	2016 £
Remuneration	150,000	125,000
Company Pension contributions to money purchase schemes	<u>5,000</u>	<u>3,750</u>

Details of remuneration for each Director are included in the Report of the Directors (p 11).

5. NET FINANCE COSTS

	2017 £	2016 £
Finance income:		
Deposit account interest	<u>2,141</u>	<u>5,726</u>
Finance costs:		
Loan interest	<u>21,544</u>	-
Net finance costs	<u>19,403</u>	<u>(5,726)</u>

6. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2017 £	2016 £
Hire of plant and machinery	1,821	995
Other operating leases	99,603	91,228
Depreciation - owned assets	5,730	5,741
Auditors' remuneration	18,352	13,800
Other non-audit services	-	4,250
Foreign exchange differences	<u>36,473</u>	<u>(66,334)</u>

The depreciation charges shown above include £4,240 (2016: £537) which have 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 for the year ended 31 December 2017 nor for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

7. INCOME TAX - continued

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:

	2017 £	2016 £
Loss before income tax	<u>(1,047,354)</u>	<u>(913,464)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	(201,616)	(182,693)
Effects of:		
Inter company items eliminated	2,461	2,671
Potential deferred taxation on losses for year	199,155	180,022
tax relief	<u> </u>	<u> </u>
Tax expense	<u> </u>	<u> </u>

The main rate of UK corporation tax changed from 20% to 19% on 1 April 2017 giving an effective rate for the year of 19.25% (2016: 20.00%).

The Group and Company has estimated UK excess management charges of £6,773,582 (2016: £5,748,202) to carry forward against future income. The overseas subsidiaries have losses of £87,155 (2016: £76,623) which will be carried forward to offset future profits. There is no charge for foreign taxation for the year (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

8. 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. In addition to the weighted average number of shares, the weighted average potentially dilutive instruments amounted to 73,250,809 (2016: 29,641,622). No adjustment is made where the effect would be to dilute the loss attributable to the ordinary shareholders.

Reconciliations are set out below.

	Earnings £	2017 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(1,047,354)	912,194,911	(0.11)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	<u>(1,047,354)</u>	<u>912,194,911</u>	<u>(0.11)</u>
	Earnings £	2016 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(913,464)	911,783,126	(0.10)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	<u>(913,464)</u>	<u>911,783,126</u>	<u>(0.10)</u>

There is no difference between the basic and diluted loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

9. INTANGIBLE ASSETS

Group

	Exploration costs £
COST	
At 1 January 2017	4,779,496
Additions	298,778
Exchange differences	<u>(238,958)</u>
At 31 December 2017	<u>4,839,316</u>
NET BOOK VALUE	
At 31 December 2017	<u>4,839,316</u>

	Exploration costs £
COST	
At 1 January 2016	4,170,073
Additions	339,231
Exchange differences	<u>270,192</u>
At 31 December 2016	<u>4,779,496</u>
NET BOOK VALUE	
At 31 December 2016	<u>4,779,496</u>

The Group exploration costs of £4,839,316 are currently being carried forward at cost in the financial statements. The Group will need to raise funds to reach financial close. Also, financial close involves the raising of finance, both debt and equity for the opening up of the mine and the construction of the power plant. If the Group is unable to raise this finance, some of the assets may require impairment.

Company

	Exploration costs £
COST	
At 1 January 2017	3,133,782
Additions	<u>113,815</u>
At 31 December 2017	<u>3,247,597</u>
NET BOOK VALUE	
At 31 December 2017	<u>3,247,597</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

9. INTANGIBLE ASSETS - continued

Company

	Exploration costs £
COST	
At 1 January 2016	2,936,843
Additions	<u>196,939</u>
At 31 December 2016	<u>3,133,782</u>
NET BOOK VALUE	
At 31 December 2016	<u>3,133,782</u>

The impairment of exploration costs is charged to administration and included within the statement of profit or loss as an expense.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2017	-	33,903	3,081	36,984
Additions	1,385	-	1,455	2,840
Exchange differences	<u>-</u>	<u>(4,654)</u>	<u>(126)</u>	<u>(4,780)</u>
At 31 December 2017	<u>1,385</u>	<u>29,249</u>	<u>4,410</u>	<u>35,044</u>
DEPRECIATION				
At 1 January 2017	-	11,522	1,672	13,194
Charge for year	462	4,146	1,122	5,730
Exchange differences	<u>-</u>	<u>(1,866)</u>	<u>(90)</u>	<u>(1,956)</u>
At 31 December 2017	<u>462</u>	<u>13,802</u>	<u>2,704</u>	<u>16,968</u>
NET BOOK VALUE				
At 31 December 2017	<u>923</u>	<u>15,447</u>	<u>1,706</u>	<u>18,076</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 January 2016	28,085	1,261	29,346
Additions	-	1,663	1,663
Exchange differences	<u>5,818</u>	<u>157</u>	<u>5,975</u>
At 31 December 2016	<u>33,903</u>	<u>3,081</u>	<u>36,984</u>
DEPRECIATION			
At 1 January 2016	4,909	905	5,814
Charge for year	5,070	671	5,741
Exchange differences	<u>1,543</u>	<u>96</u>	<u>1,639</u>
At 31 December 2016	<u>11,522</u>	<u>1,672</u>	<u>13,194</u>
NET BOOK VALUE			
At 31 December 2016	<u>22,381</u>	<u>1,409</u>	<u>23,790</u>

Company

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2017	-	2,160	2,160
Additions	<u>1,385</u>	<u>1,455</u>	<u>2,840</u>
At 31 December 2017	<u>1,385</u>	<u>3,615</u>	<u>5,000</u>
DEPRECIATION			
At 1 January 2017	-	1,051	1,051
Charge for year	<u>462</u>	<u>1,039</u>	<u>1,501</u>
At 31 December 2017	<u>462</u>	<u>2,090</u>	<u>2,552</u>
NET BOOK VALUE			
At 31 December 2017	<u>923</u>	<u>1,525</u>	<u>2,448</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT - continued

Company	Computer equipment £
COST	
At 1 January 2016	497
Additions	<u>1,663</u>
At 31 December 2016	<u>2,160</u>
DEPRECIATION	
At 1 January 2016	497
Charge for year	<u>554</u>
At 31 December 2016	<u>1,051</u>
NET BOOK VALUE	
At 31 December 2016	<u><u>1,109</u></u>

11. INVESTMENTS

Company	Shares in group undertakings £
COST	
At 1 January 2017	1,502,847
Additions	<u>100</u>
At 31 December 2017	<u>1,502,947</u>
NET BOOK VALUE	
At 31 December 2017	<u><u>1,502,947</u></u>
	Shares in group undertakings £
COST	
At 1 January 2016	899,706
Additions	<u>603,141</u>
At 31 December 2016	<u>1,502,847</u>
NET BOOK VALUE	
At 31 December 2016	<u><u>1,502,847</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

11. INVESTMENTS - continued

Company

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries**Sindh Carbon Energy Limited**

Registered office: 44/2, Street B-6, Phase V, Off Khyaban e Shaheen, Defense Housing Authority, Karachi, Pakistan

Nature of business: Coal exploration and mining

	% holding	2017 £	2016 £
Class of shares:			
Ordinary shares of Rs. 10 each	98.00		
Aggregate capital and reserves		620,863	625,128
Loss for the year		<u>(4,265)</u>	<u>(3,730)</u>

The subsidiary company was incorporated in Pakistan on 23 January 2007 for the exploration and future extraction of coal in Pakistan. Oracle Power PLC agreed to acquire 80% of the ordinary share capital of the company at par, fully paid by cash.

On 14 March 2016 Oracle Power PLC took up a rights issue to acquire a further 9,000,000 ordinary shares of the company at par for consideration of £603,141. The acquisition was settled through a reduction of the inter-company loan and increased the holding in the subsidiary to 98%.

The investment in share capital for the 98% holding amounts to £667,256.

Revive Financial Limited

Registered office: Tennyson House, Cambridge Business Park, Cambridge, CB4 0WZ

Nature of business: Administration and financial support

	% holding	2017 £	2016 £
Class of shares:			
Ordinary shares of 1p each	100.00		
Aggregate capital and reserves		<u>804,516</u>	<u>804,516</u>

The company was incorporated on 8 October 2013 but has not yet commenced trading and has no profit or loss for the year (2016: Nil).

The company was acquired under the terms of a share exchange agreement whereby shares in Oracle Power PLC were allotted to the shareholders of Revive Financial Limited in exchange for their shareholdings in Revive Financial Limited. The company became a subsidiary of Oracle Power PLC upon the completion of the share exchange on 18 October 2013.

Following the share for share exchange, Revive Financial Limited made a loan of £804,516 to Oracle Power PLC. The loan of £804,516 (2016: £804,516) which remains outstanding is interest free and is repayable within 30 days of giving written notice of demand for repayment.

The investment in share capital for the 100% holding amounted to £804,516.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

11. INVESTMENTS - continued

Company

Thar Electricity (Private) Limited

Registered office: PIA Building, 3rd Floor, 49, Blue Area, Fazlul Haq Road, Islamabad, Pakistan

Nature of business: Energy production

	% holding	2017	2016
Class of shares:		£	£
Ordinary shares of Rs. 10 each	100.00	6,342	12,609
Aggregate capital and reserves		<u>(6,267)</u>	<u>(12,934)</u>
Loss for the year			

The subsidiary company was incorporated in Pakistan on 17 June 2015 for the future generation of electricity in Pakistan. Oracle Power PLC agreed to acquire 100% of the ordinary share capital of the company at par, fully paid by cash.

The investment in share capital for the 100% holding amounted to £31,075.

Oracle Reserve Power Limited

Registered office: Tennyson House, Cambridge Business Park, Cambridge, CB4 0WZ

Nature of business: Power generation

	% holding	2017	2016
Class of shares:		£	£
Ordinary	100.00	100	-
Aggregate capital and reserves		<u>100</u>	<u>-</u>

The dormant subsidiary company was incorporated as Oracle Power Developments Limited on 9 May 2017 and changed its name to Oracle Reserve Power Limited on 20 November 2017. Oracle Power PLC agreed to subscribe for 100% of the ordinary share capital of the company at par, fully paid for cash.

The investment in share capital for the 100% holding amounted to £100.

12. LOANS AND OTHER FINANCIAL ASSETS

	2017	2016
	£	£
Financial assets	<u>370,291</u>	<u>405,446</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

12. LOANS AND OTHER FINANCIAL ASSETS - continued

Group

The financial asset of £370,291 represents a performance guarantee for US\$500,000 issued in favour of Director General, Coal Mines Development Department to cover company obligations under the mining lease. The guarantee was originally valid up to the earliest of the date commercial operations begin, three years from the date of issue, or 2 February 2018. This has been extended to 31 January 2019. This performance guarantee is secured by a deposit by Oracle Power PLC with the issuing bank.

As at 31 December 2017, Sindh Koela Limited held 2% of the issued shares of Sindh Carbon Energy Limited and these shares were funded by a loan of PKR 2,000,000 from Oracle Power PLC. The loan accrues interest on a daily basis at a rate of 9 per cent per annum. The loan was unsecured and repayable from 50% of dividends due to Sindh Koela Limited from Sindh Carbon Energy Limited when the project starts to generate revenues, or was repayable in full on any early transfer of shares by Sindh Koela Limited in Sindh Carbon Energy Limited.

Further loans were made to Sindh Koela Limited to fund initial expenditure in Pakistan on behalf of the Group. At the statement of financial position date there was a loan of £25,000 (2016: £25,000) from Oracle Power PLC to Sindh Koela Limited and PKR 3,000,000 (2016: PKR 3,000,000) from Sindh Carbon Energy Limited to Sindh Koela Limited. The loans were interest free, unsecured and were not due for repayment until the project starts to generate revenues. A full impairment provision had been made against these loans and the accrued interest of £5,904 (2016: £5,904).

On 12 January 2018, the Company reached agreement to acquire the remaining 199,999 shares in Sindh Carbon Energy Limited which were not owned by the Company from the then shareholder, Sindh Koela Limited, as noted in Note 24. As part of this agreement, the loans and interest which were previously impaired have been fully written off.

Company

	Loans to group undertakings £
At 1 January 2017	903,998
New in year	<u>162,040</u>
At 31 December 2017	<u>1,066,038</u>
	Loans to group undertakings £
At 1 January 2016	1,367,139
New in year	140,000
Converted to equity	<u>(603,141)</u>
At 31 December 2016	<u>903,998</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

12. LOANS AND OTHER FINANCIAL ASSETS - continued

Company

Other financial assets were as follows:

	2017 £	2016 £
Financial assets	<u>370,291</u>	<u>405,446</u>

In addition to the items disclosed for the Group, during the period Oracle Power PLC made loans to its subsidiaries totalling £96,000 (2016: £140,000) to Sindh Carbon Energy Limited and £66,040 (2016: £Nil) to Thar Electricity (Private) Limited of which £31,830 is denoted in USD of \$42,980.

The amounts outstanding at the statement of financial position date were £996,073 (2016: £900,073) due from Sindh Carbon Energy Limited and £69,964 (2016: £3,925) due from Thar Electricity (Private) Limited. Interest accrues on a daily basis at a rate of 1% over the Bank of England base rate. The loans are unsecured and although they are repayable on demand, they are unlikely to be repaid until the project becomes successful and the subsidiaries start to generate revenues.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Current:				
Other receivables	15,429	21,251	131,828	125,049
VAT	11,793	20,968	11,793	20,968
Prepayments and accrued income	<u>45,324</u>	<u>56,632</u>	<u>38,426</u>	<u>49,887</u>
	<u>72,546</u>	<u>98,851</u>	<u>182,047</u>	<u>195,904</u>

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Bank deposit account	99,528	456,790	99,528	456,790
Bank accounts	<u>26,650</u>	<u>49,114</u>	<u>10,000</u>	<u>9,822</u>
	<u>126,178</u>	<u>505,904</u>	<u>109,528</u>	<u>466,612</u>

15. NON-CONTROLLING INTERESTS

The non-controlling interest representing two per cent of the capital and reserves of the subsidiary Sindh Carbon Energy Limited is held by Sindh Koela Limited. There were no pre-acquisition reserves or goodwill. As described in Note 23, on 12 January 2018, the Company reached agreement to acquire the remaining shares in Sindh Carbon Energy Limited which were not owned by the Company, from which point Sindh Carbon Energy Limited has been a wholly owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

16. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Allotted, issued and fully paid		
961,883,698 (2016: 911,783,126) Ordinary shares of 0.1p each	<u>961,884</u>	<u>911,783</u>

27,023,652 Ordinary shares of 0.1p each were allotted as fully paid for cash at a premium of 2.20p per share during the year.

23,076,920 Ordinary shares of 0.1p each were allotted as fully paid for cash at a premium of 0.55p per share during the year in respect of the exercise of warrants.

The number of shares in issue are as follows:

	2017 No.	2016 No.
At 1 January 2017	911,783,126	911,783,126
Issued during the year	<u>50,100,572</u>	-
At 31 December 2017	<u>961,883,698</u>	<u>911,783,126</u>

At the balance sheet date no authorised ordinary shares were reserved for issue under options (2016: 31,606,920).

17. RESERVES

The following is a description of each of the reserve accounts that comprise equity shareholders' funds:

Share capital	The share capital comprises the issued ordinary shares of the company at par.
Share premium	The share premium comprises the excess value recognised from the issue of ordinary shares at par.
Translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Share scheme reserve	Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options
Retained earnings	Retained earnings comprise the group's cumulative accounting profits and losses since inception.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Current:				
Trade payables	157,864	84,631	157,864	84,631
Amounts owed to group undertakings	-	-	804,616	804,516
Social security and other taxes	30,092	14,344	30,092	14,344
Other payables	32,714	4,645	32,608	4,595
Accruals and deferred income	<u>59,948</u>	<u>44,171</u>	<u>24,075</u>	<u>17,473</u>
	<u>280,618</u>	<u>147,791</u>	<u>1,049,255</u>	<u>925,559</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	94,062	90,965
Between one and five years	105,212	196,060
After five years	-	-
	<u>199,274</u>	<u>287,025</u>

Future minimum lease payments under non-cancellable operating leases fall due as follows:

Company

	Non-cancellable operating leases	
	2017	2016
	£	£
Within one year	90,848	87,848
Between one and five years	105,212	196,060
After five years	-	-
	<u>196,060</u>	<u>283,908</u>

The Company has entered into a three year lease for £7,500 per month for premises in the UK, commencing 1 March 2017 and ending 29 February 2020. The lease will automatically renew at the prevailing market rate after three years unless terminated at that date by either party giving at least three months written notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

20. FINANCIAL RISK MANAGEMENT

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, categorised as follows:

	2017 £	2016 £
Financial assets		
Cash and bank balances	126,178	505,904
Fair value through profit or loss		
Designated as at fair value through profit or loss	-	-
Held for trading	-	-
Loans and receivables	15,429	21,251
Derivative financial assets	370,291	405,446
Financial liabilities		
Amortised cost	190,578	89,276

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 as summarised below.

a) 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 income or value of its holdings in financial instruments.

i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures. The Group is exposed to currency risk on cash and cash equivalents, loans, receivables and payables that are denominated in currencies other than sterling which is the functional currency of the Group.

The Group's net exposure to foreign currency risk at the reporting date is as follows:

	2017 £	2016 £
Pakistan Rupees	16,973	39,292
US Dollars	370,291	405,446
	<u>387,264</u>	<u>444,738</u>

Sensitivity analysis

A 10 percent strengthening of sterling against the Pakistan Rupee and US Dollar at 31 December 2017 would have increased/(decreased) equity and profit and loss by the amounts shown below:

	Equity		Profit and loss	
	2017 £	2016 £	2017 £	2016 £
Pakistan Rupees	(1,697)	(3,929)	-	-
US Dollars	<u>(37,029)</u>	<u>(40,545)</u>	<u>37,029</u>	<u>40,545</u>

A 10 percent weakening of sterling against the Pakistan Rupee and US Dollar at 31 December 2017 would have an equal but opposite effect on the amounts shown above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

20. FINANCIAL RISK MANAGEMENT - continued

ii) Interest Rate Risk

The Group is exposed to interest rate risk on its interest bearing bank accounts and loans.

	Weighted average interest rate %	2017 £	Weighted average interest rate %	2016 £
Cash and cash equivalents	0.97	220,124	0.61	943,311
Loans	1.50	-	1.50	-
		<u>220,124</u>		<u>943,311</u>

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by £4,343 (2016: £15,050).

b) 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 unsecured loans to its subsidiaries of £996,073 (2016: £900,073) to Sindh Carbon Energy Limited and £69,965 (2016: £3,925) to Thar Electricity (Private) Limited. Although they are repayable on demand, they are unlikely to be repaid until the project becomes successful and the subsidiaries start to generate revenue.

c) 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:

	2017 £	2016 £
Maturity up to one year:		
Trade and other payables	190,578	89,276
Tax liabilities	<u>30,092</u>	<u>14,344</u>
	<u>220,670</u>	<u>103,620</u>

d) Fair Values of Financial Assets and Liabilities

The Group measures the fair value of its financial assets and liabilities in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

20. **FINANCIAL RISK MANAGEMENT - continued**

The Group holds a derivative financial asset of US\$500,000 (2016: US\$500,000) requiring revaluation to sterling at the balance sheet date. The fair value of the derivative financial asset amounted to £370,291 (2016: £405,446) and is measured in line with level 2 hierarchy.

The carrying value of all financial assets and liabilities in the financial statements approximate their fair values.

Capital Management

The Company's capital consists wholly of ordinary shares, together with their associated share premium. 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.

21. **CONTINGENT LIABILITIES**

On 3 February 2015 a performance guarantee for US\$500,000 was issued in favour of Director General, Coal Mines Development Department to cover company obligations under the mining lease. The guarantee was originally valid up to the earliest of the date commercial operations begin, three years from the date of issue, or 2 February 2018. This has been extended to 31 January 2019. This performance guarantee is secured by a deposit by Oracle Power PLC with the issuing bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017
22. RELATED PARTY DISCLOSURES

During the year Oracle Power PLC accrued interest of £12,287 (2016: £13,353) in respect of loans totalling £996,073 (2016: £900,073) made to Sindh Carbon Energy Limited and £492 (2016: £55) in respect of loans totalling £69,965 (2016: £3,925) made to Thar Electricity (Private) Limited. At the Statement of Financial Position date the total interest outstanding amounted to £116,264 (2016: £103,977) for Sindh Carbon Energy Limited and £564 (2016: £72) for Thar Electricity (Private) Limited.

Following the decision in 2013 to make a full impairment provision against the loans and interest owed by Sindh Koela Limited, Oracle Power PLC accrued no interest in the year (2016: nil) in respect of the loans. On 12 January 2018, the Company reached agreement to acquire the remaining 199,999 shares in Sindh Carbon Energy Limited which were not owned by the Company from the then shareholder, Sindh Koela Limited, as noted in Note 23. As part of this agreement, the loans of £41,029 (2016: £41,029) and interest of £5,904 (2016: £5,904) which were previously impaired have been fully written off.

Oracle Power PLC owes £804,516 (2016: £804,516) to its subsidiary Revive Financial Limited in respect of a loan. The loan is interest free and is repayable within 30 days of receiving a written notice demanding repayment.

Key management personnel compensation

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

Mr S Khan (Chief Executive Officer)
 Mr A C R Scutt (Non-Executive Director)
 Mr M W Steed (Non-Executive Director)
 Mr A Migge (Non-Executive Director)
 Mr Y Mordacq (Non-Executive Director)
 Mr S Smith (Finance Manager)
 Mr B Rostron (Mining and Contracts Manager)

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

	2017 £	2016 £
Short-term employee benefits	419,564	422,200
Post-employment benefits	8,400	7,230
Termination benefits	-	2,083
Share-based benefits	-	-
	<u>427,964</u>	<u>431,513</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

23. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2018, the Company reached agreement to acquire the remaining 199,999 shares in Sindh Carbon Energy Limited which were not owned by the Company from the then shareholder, Sindh Koela Limited ("SKL") a private company incorporated in Pakistan, for a maximum consideration of £3.6 million. The initial consideration of £2.2 million was satisfied through the issuance of 95,652,174 shares in Oracle (the "Acquisition Shares") at 2.3p per share. If upon financial close of the Company's Thar Block VI coal mine project, the value of the Acquisition Shares issued to SKL is less than £3.6 million, based on the Company's share price at the time, Oracle Power PLC will issue further shares at the prevailing market price to SKL to make good any shortfall. Upon completion of the acquisition, the Company has 100% ownership of the Company.

Further to this issue of equity, an equity placing was announced on 27 March 2018 raising £550,000 before costs. The placing was at 1.4 pence per ordinary share and 39,285,710 were issued. The impact of these two equity placings on the substantial shareholdings in the Company is shown on page 17 of the Directors Report.

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 affect:

- 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 2017

24. 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 active in the year 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 – lapsed 31 March 2017	8,080,000	10 years
15 November 2007 – lapsed 31 March 2017	200,000	10 years
18 April 2011 – lapsed 31 March 2017	250,000	6 years
2 March 2015 – exercised 28 December 2017	23,076,920	3 years

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

	Weighted average exercise price 2017	Number of options 2017	Weighted average exercise price 2016	Number of options 2016
Outstanding at 1 January	1.40p	31,606,920	2.31p	33,206,920
Expired during the period	5.00p	(8,530,000)	10.00p	(1,600,000)
Exercised during period	0.65p	<u>(23,076,920)</u>	-	<u>-</u>
Outstanding at 31 December		<u>-</u>	1.40p	<u>31,606,920</u>
Exercisable at 31 December		<u>-</u>	1.40p	<u>31,606,920</u>

During the year 23,076,920 (2016: Nil) share options were exercised at an exercise price of 0.65p per share and 8,530,000 (2016: 1,600,000) share options expired unexercised with a weighted average exercise price of 5p (2016: 10p).

No options were granted during the year.