



Annual Report **2010**

FOR THE YEAR ENDED 31 DECEMBER 2010

Oracle Coalfields PLC

REPORT DIRECTORY

COMPANY INFORMATION

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REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS: PERIOD HIGHLIGHTS

- Placings raised £2 million during the course of 2010. This includes an investment of over £1 million by Regency Mines PLC who now hold approximately 10% of the enlarged share capital of the Company.
- Work continued throughout the year on the studies for the Bankable Feasibility Study (BFS) on the Block VI licence, including the Environmental & Social Impact Assessment (ESIA)
- Appointment of internationally reputed independent consultants to oversee drilling programme and completion of feasibility study to bankable standard

REVIEW

Over the past year, Oracle Coalfields (referred to as “the Company” or “Oracle Coalfields”) continued to make good progress towards meeting its objective of delivering a cost-effective coal mine on the Block VI coal deposit in the Thar Coalfield of Southern Pakistan.

The project has continued to attract strong support from the Pakistan Government and the Government of Sindh Province. The Company's progress continues to attract widespread public attention because of the pressing need to increase local fuel production and address the deficit in power generation. This is particularly important for Karachi, an industrial hub of more than 15 million people located in the Sindh Province, which experiences at least 5-6



hours of load-shedding on a daily basis. Other population centre face similar interruptions in power supply. The popular discontent and industrial disruption resulting from the power deficit remains a key area of concern for the Pakistan authorities.

BLOCK VI, THAR COALFIELD, SINDH PROVINCE

Oracle Coalfields' 80% owned Pakistan subsidiary, Sindh Carbon Energy Limited, was granted the 66.1 square kilometre Block VI licence of the Thar Coalfield by the Mines and Mineral Development Department, Government of Sindh, in November 2007 for an initial period of three years. During 2010 the licence was extended for a further year by the Coal & Energy Development Department (formerly the Mines & Mineral Development Department). It is planned to convert this into a Mining Lease during 2011.

Block VI is located in the Sindh desert:

- Situated 380 km east from Karachi, Sindh Province
- Block VI is some 32 km from the small town of Islamkot with close proximity to roads and power networks
- In 2006 China NE Geological Survey Bureau (CNGB) drilled 35 boreholes, a total of 9,852 metres, of which 5,986 metres are cored, validated by independent consultants to take it to a JORC resource standard
- All boreholes have been geophysically logged - log suite: natural gamma, density, resistivity, and caliper
- Good infrastructure including roads and a low voltage electricity grid.

As per the pre-feasibility study, the coal at Block VI has an average calorific value of 3,537 kcal/kg, a moisture content of 40%, which can be reduced to 14% by drying, a sulphur level of 1.2%, and an ash content of 7.5%, which is low when compared with typical lignite coals. Coal tests were carried out by TES Bretby Ltd in the UK, and the Fuel Research Centre, part of Pakistan Council of Scientific and Industrial Research (PCSIR), Karachi and rock samples were tested by Strata Surveys Ltd of the UK. The coal quality is suitable for power plants and industry, particularly in the cement sector.

The work programme for developing the 1.4bn tonnes Block VI coal deposit is proceeding, with the target of completing the Definitive Feasibility Study and the Bankable Feasibility Study in 2011. Wardell Armstrong International (WAI) was appointed to prepare the Environmental and Social Impact Statement which is now well advanced. In addition the Company appointed SRK Consulting (UK) Ltd. (SRK) to carry out an independent review of the technical work on the feasibility studies carried out by our main technical consultants, Dargo Associates Ltd. (Dargo). In addition SRK will prepare a definitive feasibility study to bankable standard. Aquaterra, an international water and environmental company is working with SRK on the hydrogeological assessment of the project.

The pre-feasibility study prepared by Dargo in 2008 confirmed that the proposed open pit mining operation will require the dewatering of the two aquifers lying above the main coal seam in Block VI. This will have the valuable potential to provide water for the project as well as the local population.

Prior to the start of the Definitive Feasibility Study the Company completed a drilling programme in 2008 to verify previous work done on Block VI and also enable the Company to take the project to the internationally recognised JORC standard, all of which was overseen by Dargo. Following is the summary resource table for Block VI:

LIGNITE COAL RESOURCES/RESERVES FOR BLOCK VI (JORC)

Note: Mt = Million tonnes

	Overburden	Lignite coal measured resources	Lignite coal proved reserves
	Mm3	Mt	Mt
Block VI total area	10,200	1,423	-
Total Mine area	3,673	653	-
Phase I Open pit area	885	-	128
Phase II Open pit area	1,685	-	243

Source: Dargo Associates Limited

During 2009 Oracle Coalfields entered into Memoranda of Understanding with the Karachi Electric Supply Company (KESC) and Lucky Cement Limited. These two relationships are of major importance to Oracle Coalfields as they potentially secure initial long term coal off-take from the Company's mine. Close cooperation has continued with those companies throughout the year in preparation for the development of detailed sales agreements in 2011. The Company seeks to minimise the lead time to early production from the mine and generate early cash flow. Supplies to the cement industry, especially to Lucky Cement Limited, of coal for use as industrial fuel will facilitate early production. Coal production could be expanded to fuel one or more power plants from the time that they are commissioned. This will also diversify the income sources for the Company. Subject to the satisfactory completion of the feasibility studies, raising the necessary capital and taking a Final Investment Decision, production levels for the coal mine are currently projected at 1.0 million tonnes from 2013 to a target level of 4.0 million tonnes over a three year period.

The mine remains based on an open pit design and the most cost-effective way to operate the mine initially has been projected as a truck and shovel operation. This does not preclude the use of bucketwheel equipment at a later stage when production has increased to 4 million tonnes per year at the time of power plant commissioning.

The Company was able to raise additional funds of over £2 million on the London market to fund the on-going costs of the feasibility studies during the year and at the close of the year had a balance of over £1.5 million cash in hand.

KARACHI ELECTRIC SUPPLY COMPANY (KESC)

Oracle Coalfields signed a Memorandum of Understanding in December 2009 under which KESC would develop a mine-mouth power station which would be owned and operated by a separate power generating company. Technical discussions with KESC have continued throughout 2010 and KESC have confirmed their commitment to this parallel development. The intention would be for KESC to take a Final Investment Decision on the power plant at the same time as the Company takes a Final Investment Decision on the mine development.

KESC is a major local power utility in the Sindh Province and third largest power utility in Pakistan.

- A public listed power company with financial backing from leading Middle-Eastern private equity firm Abraaj Capital
- Current capacity of 1,611 MW, mostly through increasingly expensive gas and oil-fired power stations
- Seeking to increase installed capacity to address demand growth of 7-8% pa

LUCKY CEMENT LIMITED

In addition, Oracle Coalfields is looking for additional income with the intention to generate early cash flow for the Company and shorten the lead time to coal production. The Company therefore explored the opportunity to enter potential agreements with local cement companies. Pakistan's cement sector is large and is a major user of coal, mainly imported, to support its cement works. A Memorandum of Understanding with Lucky Cement was executed in December 2009. The company is the largest cement manufacturer in Pakistan and can expect significant savings from being less dependent on costlier imported fuel. A number of other cement manufacturers are also keen to switch to domestic coal supplies.

A brief on Lucky Cement:

- The largest Portland cement producer in Pakistan with market share of 19%
- Production was affected in 2010 by the Indus valley floods and a drop in exports to the GCC countries following a reduction in construction activities in the Gulf
- Capacity of 7.75 mtpa with annual production of 5.9 mt
- 58% of annual production volume is exported and 42% supplied to the domestic construction industry
- Largest cost of production is energy (for oil, gas and coal) which constitutes 72% of total production costs.

(Source: Lucky Cement Annual Report 2009 and interim (unaudited) results for 2010)

Entering relationships with Lucky Cement and KESC is an essential step to our objective of becoming a leading supplier of coal in Pakistan. Oracle Coalfields is also able to enter relationships with additional power and cement companies as the Company would be able to increase coal supply from its Block VI mine to meet demand.

DRILLING PROGRAMME

The programme of field work as part of the Bankable Feasibility Study (BFS) on Block VI Thar Coalfield has progressed well.

A programme of 27 geological boreholes and 8 water boreholes have been drilled to further identify the nature of the overburden, the thickness of the main lignite seam and dewatering requirements respectively for the purpose of Mine Design, part of the feasibility study. During this period the Company appointed local drilling contractors, Deep Rock Drilling (Pvt) Limited and for hydrogeology the local dewatering contractors, Geoscience Associates. The drilling programme is overseen by Dargo in consultation with SRK and the hydrogeology programme is being overseen by Aquaterra.

Since the start of the field work programme, visits have been made by the team of SRK, Dargo and Aquaterra. The first was a preliminary visit held with project geologists appointed by Oracle, Deep Rock Drilling (Pvt) Limited and Geoscience Associates. The purpose of the first visit was to obtain an understanding of the logistical and general site conditions and project parameters, to discuss the planned drilling programme and sampling requirements for the open pit geotechnical study and to discuss the integration of the geotechnical and hydrogeological disciplines. On site, SRK inspected the location of all the Phase 1 geotechnical holes and the preferred site for the dewatering test boreholes was also identified by Aquaterra.

GEOTECHNICAL AND SUB-CROP DRILLING

In the second visit, the drilling programme commenced and all geological boreholes have been completed as well as lithologically and geophysically logged. Four fully cored boreholes for geotechnical testing were completed and sampled as part of the 27 geological boreholes programme. The testing laboratory in the United Kingdom has been selected and over 300 samples had been dispatched to the United Kingdom for further tests. This testing programme set out represents a minimum requirement for a project of this size in Phase 1 assuming homogeneity of material properties across the deposit.

All past and current borehole locations and elevations are being surveyed and samples of the lignite obtained from the boreholes have been sent for analysis to Bahria University in Karachi. The coal quality tests are under ASTM standard.

*Hydrogeology drilling at Block VI site
overseen by Oracle Coalfields'
independent consultants Aquaterra
October 2010.*



PHASE 1 - MINE AREA

Within the Block VI covering an area of 66.1 square kilometres, the most prospective mining area based on thickness of coal seam and favourable stripping ratio for the opencast mining operation is to the south central and south west part of the block covering an area of approximately 20 square kilometres. This mining area is in two phases of development, Phase 1 and Phase 2. The focus at the moment is on Phase 1 covering an area of approximately 10 square kilometres where all the work programme is underway, i.e. the 27 geological boreholes (4 geotechnical boreholes and 23 sub-crop drilling) and separately 8 water boreholes (4 test wells and 4 observation wells). The mining in Phase 2 will commence after Phase 1 mining has been fully exhausted. This will be detailed in the feasibility study.

HYDROGEOLOGY DRILLING

Water is an important element of the project, as dewatering will be required to enable mining to proceed and water supply will be required for both the power station and mine. Hydrogeological studies have been commenced by Aquaterra for both the feasibility study and ESIA.

Meetings were held with KESC and Non-Governmental Organisations (NGOs) representing local communities in the project area to discuss the scope of work, agree the approach and volumes of water required for the power plant.

The first phase of work involves the drilling of boreholes to improve understanding of the hydrogeology of the site. Four test wells and four observation wells have been drilled successfully in total. GeoScience Associates had been commissioned to drill the boreholes under the supervision of Aquaterra.

A study on the local village water supplies is being undertaken simultaneously.

Once testing is complete analysis will be undertaken to confirm the rate of dewatering and the availability of water for the power plant and mine supplies.

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIA)

During the period a visit was made by the team from Wardell Armstrong International for the purpose of the ESIA. Wardell Armstrong had meetings with relevant government agencies, NGOs and local communities at Block VI site. The team also met a local environmental consultant to work under the supervision of Wardell Armstrong. The meeting with the local operating NGOs in District of Tharparkar enabled Wardell Armstrong to collect additional data for the ESIA and also was an important forum for Oracle Coalfields with the opportunity to reaffirm the Company's commitment to the project and to operate in accordance with the principles of corporate responsibility and in line with national and international requirements. This is driven by both moral and commercial imperatives. The tone of the meeting was open and amicable, and the attendees were receptive to the explanations provided, and gave constructive com-

mentary on pertinent local issues that should be taken into account as part of the assessment. Overall, there was support for the project, and the benefits that it would bring, particularly with regard to poverty alleviation through direct and indirect employment. Comments generally related to the need for local employment prioritisation, protection of water supplies and their desire to see the project expeditiously executed.

Senior members of the KESC team also visited the Block VI site for field inspection as part of their power plant feasibility study for the construction of a mine-mouth 300MW power plant on the Block VI area. Liaison with KESC as the principal customer for the Block VI lignite is ongoing.

A house with secure grounds in Islamkot, nearest township to Block VI site, has been rented for the site geologists to use as accommodation/office and provide security for geological samples. A separate base camp has also been set up at site.

GOVERNMENT SUPPORT

During the year the Company continued to meet with senior officials from the Government of Sindh, Coal & Energy Development Department (CEDD) and ministers at the Federal level. From these meetings and discussions, it was very evident that official support for our project continues to grow. Amongst other things, the Government is giving active consideration to funding the construction of a canal to provide additional water to the project area, undertaking the groundwork needed to link the project to the national rail system, and upgrading the existing grid to 500KW. As in the past, all infrastructure investment is continuing to be undertaken by government funding.

Oracle Coalfields had meetings with the Thar Coal Energy Board (TCEB), an entity set up at the federal level that comprises federal and provincial level ministers and secretaries. The objective of TCEB is to 'fast-track' procedures for implementation of projects in Thar. The TCEB is implementing a program to convert the Thar Coalfield area into a Special Economic Zone (SEZ). The SEZ would be investor-friendly with particular emphasis on tax-breaks.

A committee has been formed by TCEB/CEDD to fast-track infrastructure development relevant to the Thar coal field area, at their cost, by overseeing the work to be done by local contractors and agencies. Oracle Coalfields has been placed on this committee not only to provide input but also jointly with Sindh Government monitor the progress on infrastructure development work programme. Presently, the work involves upgrading the road network, electricity grid, construction of airstrip in Mithi/Islamkot and establishing a canal and railway link to the Thar coal mine area.

KHOREWAH, INDUS EAST, SINDH PROVINCE

In early February 2007 the Company's subsidiary, Sindh Carbon Energy Limited, was granted an exploration licence over 100 square kilometres of the KhoreWah coalfield in the Indus East region of the Sindh Province of Pakistan. The depth of the coal seam is such that underground mining would be necessary in order to make the project economic.

The granting of the more advanced and geologically attractive Block VI project in the Thar Coalfield has seen the development of the KhoreWah licence deferred in order to utilise available funds on the Thar Coalfield. However, whilst available resources have been focussed on the development of Block VI, it remains the Company's intention to further develop the KhoreWah licence at a suitable point in the future.

OTHER INITIATIVES

Oracle Coalfields continue to monitor other possible industrial uses of Thar coal, in addition to power generation and in the domestic cement industry. With new technologies being developed outside Pakistan to convert lignite coal into more valuable end products, the Company intends to monitor closely these initiatives for possible future applications in Pakistan. This includes established processes of liquefaction and gasification which can be used to convert lignite coal into liquefied fuels and synthetic gas.

THE PAKISTAN POWER MARKET

Currently, the country is short of 3,000-3,500 MW to meet immediate demand. The government have put in place various initiatives to attract immediate development of power plants as well as availability of rental power plants. These initiatives have generally resulted in a poor response from the private sector, though a handful of small independent power plants came into operation recently in different parts of the country.

If the Gross Domestic Product (GDP) of the country grows as forecast by an average 6-8% per annum over the next 10 years, according to government sources, the country would require approximately 50,000 MW in the next 10 years. There is certainly a major shortfall in electricity supply. Coal has an important role to play in the country's energy mix in the coming years and it is forecast that coal would represent about 17% of all feedstock by 2025 (currently it is less than 1%).

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

As the feasibility studies for the mine are now well advanced, the principal risks and uncertainties of the Company include those summarised below:

- the ability to raise sufficient funds to continue to develop Block VI
- the conclusion of production off-take agreements at requisite commercial rates to justify the project investment
- the prompt sourcing of specialist mining equipment to ensure earliest project realisation
- the stabilisation of the on-going political situation so as to ensure the vital interests and support of major financial lenders for the project
- the maintenance of current government legislation and regulations that have so far favoured the development of the project as a flagship foreign investment necessary to strengthen the country's economy
- infrastructure development plans for the Thar region being funded and completed by the relevant federal and/or provincial government authorities
- the mitigation of environmental and social concerns

FINANCIALS

The financial results for the twelve months to 31 December 2010 show a loss for Oracle Coalfields Plc Group of Companies after taxation of £221,589 (2009: £235,230) (Company: £217,614). At the period end, the Group had cash at bank and in hand of £1,506,475 (Company: £1,457,680) and total assets less current liabilities of £2,345,171 (Company: £2,347,065). The basic loss per share was 0.15p (2009: loss 0.20p). The loss is attributable to the development of the Company's coal licences in Pakistan and administrative expenses.

POST-PERIOD DEVELOPMENT

The Company has been able to complete the drilling programme on schedule as part of the feasibility study. A number of studies are underway for completion of the definitive feasibility to bankable standard.

The Company is now considering listing on Alternative Investment Market (AIM) of the London Stock Exchange. The purpose of the Company listing on AIM is to raise its profile and reach out to a wider institutional investor audience in preparation for raising the larger investment required to bring the Block VI coal mine to development.

OUTLOOK

The Board is pleased that the Block VI, Thar coal project Definitive Feasibility Study and the Bankable Feasibility Study are progressing well. The objective is to reduce project risks through these international quality feasibility studies. For this reason, independent international consultants have been appointed with experience in developing coal mine operations of this nature.

The continued rises in world energy prices have strengthened the economic rationale for this project as the cost of alternative imported supplies of oil and coal increase.

Although the security situation in Pakistan has remained fragile due to political and economic uncertainties, it is important to note that the Company's project area in Tharparkar has remained peaceful throughout. Geographically, the project area is distant from the north of the country where most of the unrest is concentrated. Furthermore, the national economy is being strengthened by substantial foreign aid in support of the Government's efforts to stabilise the political situation and boost investor confidence.

Finally, the Board is grateful for the patience shareholders have shown in supporting the Company's management team during the feasibility phase. The Company also extends its thanks to the Mines and Minerals Development Department and Coal & Energy Development Department, Government of Sindh, the Thar Coal Energy Board and the Sindh Coal Authority for their continued assistance.

The Company will continue to update the market on its progress.



*NGO and local stakeholders meeting held in Mithi, Tharparkar on 19th October 2010
arranged by Oracle Coalfields and joined in by KESC team*

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2010.

DIRECTORS

The directors during the year under review were:

Mr S Khan
Mr A C R Scutt
Mr M R Stead

The beneficial interests of the directors holding office on 31 December 2010 in the issued share capital of the company were as follows:

Ordinary 0.1p shares	31.12.10	1.1.10
Mr S Khan	29,530,791	29,530,791
Mr A C R Scutt	113,000	113,000
Mr M R Stead	20,000	20,000

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

Ordinary 0.1p shares under option	Number	Exercise price	Expiry date
Mr S Khan	6,000,000	5p	31.03.2012
Mr A C R Scutt	2,000,000	5p	31.03.2012
Mr M R Stead	200,000	5p	15.11.2012

INFORMATION ON DIRECTORS

SHAHRUKH KHAN

Chairman and Chief Executive Officer

Mr Khan was educated in the USA (at Harvard University) and in the UK. He was awarded a BA in Business administration and Economics (finance and international business) at Richmond, the American International University in London. Mr Khan has over nine years' experience in project finance, with a particular focus upon the natural resource and infrastructure related sector. He has worked on a number of international assignments, predominantly in the Middle East, South Asia and China. He has specialist expertise in large and complex projects, including project valuation and investment appraisal, financial modelling, feasibility studies and other project finance related services. Mr Khan is the Non-Executive Director of All Star Minerals plc, which commenced trading on PLUS in April 2006. He is also a director of Al Nasr Europe Limited, a London-based trading and finance company (a sister company of Al Nasr Trading and Industrial Corporation of Saudi Arabia), which is involved in the metals and minerals industries and the energy sector.

ANTHONY SCUTT

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 expertise 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. Mr Scutt is a Non-Executive director of AIM-listed Starvest plc and Beowulf Mining plc, and of PLUS-quoted Agricola Resources plc.

RODERICK STEAD

Non-executive Director

Mr Stead was awarded BSc in Economics from the London School of Economics and is qualified accountant, FCCA. He brings considerable experience in a wide variety of management roles in the oil, gas, coal, mining and forestry industries in different environments. This includes Board experience in over 25 companies. Particular experience in corporate governance issues, strategic business analysis and the management of major joint venture relationships and strategic alliances. Between 1967 and 2003, Mr Stead worked in several international locations for the Royal Dutch Shell Group of Companies. His positions included working as the Finance Controller for Shell Expro, the operator of the Shell/Exxon North Sea joint venture between 1984-1987, before moving to Chile, where he was Finance Director and a board

member of 18 Chilean Shell subsidiaries between 1987-1991. From 1991-1996 Mr Stead worked as Group Advisor on Acquisition and Divestments for Shell International Petroleum Company Ltd. From 1996-1999 he was based in the Sultanate of Oman, where he worked as leader of the financing team for Oman LNG LLC, prior to becoming leader of the financing team for Nigeria LNG Ltd between 1999-2003. Mr Stead has extensive experience in project finance negotiations with investment banks, multilateral agencies, export credit agencies, commercial banks, law firms and accountants. Wide experience in structuring international and cross border acquisitions, mergers and divestments.

EDWARD TAYLOR

Company Secretary

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



Geotechnical drilling at Block VI site overseen by Oracle Coalfields' independent consultants SRK Consulting and Dargo Associates, 13th October 2010

GROUP'S POLICY ON PAYMENT OF CREDITORS

The Group abides by its policy to pay suppliers within their credit terms. At the statement of financial position date, the trade payables outstanding represented 38 days.

FINANCIAL INSTRUMENTS

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

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

LIQUIDITY RISK

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

CREDIT RISK

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

CAPITAL MANAGEMENT

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

MARKET RISK

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

COMMODITY PRICE RISK

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

REMUNERATION REPORT

INTRODUCTION

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

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

UNAUDITED INFORMATION: REMUNERATION POLICY

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

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

NON-EXECUTIVE DIRECTORS' TERMS OF ENGAGEMENT

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

AUDITED INFORMATION

Aggregate Directors' Remuneration

The remuneration paid to the Directors, in accordance with the service contracts, during the year ended 31 December 2010 was as follows:

	Salary & Fees £	Pensions £	Termination benefits £	Share based payments £	2010 Total £	2009 Total £
Executive						
Mr S Khan	47,000	-	-	-	47,000	47,000
Non-executive						
Mr A C R Scutt	15,000	-	-	-	15,000	15,000
Mr M R Stead	15,000	-	-	-	15,000	15,000
Mr C Windham (1)	-	-	-	-	-	12,969

Note - (1) resigned 15 May 2009

SUBSTANTIAL SHAREHOLDINGS

The directors are aware of the following who were interested, directly or indirectly, in 3% or more of the Group's ordinary shares on 31 December 2010:

	Shareholding	% holding
Mr S Khan	29,530,791	16.0%
Starvest plc	21,003,333	11.4%
Sunvest Corporation Limited	20,000,000	10.9%
Regency Mines plc	18,500,000	10.0%
Mr R Rowan	10,000,000	5.4%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'S Khan', with a horizontal line underneath and three dots to the right.

S Khan - Director

Date: 4 April 2011

REPORT OF THE INDEPENDENT AUDITORS

We have audited the financial statements of Oracle Coalfields plc Group of Companies for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 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 for use in the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted for use in 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

Date: 7 April 2011

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £	2009 £
CONTINUING OPERATIONS			
Revenue	2	-	-
Other operating income		-	111
Administrative expenses		<u>(222,674)</u>	<u>(236,157)</u>
OPERATING LOSS		<u>(222,674)</u>	<u>(236,046)</u>
Finance income	4	<u>1,085</u>	<u>816</u>
LOSS BEFORE INCOME TAX	5	<u>(221,589)</u>	<u>(235,230)</u>
Income tax	6	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u><u>(221,589)</u></u>	<u><u>(235,230)</u></u>
Loss attributable to: Owners of the parent		<u><u>(221,589)</u></u>	<u><u>(235,230)</u></u>
Earnings per share expressed in pence per share:	8		
Basic		-0.15	-0.20
Diluted		<u><u>-0.13</u></u>	<u><u>-0.16</u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 £	2009 £
LOSS FOR THE YEAR	(221,589)	(235,230)
OTHER COMPREHENSIVE INCOME		
Exchange difference on consolidation	1,724	(16,143)
Income tax relating to other comprehensive income	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>1,724</u>	<u>(16,143)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(219,865)</u>	<u>(251,373)</u>
Total comprehensive income attributable to:		
Owners of the parent	(219,865)	(251,373)
Non-controlling interests	<u>-</u>	<u>-</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010

	Notes	2010 £	2009 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	855,830	492,131
Property, plant and equipment	11	2,814	3,072
Investments	12	-	-
Loans and other financial assets	13	<u>63,645</u>	<u>63,186</u>
		<u>922,289</u>	<u>558,389</u>
CURRENT ASSETS			
Trade and other receivables	14	36,093	12,322
Cash and cash equivalents	15	<u>1,506,475</u>	<u>5,859</u>
		<u>1,542,568</u>	<u>18,181</u>
TOTAL ASSETS		<u><u>2,464,857</u></u>	<u><u>576,570</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	184,211	122,360
Share premium	18	3,284,291	1,309,043
Translation reserve	18	(4,563)	(6,287)
Retained earnings	18	<u>(1,134,797)</u>	<u>(913,208)</u>
		2,329,142	511,908
Non-controlling interests	16	<u>16,029</u>	<u>16,029</u>
TOTAL EQUITY		<u><u>2,345,171</u></u>	<u><u>527,937</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	<u>119,686</u>	<u>48,633</u>
TOTAL LIABILITIES		<u><u>119,686</u></u>	<u><u>48,633</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,464,857</u></u>	<u><u>576,570</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2011 and were signed on its behalf by:

S Khan - Director

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010

	Notes	2010 £	2009 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	370,184	241,399
Property, plant and equipment	11	-	-
Investments	12	64,115	64,115
Loans and other financial assets	13	<u>479,365</u>	<u>244,365</u>
		<u>913,664</u>	<u>549,879</u>
CURRENT ASSETS			
Trade and other receivables	14	48,826	21,652
Cash and cash equivalents	15	<u>1,457,680</u>	<u>4,066</u>
		<u>1,506,506</u>	<u>25,718</u>
TOTAL ASSETS		<u><u>2,420,170</u></u>	<u><u>575,597</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	184,211	122,360
Share premium	18	3,284,291	1,309,043
Retained earnings	18	<u>(1,121,437)</u>	<u>(903,823)</u>
TOTAL EQUITY		<u>2,347,065</u>	<u>527,580</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	<u>73,105</u>	<u>48,017</u>
TOTAL LIABILITIES		<u>73,105</u>	<u>48,017</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,420,170</u></u>	<u><u>575,597</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2011 and were signed on its behalf by:

S Khan - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Called up share capital £	Profit and loss account £	Share premium £
Balance at 1 January 2009 – as previously reported	114,046	(668,122)	1,068,406
Prior year adjustment	-	(9,856)	-
As restated	114,046	(677,978)	1,068,406
Changes in equity			
Issue of share capital	8,314	-	240,637
Total comprehensive income	-	(235,230)	-
Balance at 31 December 2009 – as restated	<u>122,360</u>	<u>(913,208)</u>	<u>1,309,043</u>
Balance at 1 January 2010 – as previously reported	122,360	(919,495)	1,309,043
Prior year adjustment	-	6,287	-
As restated	122,360	(913,208)	1,309,043
Changes in equity			
Issue of share capital	61,851	-	1,975,248
Total comprehensive income	-	(221,589)	-
Balance at 31 December 2010	<u>184,211</u>	<u>(1,134,797)</u>	<u>3,284,291</u>

	Translation reserve £	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2009 – as previously reported	-	514,330	16,029	530,359
Prior year adjustment	9,856	-	-	-
As restated	9,856	514,330	16,029	530,359
Changes in equity				
Issue of share capital	-	248,951	-	248,951
Total comprehensive income	(16,143)	(251,373)	-	(251,373)
Balance at 31 December 2009 – as restated	<u>(6,287)</u>	<u>511,908</u>	<u>16,029</u>	<u>527,937</u>
Balance at 1 January 2010 – as previously reported	-	511,908	16,029	527,937
Prior year adjustment	(6,287)	-	-	-
As restated	(6,287)	511,908	16,029	527,937
Changes in equity				
Issue of share capital	-	2,037,099	-	2,037,099
Total comprehensive income	1,724	(219,865)	-	(219,865)
Balance at 31 December 2010	<u>(4,563)</u>	<u>2,329,142</u>	<u>16,029</u>	<u>2,345,171</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Called up share capital £	Profit and loss account £	Share premium £	Total equity £
Balance at 1 January 2009	114,046	(671,779)	1,068,406	510,673
Changes in equity				
Issue of share capital	8,314	-	240,637	248,951
Total comprehensive income	-	(232,044)	-	(232,044)
Balance at 31 December 2009	<u>122,360</u>	<u>(903,823)</u>	<u>1,309,043</u>	<u>527,580</u>
Changes in equity				
Issue of share capital	61,851	-	1,975,248	2,037,099
Total comprehensive income	-	(217,614)	-	(217,614)
Balance at 31 December 2010	<u>184,211</u>	<u>(1,121,437)</u>	<u>3,284,291</u>	<u>2,347,065</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £	2009 £
Cash flows from operating activities			
Cash generated from operations	1	(174,777)	(294,282)
Exchange rate fluctuation on cash held		<u>37</u>	<u>(421)</u>
Net cash from operating activities		<u>(174,740)</u>	<u>(294,703)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(361,776)	(91,682)
Purchase of tangible fixed assets		(437)	-
Interest received		<u>470</u>	<u>139</u>
Net cash from investing activities		<u>(361,743)</u>	<u>(91,543)</u>
Cash flows from financing activities			
Proceeds of share issue		2,318,040	249,401
Cost of share issue		<u>(280,941)</u>	<u>(450)</u>
Net cash from financing activities		<u>2,037,099</u>	<u>248,951</u>
Increase/(Decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year	2	<u>5,859</u>	<u>143,154</u>
Cash and cash equivalents at end of year	2	<u><u>1,506,475</u></u>	<u><u>5,859</u></u>

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

	2010 £	2009 £
Loss before income tax	(221,589)	(235,230)
Finance income	<u>(1,085)</u>	<u>(816)</u>
	(222,674)	(236,046)
(Increase)/Decrease in trade and other receivables	(23,156)	14,199
Increase/(Decrease) in trade and other payables	<u>71,053</u>	<u>(72,435)</u>
Cash generated from operations	<u><u>(174,777)</u></u>	<u><u>(294,282)</u></u>

2. CASH AND CASH EQUIVALENTS

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

Year ended 31 December 2010

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

Year ended 31 December 2009

	31/12/09 £	1/1/09 £
Cash and cash equivalents	<u>5,859</u>	<u>143,154</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Reporting entity

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

Going concern

The directors have considered the cashflow requirements of the Group over the next 18 months. If the Group is to continue its explorations it may be necessary to raise additional funds. Whilst it is difficult in the current economic downturn to generate the extra funds required, the directors expect to meet the funding requirements and therefore believe that the going concern basis is appropriate for the preparation of the financial statements.

Compliance with accounting standards

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

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

Significant accounting judgements, estimates and assumptions

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

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

Basis of consolidation

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

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

Changes in accounting policies

The board of directors have reviewed the Group's accounting policy regarding the treatment of exchange differences arising on the consolidation of overseas subsidiary undertakings. The policy has been amended so that net exchange differences classified as equity are separately tracked in a translation reserve rather than being included in retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2010

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.

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 profit and loss account.

Financial instruments

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

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

Taxation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES - continued

Foreign currencies

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

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

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

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

Share-based payment transactions

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

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

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

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES - continued

New standards and interpretations applied

In preparing these financial statements the Group has reviewed all new standards and interpretations, but there are no standards effective for the year commencing 1 January 2010 requiring new interpretations to be applied.

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

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

- IAS 1 Presentation of Financial Statements (revised 2009) - annual review of IFRSs
- IAS 7 Statement of Cash Flows (revised 2009) - annual review of IFRSs
- IAS 17 Leases (amended 2009) - annual review of IFRSs
- IAS 36 Impairment of Assets (amended 2009) - annual review of IFRSs
- IAS 39 Financial Instruments (amended 2008) - amendments for eligible hedged items
- IAS 39 Financial Instruments (amended 2009) - amendments for embedded derivatives and the annual review of IFRSs
- IFRS 2 Share-based Payments (amended 2009) - amendments relating to annual review of IFRSs and group cash-settled share-based payment transaction
- IFRS 3 Business Combinations (amended 2008) - comprehensive revision on applying the acquisition method
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amended 2008) - annual review of IFRSs
- IFRS 3 Non-current Assets Held for Sale and Discontinued Operations (amended 2009) - annual review of IFRSs
- IFRS 8 Operating Segments (amended 2009) - annual review of IFRSs
- IFRIC 9 Reassessment of Embedded Derivatives - annual review of IFRSs
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation - annual review of IFRSs
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year commencing 1 January 2010 and have not been applied in preparing these financial statements:

- IAS 1 Presentation of Financial Statements (amended 2010)
- IAS 12 Income Taxes (amended 2010)
- IAS 24 Related Party Disclosures (amended 2009)
- IAS 27 Consolidated and Separate Financial Statements (amended 2010)
- IAS 32 Financial Instruments (amended 2010)
- IAS 34 Interim Financial Reporting (amended 2010)
- IFRS 3 Business Combinations (amended 2010)
- IFRS 7 Financial Instruments (amended 2010)
- IFRS 9 Financial Instruments (amended 2009)
- IFRIC 13 Customer Loyalty Programmes (amended 2010)
- IFRIC 14 AS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amended 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

2. SEGMENTAL REPORTING

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

3. **EMPLOYEES AND DIRECTORS**

	2010	2009
	£	£
Wages and salaries	77,000	89,969
Social security costs	<u>5,781</u>	<u>8,590</u>
	<u>82,781</u>	<u>98,559</u>

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

	2010	2009
Directors	<u>3</u>	<u>3</u>

	2010	2009
	£	£
Directors' remuneration	<u>77,000</u>	<u>89,969</u>

4. **NET FINANCE INCOME**

	2010	2009
	£	£
Finance income:		
Deposit account interest	470	139
Other loan interest	<u>615</u>	<u>677</u>
	<u>1,085</u>	<u>816</u>

5. **LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging:

	2010	2009
	£	£
Depreciation - owned assets	758	768
Auditors' remuneration	<u>9,800</u>	<u>11,100</u>

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

6. **INCOME TAX**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2010 nor for the year ended 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

6. **INCOME TAX - continued**

Factors affecting the tax charge

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

	2010 £	2009 £
Loss on ordinary activities before tax	<u>(221,589)</u>	<u>(235,230)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(62,045)	(65,864)
Effects of:		
Interest capitalised in subsidiary	1,113	892
Potential deferred taxation on losses for year	60,932	78,210
Effect of change of rate of tax	-	(13,436)
Expenses disallowed for tax purposes	<u>-</u>	<u>198</u>
Total income tax	<u>-</u>	<u>-</u>

Tax effects relating to effects of other comprehensive income

	Gross	2010 Tax	Net
Exchange difference on consolidation	<u>1,724</u>	<u>-</u>	<u>1,724</u>
	<u>1,724</u>	<u>-</u>	<u>1,724</u>
	Gross	2009 Tax	Net
Exchange difference on consolidation	<u>(16,143)</u>	<u>-</u>	<u>(16,143)</u>
	<u>(16,143)</u>	<u>-</u>	<u>(16,143)</u>

The Group and Company has estimated losses of £1,120,729 (2009 - £903,115) to carry forward against future trading profits. The overseas subsidiary has not yet generated profits or losses and there is no charge for foreign taxation for the year (2009 - nil).

7. **LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(217,614) (2009 - £(232,044)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

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.

Reconciliations are set out below.

	Earnings £	2010 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(221,589)	145,644,977	-0.15
Effect of dilutive securities			
Options granted	-	<u>23,122,384</u>	-
Diluted EPS			
Adjusted earnings	<u>(221,589)</u>	<u>168,767,361</u>	<u>-0.13</u>

	Earnings £	2009 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(235,230)	120,492,015	-0.20
Effect of dilutive securities			
Options granted	-	<u>26,242,054</u>	-
Diluted EPS			
Adjusted earnings	<u>(235,230)</u>	<u>146,734,069</u>	<u>-0.16</u>

9. **PRIOR YEAR ADJUSTMENT**

The board of directors have reviewed the Group's accounting policy regarding the treatment of exchange differences arising on the consolidation of overseas subsidiary undertakings. The policy has been amended so that net exchange differences classified as equity are separately tracked in a translation reserve rather than being included in retained earnings.

As a result of the change of policy, the opening retained earnings as at 1 January 2009 have been reduced by £9,856 with a translation reserve being created for the same amount. The exchange translation difference of £16,143 included in the retained earnings in 2009 has now been re-classified to the translation reserve to create an opening negative translation reserve of £6,287 as at 1 January 2010 with the opening retained earnings increased by an equivalent amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

10. INTANGIBLE ASSETS

Group

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

	Exploration costs £
COST	
At 1 January 2009	409,722
Additions	124,551
Exchange differences	<u>(42,142)</u>
At 31 December 2009	<u>492,131</u>
NET BOOK VALUE	
At 31 December 2009	<u>492,131</u>

Company

	Exploration costs £
COST	
At 1 January 2010	241,399
Additions	<u>128,785</u>
At 31 December 2010	<u>370,184</u>
NET BOOK VALUE	
At 31 December 2010	<u>370,184</u>
At 31 December 2009	<u>241,399</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

10. INTANGIBLE ASSETS - continued

Company

	Exploration costs £
COST	
At 1 January 2009	181,006
Additions	<u>60,393</u>
At 31 December 2009	<u>241,399</u>
NET BOOK VALUE	
At 31 December 2009	<u>241,399</u>

11. PROPERTY, PLANT AND EQUIPMENT

Group

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

11. PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Motor vehicles £
COST	
At 1 January 2009	7,310
Exchange differences	<u>(1,311)</u>
At 31 December 2009	<u>5,999</u>
DEPRECIATION	
At 1 January 2009	2,632
Charge for year	768
Exchange differences	<u>(473)</u>
At 31 December 2009	<u>2,927</u>
NET BOOK VALUE	
At 31 December 2009	<u><u>3,072</u></u>

12. INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2010 and 31 December 2010	<u>64,115</u>
NET BOOK VALUE	
At 31 December 2010	<u><u>64,115</u></u>
	Shares in group undertakings £
COST	
At 1 January 2009 and 31 December 2009	<u>64,115</u>
NET BOOK VALUE	
At 31 December 2009	<u><u>64,115</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

12. INVESTMENTS - continued

Company

The group or the company's investments at the statement of financial position date in the share capital of companies include the following:

Subsidiary

Sindh Carbon Energy Limited

Country of incorporation: Pakistan

Nature of business: Coal exploration and mining

Class of shares:	% holding	2010 £	2009 £
Ordinary	80.00		
Aggregate capital and reserves		<u>80,144</u>	<u>80,144</u>

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

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

13. LOANS AND OTHER FINANCIAL ASSETS

Group

	Other loans £
At 1 January 2010	63,186
Exchange movement	<u>459</u>
At 31 December 2010	<u>63,645</u>
	Other loans £
At 1 January 2009	68,029
Exchange movement	<u>(4,843)</u>
At 31 December 2009	<u>63,186</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

13. **LOANS AND OTHER FINANCIAL ASSETS - continued**

Group

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

There is a loan of PKR 2,000,000, amounting to £16,029 (2009 - £16,029) made by Oracle Coalfields plc to Sindh Koela Limited, representing Sindh Koela Limited's initial 20% shareholding of 200,000 shares of PKR 10 per share.

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

At the statement of financial position date there is a loan of £25,000 (2009 - £25,000) from Oracle Coalfields plc to Sindh Koela Limited. The loan is interest free, unsecured and is not due for repayment until the joint venture starts to generate revenues.

At the statement of financial position date there is a loan of PKR 3,000,000, amounting to £22,616 (2009 - £22,157) from Sindh Carbon Energy Limited to Sindh Koela Limited. The loan is interest free, unsecured and is not due for repayment until the joint venture starts to generate revenues.

Company

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

	Loans to group undertakings £	Other loans £	Totals £
At 1 January 2009	172,356	41,029	213,385
New in year	<u>30,980</u>	-	<u>30,980</u>
At 31 December 2009	<u>203,336</u>	<u>41,029</u>	<u>244,365</u>

In addition to the loans made by Oracle Coalfields plc to Sindh Koela Limited as detailed above, Oracle Coalfields plc made loans of £235,000 (2009 - £30,980) to Sindh Carbon Energy Limited, its subsidiary company during the period and the amount outstanding at the statement of financial position date was £438,336 (2009 - £203,336). Interest accrues on a daily basis at a rate of 1% over the Bank of England base rate. The loan is unsecured and although it is repayable on demand, it is unlikely to be repaid until the project becomes successful and the subsidiary starts to generate revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Current:				
Other receivables	5,186	3,497	18,417	12,827
VAT	25,602	2,753	25,602	2,753
Prepayments and accrued income	<u>5,305</u>	<u>6,072</u>	<u>4,807</u>	<u>6,072</u>
	<u>36,093</u>	<u>12,322</u>	<u>48,826</u>	<u>21,652</u>

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Bank deposit account	1,447,680	-	1,447,680	-
Bank accounts	<u>58,795</u>	<u>5,859</u>	<u>10,000</u>	<u>4,066</u>
	<u>1,506,475</u>	<u>5,859</u>	<u>1,457,680</u>	<u>4,066</u>

16. NON-CONTROLLING INTERESTS

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

17. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Allotted, issued and fully paid 184,211,000 (2009 - 122,359,668) Ordinary shares of 0.1p each	<u>184,211</u>	<u>122,360</u>

43,351,332 Ordinary shares of 0.1p each were allotted as fully paid for cash at a premium of 2.9p per share during the year.

18,500,000 Ordinary shares of 0.1p each were allotted as fully paid for cash at a premium of 5.4p per share during the year.

The number of shares in issue are as follows:

	2010 No.	2009 No.
At 1 January 2010	122,359,668	114,046,334
Issued during the year	<u>61,851,332</u>	<u>8,313,334</u>
At 31 December 2010	<u>184,211,000</u>	<u>122,359,668</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

18. RESERVES

Group

	Retained earnings £	Share premium £	Translation reserve £	Totals £
At 1 January 2010 – as previously reported	(919,495)	1,309,043	-	389,548
Prior year adjustment	<u>6,287</u>	<u>-</u>	<u>(6,287)</u>	<u>-</u>
As restated	(913,208)	1,309,043	(6,287)	389,548
Deficit for the year	(221,589)			(221,589)
Cash share issue	-	2,256,189	-	2,256,189
Cost of share issue	-	(280,941)	-	(280,941)
Exchange translation difference	-	-	1,724	1,724
At 31 December 2010	<u>(1,134,797)</u>	<u>3,284,291</u>	<u>(4,563)</u>	<u>2,144,931</u>

	Retained earnings £	Share premium £	Translation reserve £	Totals £
At 1 January 2009 – as previously reported	(668,122)	1,068,406	-	400,284
Prior year adjustment	<u>(9,856)</u>	<u>-</u>	<u>9,856</u>	<u>-</u>
As restated	(677,978)	1,068,406	9,856	400,284
Deficit for the year	(235,230)			(235,230)
Cash share issue	-	241,087	-	241,087
Cost of share issue	-	(450)	-	(450)
Exchange translation difference	-	-	(16,143)	(16,143)
At 31 December 2009 – as restated	<u>(913,208)</u>	<u>1,309,043</u>	<u>(6,287)</u>	<u>389,548</u>

Company

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

	Retained earnings £	Share premium £	Totals £
At 1 January 2009	(671,779)	1,068,406	396,627
Deficit for the year	(232,044)		(232,044)
Cash share issue	-	241,087	241,087
Cost of share issue	-	(450)	(450)
At 31 December 2009	<u>(903,823)</u>	<u>1,309,043</u>	<u>405,220</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Current:				
Trade payables	60,367	20,409	60,367	20,409
Social security and other taxes	1,434	-	1,434	-
Other payables	904	17,219	904	17,219
Accruals and deferred income	<u>56,981</u>	<u>11,005</u>	<u>10,400</u>	<u>10,389</u>
	<u>119,686</u>	<u>48,633</u>	<u>73,105</u>	<u>48,017</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

20. **FINANCIAL INSTRUMENTS**

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

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

Liquidity Risk

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

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

Group

	2010 £	2009 £
Trade and other payables	118,252	48,633
Tax liabilities	<u>1,434</u>	<u>-</u>
	<u>119,686</u>	<u>48,633</u>

Company

Trade and other payables	71,671	48,017
Tax liabilities	<u>1,434</u>	<u>-</u>
	<u>73,105</u>	<u>48,017</u>

Credit Risk

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

The Company has made an unsecured loan of £438,336 (2009 - £203,336) to its subsidiary Sindh Carbon Energy Limited. Although it is repayable on demand, it is unlikely to be repaid until the project becomes successful and the subsidiary starts to generate revenue.

Capital Management

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

Market Risk

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

Commodity Price Risk

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

21. RELATED PARTY DISCLOSURES

During the year, Oracle Coalfields plc has accrued interest receivable of £3,975 (2009 - £3,186) and £615 (2009 - £677) in respect of loans made to Sindh Carbon Energy Limited and Sindh Koela Limited respectively. The interest was outstanding at the year end and is included within other receivables.

Key management personnel compensation

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

Mr S Khan (Chairman and chief executive officer)

Mr A C R Scutt (Non-executive director)

Mr M R Stead (Non-executive director)

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

	2010 £	2009 £
Short-term employee benefits	77,000	89,969
Post-employment benefits	-	-
Termination benefits	-	-
Share-based benefits	-	-
	<u>77,000</u>	<u>89,969</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.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2010 £	2009 £
Loss for the financial year	(221,589)	(235,230)
Proceeds of share issue	2,318,040	249,401
Cost of share issue	(280,941)	(450)
Exchange translation difference	<u>1,724</u>	<u>(16,143)</u>
Net addition/(reduction) to shareholders' funds	1,817,234	(2,422)
Opening shareholders' funds	<u>511,908</u>	<u>514,330</u>
Closing shareholders' funds	<u>2,329,142</u>	<u>511,908</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company

	2010	2009
	£	£
Loss for the financial year	(217,614)	(232,044)
Proceeds from issue of shares	2,318,040	249,401
Cost of share issue	<u>(280,941)</u>	<u>(450)</u>
Net addition to shareholders' funds	1,819,485	16,907
Opening shareholders' funds	<u>527,580</u>	<u>510,673</u>
Closing shareholders' funds	<u><u>2,347,065</u></u>	<u><u>527,580</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2010**

23. **SHARE-BASED PAYMENT TRANSACTIONS**

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

Grant date	Number of instruments	Contractual life of options
13 February 2007	20,080,000	5 years

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

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2010	2010	2009	2009
Outstanding at 1 January	6.89p	25,742,054	6.89p	25,742,054
Expired during the period	14.00p	<u>(5,662,054)</u>	-	<u>-</u>
Outstanding at 31 December	5.00p	<u>20,080,000</u>	6.89p	<u>25,742,054</u>
Exercisable at 31 December	5.00p	<u>20,080,000</u>	6.89p	<u>25,742,054</u>

No share options were exercised during the year (2009 - nil). During the year 5,662,054 (2009 - nil) share options expired unexercised with a weighted average exercise price of 14p. The options outstanding at 31 December 2010 have an exercise price of 5p (2009 - range of 5p to 14p), and a weighted average remaining contractual life of 1.27 years (2009 - 1.85 years).

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

	Services 2007
Fair value at grant date	0.0003p
Share price	1p
Exercise price	5p
Expected volatility	20%
Option life	5 years
Risk-free interest rate	5%

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

There were no equity-settled share-based payment transactions during the year and therefore no charges to include in the financial statements (2009 - £nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (Meeting) of Oracle Coalfields plc (the Company) will be held at Sceptre Court, 40 Tower Hill, London EC3N 4DX on Tuesday 21 June 2011 at 2.30 pm to transact the following business:

AS ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's audited accounts for the period from 1 January 2010 to 31 December 2010 and the directors' and auditors' reports thereon;
2. To re-elect Martin Roderick Stead as a director of the Company; and
3. To re-appoint Price Bailey LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and authorise the directors to fix the auditors' remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, of which resolution 4 will be proposed as an ordinary resolution and resolution 5 will be proposed as a special resolution:

4. THAT, for the purposes of section 551 of the Companies Act 2006 (the Act) the directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £100,000 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

This authority is in substitution for any and all authorities previously conferred upon the directors for the purposes of section 551 of the Act, without prejudice to any allotments made pursuant to the terms of such authorities.

5. THAT, subject to the passing of resolution 4 above the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution 4 above as if section 561 of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to:
 - 5.1. the allotment of equity securities for cash in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities subject only to such exclusions or other arrangements as the directors of the Company may consider necessary or expedient to

deal with fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and

- 5.2. the allotment (otherwise than pursuant to resolution 5.1) of equity securities for cash up to an aggregate nominal value of £100,000.

The power conferred by this resolution 5 shall expire (unless previously renewed, revoked or varied by the Company in general meeting), at such time as the general authority conferred on the directors of the Company by resolution 4 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By order of the Board
Edward Taylor
Company secretary

Oracle Coalfields PLC
Richmond House
Broad Street
Ely, Cambridgeshire CB7 4AD



Community meeting near Block VI, Thar Coalfield, Sindh Province

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

APPOINTMENT OF PROXIES

- 1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 2.30 pm on Friday 17 June 2011 or, if this Annual General Meeting is adjourned, 48 hours (excluding bank holidays and weekends) prior to the time fixed for the adjourned meeting, shall be entitled to attend and vote at the Annual General Meeting.
- 2 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 3 A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA to obtain another hard copy form.
- 5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- 6 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be completed and signed, sent or delivered to the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 2.30 pm on Friday 17 June 2011. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Annual General Meeting.
- 7 In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- 8 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- 9 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

ORACLE COALFIELDS PLC

ANNUAL GENERAL MEETING PROXY FORM

Before completing this form, please read the explanatory notes overleaf.

I /We (BLOCK CAPITALS PLEASE) (name(s)) of

(address(es))

being (a) member(s) of the Company appoint the Chairman of the meeting or (see note 3) as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 21st June 2011 at 2.30pm and at any adjournment of the meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

RESOLUTIONS	For	Against	Vote Withheld
1 Ordinary Resolution To receive and adopt the Company's audited accounts for the year ended 31 December 2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Ordinary Resolution To re-elect Martin Roderick Stead as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Ordinary Resolution To reappoint Price Bailey LLP as auditors of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ordinary Resolution To authorise the Directors to allot relevant securities up to an aggregate nominal amount of £100,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Special Resolution To disapply pre-emption rights in relation to the allotment of securities up to an aggregate nominal amount of £100,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature

Date



NOTES TO THE PROXY FORM

- 1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
- 2 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- 3 A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
- 4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting". All forms must be signed and should be returned together in one envelope.
- 5 To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- 6 To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA;
 - and received by Neville Registrars Limited no later than Friday 17 June 2011 at 2.30 pm.
- 7 In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- 8 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- 9 CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent Neville Registrars Limited 7RA11 by Sunday 19 June 2011 at 2.30 pm.
- 10 You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.
- 11 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 12 For details of how to change your proxy instructions see the notes to the notice of meeting.



NOTES

Lined area for notes, consisting of approximately 35 horizontal lines.

