

CAP ENERGY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

CAP ENERGY LIMITED

COMPANY INFORMATION

DIRECTORS

Timothy Hearley
John Killer
Clair Opsal

COMPANY SECRETARY

Richard Shand

COMPANY NUMBER

05351398

REGISTERED OFFICE

32 Station Road
Beccles
Norwich
Suffolk
NR34 9QJ

AUDITORS

Ashings Limited
Chartered Accountants
First Floor
Barbican House
26/34 Old Street
London
EC1V 9QQ

CAP ENERGY LIMITED

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CAP ENERGY LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The chairman presents his statement for the period.

The Company's results for the year ended 31 December 2011 showed that the Company made a loss of £101,691 on turnover of £Nil. These results reflect the lack of positive operational results from Cap's Louisiana interests in recent years which has prevented the Company from raising any new funds, either to progress field development or to cover administrative overheads. It was clear this situation could not continue.

Early in 2011, the Directors began discussions with a variety of energy and other groups on the possibility of new assets being injected into Cap with associated funding, either with or without the disposal by the Company of the Louisiana assets. At first, little progress was made and the decision was made by the Directors to suspend trading in the Company's ordinary shares on the PLUS-quoted Market in August 2011.

After further discussions, Cap made an announcement to the market that the Company had signed Heads of Agreement with investors who had indicated their intention to inject new capital into the Company and to change its strategic direction.

I am pleased to report that we will shortly be announcing details of the capital injection and certain other proposals. A circular convening a General Meeting of the Company to approve these proposals will be posted to shareholders in due course. If approved, these proposals will provide shareholders in Cap with the opportunity to participate in an investment vehicle focused on the acquisition of oil and gas exploration and production assets, principally in Sub-Saharan Africa.

I wish to thank the Directors, officers and shareholders of the Company for their support during the year.

Name: Timothy Hearley
Chairman

Date 4 April 2012

CAP ENERGY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company'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 group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in directors' reports may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITIES

The principal activities of the Group is the exploration of oil and gas opportunities through the direct acquisition of exploration and/or producing oil and gas assets.

DIRECTORS

The directors who served during the year were:

Timothy Hearley
John Killer
Clair Opsal

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

CAP ENERGY LIMITED

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

AUDITORS

The auditors, Ashings Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 4 April 2012 and signed on its behalf.

Richard Shand
Secretary

CAP ENERGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAP ENERGY LIMITED

We have audited the financial statements of Cap Energy Limited for the year ended 31 December 2011, which comprise the group profit and loss account, the group and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER

Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 1.8 of the financial statements concerning the uncertainty around the future of the company. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CAP ENERGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAP ENERGY LIMITED

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.

Darryl Ashing FCA (senior statutory auditor)

for and on behalf of

Ashings Limited

Chartered Accountants

First Floor
Barbican House
26/34 Old Street
London
EC1V 9QQ

4 April 2012

CAP ENERGY LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
TURNOVER	1,2	-	4,641
Cost of sales		-	(2,777)
		<u> </u>	<u> </u>
GROSS PROFIT		-	1,864
Administrative expenses		(60,906)	(209,865)
Exceptional administrative expenses		-	(288,363)
Total administrative expenses		(60,906)	(498,228)
		<u> </u>	<u> </u>
OPERATING LOSS	3	(60,906)	(496,364)
Loss on disposal of investments		(11)	-
Amounts written off investments		-	(7,750)
Interest payable and similar charges		(40,774)	(49,647)
		<u> </u>	<u> </u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(101,691)	(553,761)
Tax on loss on ordinary activities	6	-	-
		<u> </u>	<u> </u>
LOSS FOR THE FINANCIAL YEAR	14	(101,691)	(553,761)
		<u> </u>	<u> </u>
EARNINGS PER SHARE	7	(0.01)	(0.07)

The notes on pages 9 to 15 form part of these financial statements.

CAP ENERGY LIMITED
REGISTERED NUMBER: 05351398

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	8		269,056		269,056
Investments	9		-		12,250
			<u>269,056</u>		<u>281,306</u>
CURRENT ASSETS					
Debtors	10	115		-	
Cash at bank		187		8,473	
		<u>302</u>		<u>8,473</u>	
CREDITORS: amounts falling due within one year	11	(156,039)		(75,504)	
NET CURRENT LIABILITIES			<u>(155,737)</u>		<u>(67,031)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>113,319</u>		<u>214,275</u>
CREDITORS: amounts falling due after more than one year	12		(507,490)		(507,490)
NET LIABILITIES			<u><u>(394,171)</u></u>		<u><u>(293,215)</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		43,987		43,737
Share premium account	14		1,379,834		1,375,084
Foreign exchange reserve	14		6,805		11,070
Profit and loss account	14		(1,824,797)		(1,723,106)
SHAREHOLDERS' DEFICIT			<u><u>(394,171)</u></u>		<u><u>(293,215)</u></u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 April 2012.

Timothy Hearley
Director

The notes on pages 9 to 15 form part of these financial statements.

CAP ENERGY LIMITED
REGISTERED NUMBER: 05351398

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Investments	9		1,887		14,137
CURRENT ASSETS					
Debtors	10	115		-	
Cash at bank		76		40	
		<u>191</u>		<u>40</u>	
CREDITORS: amounts falling due within one year	11	<u>(156,037)</u>		<u>(74,702)</u>	
NET CURRENT LIABILITIES			<u>(155,846)</u>		<u>(74,662)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(153,959)</u>		<u>(60,525)</u>
CREDITORS: amounts falling due after more than one year	12		<u>(507,490)</u>		<u>(507,490)</u>
NET LIABILITIES			<u><u>(661,449)</u></u>		<u><u>(568,015)</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		43,987		43,737
Share premium account	14		1,379,834		1,375,084
Profit and loss account	14		<u>(2,085,270)</u>		<u>(1,986,836)</u>
SHAREHOLDERS' DEFICIT			<u><u>(661,449)</u></u>		<u><u>(568,015)</u></u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 April 2012.

Timothy Hearley
Director

The notes on pages 9 to 15 form part of these financial statements.

CAP ENERGY LIMITED

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

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2 CASH FLOW

The financial statements do not include a consolidated cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.3 BASIS OF CONSOLIDATION

The financial statements consolidate the accounts of Cap Energy Limited and all of its subsidiary undertakings ('subsidiaries').

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own profit and loss account.

The profit and loss account for the year dealt with in the accounts of the company was £98,434 (2010 - £130,130).

1.4 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.5 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Other Fixed Assets	-	Over the life of the well to a maximum of ten years
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The carrying value of the wells have already been impaired to net realisable value by the directors, and they do not deem it appropriate to charge any further depreciation.

1.6 INVESTMENTS

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Other investments**
Investments held as fixed assets are shown at cost less provision for impairment.

1.7 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

CAP ENERGY LIMITED

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

1. ACCOUNTING POLICIES (continued)

1.8 GOING CONCERN

As detailed in the Chairman's statement, the company has disposed of all its US assets during the year apart from the Stark's Dome interest. The directors are negotiating to dispose of this asset which they hope to conclude shortly. Thereafter the company will have no operating assets and will seek alternative activities. If none are located the company will ultimately have to close.

1.9 SHARE BASED PAYMENTS

The fair value of options granted to directors in respect of services provided is recognised as an expense in the profit and loss account with a corresponding increase in equity reserves – the share based payment reserve.

On exercise or cancellation of share options, the proportion of the share based payment reserve relevant to those options is transferred to the profit and loss account reserve. On exercise, equity is also increased by the amount of the proceeds received.

The fair value is measured at grant date charged in the accounting period during which the option becomes unconditional.

The fair value of options is calculated using the Black-Scholes model taking into account the terms and conditions upon which the options were granted. Vesting conditions are non-market and there are no market vesting conditions. The exercise price is fixed at the date of grant and no compensation is due at the date of grant.

2. TURNOVER

100.0% of the company's turnover (2010 - 100.0%) is attributable to geographical markets outside the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging:

	2011 £	2010 £
Depreciation of tangible fixed assets:		
- owned by the group	-	67,765
Auditors' remuneration	-	7,784
	<u> </u>	<u> </u>

During the year, no director received any emoluments (2010 - £NIL).

Auditors fees for the company were £NIL (2010 - £7,784)

4. DIRECTORS' REMUNERATION

	2011 £	2010 £
Amounts paid to third parties for directors' remuneration services	25,806	26,058
	<u> </u>	<u> </u>

CAP ENERGY LIMITED

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

Options have been granted by the company as follows:

John Killer: 100,000 options at the beginning of 2009 with an exercise price of 20p per share. The options are fully vested and expire on 30 November 2012. A further 500,000 options were granted during 2009 with an exercise price of 10p per share, the options are fully vested and expire on 31 December 2014.

Clair Opsal: 90,000 options were granted in 2009 with an exercise price of 10p per share, the options are fully vested and expire on 31 December 2014.

Tim Hearley: 180,000 options were granted in 2009 with an exercise price of 10p per share, the options are fully vested and expire on 31 December 2014.

No options were granted, exercised or lapsed in the year under review.

5. EXCEPTIONAL ITEMS

	2011 £	2010 £
Loss and provision for loss on sale of fixed assets	-	288,363

6. TAXATION

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

No corporation tax has been charged during the year as the company has not made any taxable profits.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has unused tax losses of £238,503 (2010 - £150,069) that may be used against future taxable profits.

7. EARNINGS PER SHARE

The basic earnings/(loss) per share is derived by dividing the earnings/(loss) for the period attributable to ordinary shareholders by the weighted average number of shares in issue.

	2011 £	2010 £
Profit/(Loss)	(101,691)	(553,761)
Weighted average number of shares	8,797,372	8,747,372
Basic earnings/(loss) per share (pence)	(1)	(7)
Fully diluted weighted average number of shares	14,642,272	14,642,272
Fully diluted earnings/(loss) per share	(1)	(4)

CAP ENERGY LIMITED

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

8. TANGIBLE FIXED ASSETS

	Other Fixed Assets £
GROUP	
COST	
At 1 January 2011 and 31 December 2011	407,858
DEPRECIATION	
At 1 January 2011 and 31 December 2011	138,802
NET BOOK VALUE	
At 31 December 2011	269,056
<i>At 31 December 2010</i>	269,056

9. FIXED ASSET INVESTMENTS

	Listed Investments £
GROUP	
COST OR VALUATION	
At 1 January 2011	12,250
Disposals	(12,250)
At 31 December 2011	-
NET BOOK VALUE	
At 31 December 2011	-
<i>At 31 December 2010</i>	12,250
LISTED INVESTMENTS	

The market value of the listed investments at 31 December 2011 was £NIL (2010 - £12,250).

CAP ENERGY LIMITED

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

9. FIXED ASSET INVESTMENTS (continued)

COMPANY	Investments in Subsidiary Companies £	Listed Investments £	Total £
COST OR VALUATION			
At 1 January 2011	1,887	12,250	14,137
Disposals	-	(12,250)	(12,250)
At 31 December 2011	1,887	-	1,887
NET BOOK VALUE			
At 31 December 2011	1,887	-	1,887
<i>At 31 December 2010</i>	1,887	12,250	14,137

LISTED INVESTMENTS

The market value of the listed investments at 31 December 2011 was £NIL (2010 - £12,250).

Details of the principal subsidiaries can be found under note number 17.

10. DEBTORS

	<u>GROUP</u>		<u>COMPANY</u>	
	2011	2010	2011	2010
	£	£	£	£
Other debtors	115	-	115	-

**11. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	-	727	-	727
Amounts owed to other participating interest	24,826	24,826	24,826	24,826
Other creditors	131,213	49,951	131,211	49,149
	156,039	75,504	156,037	74,702

CAP ENERGY LIMITED

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

**12. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Other loans	507,490	507,490	507,490	507,490

Included within the above are amounts falling due as follows:

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
BETWEEN TWO AND FIVE YEARS				
Other loans	507,490	507,490	507,490	507,490

13. SHARE CAPITAL

	2011	2010
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
8,797,372 (2010 - 8,747,372) Ordinary shares of £0.005 each	43,987	43,737

On 6 April 2010, it was agreed to issue 50,000 shares at £0.10 this was recorded during the year under review..

On 1 October 2009 options were granted to directors over 770,000 shares at an exercise price of 10p per share expiring on 31 December 2014.

A further 90,000 share options were granted on 31 December 2009 over 90,000 shares at an exercise price of 10p per share expiring on 14 December 2014.

On 5 October 2009 the company issued £507,490 8% convertible 2012 loan notes partially in shares, partially in cash and partially to settle certain outstanding liabilities including the final element of the Starks Dome acquisition. The terms of conversion are 10p per share prior to 31 July 2010, 11p per share prior to 31 July 2011 and 12p per share prior to 31 July 2012.

14. RESERVES

GROUP	Share premium account	Foreign exchange reserve	Profit and loss account
	£	£	£
At 1 January 2011	1,375,084	11,070	(1,723,106)
Loss for the year			(101,691)
Premium on shares issued during the year	4,750		
Movement on foreign exchange		(4,265)	
At 31 December 2011	1,379,834	6,805	(1,824,797)

CAP ENERGY LIMITED

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

14. RESERVES (continued)

COMPANY	Share premium account £	Profit and loss account £
At 1 January 2011	1,375,084	(1,986,836)
Loss for the year		(98,434)
Premium on shares issued during the year	4,750	
At 31 December 2011	<u>1,379,834</u>	<u>(2,085,270)</u>

15. RELATED PARTY TRANSACTIONS

During the year under review VAIL Corporation Limited (a company in which Timothy Hearley, a director of the group was interested as director and shareholder) charged the group £12,086 (2010 - £13,058) in respect of consultancy fees.

During the year under review OPSAL Energy Inc (a company in which Clair Opsal, a director of the group, was interested as director and shareholder) charged the group £3,106 (2010 - £3,283) in respect of directors fees, consultancy fees and rechargeable expenses.

During the year under review Genoco Limited (a company in which John Killer, a director of the group, was interested as director and shareholder) charged the group £13,000 (2010 - £13,000) in respect of directors fees, consultancy and rechargeable expenses.

During the year under review the group received revenues of £Nil (2010 - £Nil) and incurred costs of £Nil (2010 - £Nil) in respect of operations at the Starks Dome field operated by CSV Holdings Inc a shareholder of the company.

At the balance sheet date the company was owed \$100,000 (2010 - \$100,000) from CSV Holdings Inc which has now been fully provided. At the balance sheet the company owed £24,826 (2010 - £24,826) in loan notes to CSV Holdings Inc.

16. CONTROLLING PARTY

The directors do not regard the group as being under the control of any single entity.

17. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
CAP Energy USA Inc	United States of America	100%	Oil extraction and sale