

Registered number: 05351398

CAP ENERGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

CAP ENERGY LIMITED

COMPANY INFORMATION

DIRECTORS

Timothy Hearley
John Killer (resigned 3 May 2012)
Clair Opsal (resigned 3 May 2012)
Lina Haider (appointed 3 May 2012)
Patrick Rocholl (appointed 3 May 2012, resigned 24 January 2013)
Pierantonio Tassini (appointed 15 February 2013)
Alexander Haly (appointed 15 February 2013)

COMPANY SECRETARY

Chanelle George

REGISTERED NUMBER

05351398

REGISTERED OFFICE

25 Dover Street
London
W1S 4LX

INDEPENDENT AUDITORS

Ashings Limited
Chartered Accountants & Statutory Auditors
Northside House
Mount Pleasant
Cockfosters
EN4 9EB

CAP ENERGY LIMITED

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CAP ENERGY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012.

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 accounting 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 AND REVIEW OF BUSINESS

Corporate Restructuring

During the course of this year, the company underwent a major corporate restructuring which involved effectively the disposal of the company's American subsidiary company which was involved in oil and gas exploration and development in the United States. The restructuring also involved the refinancing of the company and the introduction of Global Energy Trade Limited as the company's major shareholder. Alexander Haly and Lina Haidar, who are the shareholders in Global Energy Trade Limited, and Global Energy Trade Limited together own approximately 84% of the company's issued ordinary share capital. The details of this restructuring were contained in the circular sent to shareholders in April 2012.

Nature of Operations

Under the guidance of Lina Haidar, who was appointed Chief Executive in May 2012, the company is actively involved in oil and gas exploration and production activities focused primarily on sub-Saharan Africa, but also actively investigating other highly prospective areas in and around Africa.

To that end, the Directors are pleased to report that on 5 April 2013 the company acquired an 87.5% equity interest in Sphere Petroleum Corporation (BVI) a private company incorporated in the British Virgin Islands. The company therefore has an effective interest of approximately 30% in the highly prospective areas of Block 1 and Block 5B offshore the Republic of Guinea-Bissau.

CAP ENERGY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS

The loss for the year, after taxation, amounted to £40,695 (2011 - loss £101,691).

DIRECTORS

The directors who served during the year were:

Timothy Hearley

John Killer (resigned 3 May 2012)

Clair Opsal (resigned 3 May 2012)

Lina Haider (appointed 3 May 2012)

Patrick Rocholl (appointed 3 May 2012, resigned 24 January 2013)

Following the corporate restructuring referred to above, John Killer and Clair Opsal resigned as Directors with effect from 03 May 2012. Lina Haider and Patrick Rocholl were appointed to the Board on that date.

Patrick Rocholl submitted his resignation to the Company on 24 January 2013, which was subsequently accepted.

On 15 February 2013, Pierantonio Tassini was appointed Chief Operating Officer and a Director to the Company, and Alexander Haly was appointed as a Non-Executive Director. Mr Tassini has 42 years' experience in senior positions in the oil and gas sector latterly as a Senior Representative of Eni S.p.A, the Italian national oil and gas company, for their operations in West Africa.

DISCLOSURE 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 relevant audit information and to establish that the company and the group's auditors are aware of that information.

AUDITORS

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

This report was approved by the board on 7 June 2013 and signed on its behalf.

Chanelle George

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 2012, 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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.



Darryl Ashing FCA (senior statutory auditor)

for and on behalf of
Ashings Limited

Chartered Accountants
Statutory Auditors

Northside House
Mount Pleasant
Cockfosters
EN4 9EB

7 June 2013

CAP ENERGY LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Note | 2012 £ | 2011 £ |
|--|------|------------------------|-------------------------|
| Administrative expenses | | <u>(114,425)</u> | <u>(60,906)</u> |
| OPERATING LOSS | 2 | (114,425) | (60,906) |
| Profit/(loss) on disposal of investments | | 24,532 | (11) |
| Interest payable and similar charges | 5 | <u>49,198</u> | <u>(40,774)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (40,695) | (101,691) |
| Tax on loss on ordinary activities | 6 | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR | 14 | <u>(40,695)</u> | <u>(101,691)</u> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

CAP ENERGY LIMITED
REGISTERED NUMBER: 05351398
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

| | Note | £ | 2012 £ | £ | 2011 £ |
|--|------|--------------|------------------|------------|------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | 320,268 | | 269,056 |
| Investments | 9 | | 132 | | - |
| | | | <u>320,400</u> | | <u>269,056</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 10 | 3,598 | | 115 | |
| Cash at bank | | 95 | | 187 | |
| | | <u>3,693</u> | | <u>302</u> | |
| CREDITORS: amounts falling due within one year | 11 | (364,009) | | (131,213) | |
| NET CURRENT LIABILITIES | | | <u>(360,316)</u> | | <u>(130,911)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>(39,916)</u> | | <u>138,145</u> |
| CREDITORS: amounts falling due after more than one year | 12 | | - | | (507,490) |
| NET LIABILITIES | | | <u>(39,916)</u> | | <u>(369,345)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 13 | | 238,387 | | 43,987 |
| Share premium account | 14 | | 1,580,384 | | 1,404,660 |
| Foreign exchange reserve | 14 | | - | | 11,070 |
| Profit and loss account | 14 | | (1,858,687) | | (1,829,062) |
| SHAREHOLDERS' DEFICIT | 15 | | <u>(39,916)</u> | | <u>(369,345)</u> |

The notes on pages 8 to 17 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 June 2013.


Timothy Hearley
 Director


Lina Haidar
 Director

The notes on pages 8 to 17 form part of these financial statements.

CAP ENERGY LIMITED
REGISTERED NUMBER: 05351398


COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2012

| | Note | £ | 2012 £ | £ | 2011 £ |
|--|------|--------------|----------------|------------|--------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | 320,268 | | - |
| Investments | 9 | | 132 | | 1,887 |
| | | | <u>320,400</u> | | <u>1,887</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 10 | 3,598 | | 115 | |
| Cash at bank | | 95 | | 76 | |
| | | <u>3,693</u> | | <u>191</u> | |
| CREDITORS: amounts falling due within one year | 11 | (364,008) | | (131,211) | |
| NET CURRENT LIABILITIES | | | (360,315) | | (131,020) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | (39,915) | | (129,133) |
| CREDITORS: amounts falling due after more than one year | 12 | | - | | (507,490) |
| NET LIABILITIES | | | (39,915) | | (636,623) |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 13 | | 238,387 | | 43,987 |
| Share premium account | 14 | | 1,580,384 | | 1,404,660 |
| Profit and loss account | 14 | | (1,858,686) | | (2,085,270) |
| SHAREHOLDERS' DEFICIT | 15 | | (39,915) | | (636,623) |

The notes on pages 8 to 17 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 June 2013.


Timothy Hearley
 Director


Lina Haidar
 Director

The notes on pages 8 to 17 form part of these financial statements.

CAP ENERGY LIMITED

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

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 applicable accounting standards.

1.2 BASIS OF CONSOLIDATION

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

The results of subsidiaries sold are included up to the effective date of disposal.

1.3 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:

| | | |
|---------------------|---|---|
| Fixtures & Fittings | - | 25% straight line |
| Other Fixed Assets | - | Over the life of the well to a maximum of ten years |

Other fixed assets represent initial exploratory and related costs which will either be written off in full on abandonment of an exploration programme or which will be amortised over the life of any subsequent well.

1.4 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.

1.5 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 2012

2. OPERATING LOSS

The operating loss is stated after charging/(crediting):

| | 2012 £ | 2011 £ |
|--|--------------|-----------|
| Depreciation of tangible fixed assets: | | |
| - owned by the group | 573 | - |
| Auditors' remuneration | 4,524 | - |
| Difference on foreign exchange | 926 | - |
| | <u>5,023</u> | <u>-</u> |

During the year, no director received any emoluments (2011 - £NIL).

Auditors fees for the company were £4,524 (2011 - £Nil)

3. STAFF COSTS

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

| | 2012 No. | 2011 No. |
|-----------|-------------|-------------|
| Directors | <u>3</u> | <u>3</u> |

4. DIRECTORS' REMUNERATION

| | 2012 £ | 2011 £ |
|--|-----------------|---------------|
| Amounts paid to third parties for directors' remuneration services | <u>(16,729)</u> | <u>25,806</u> |

The directors, as part of the recapitalisation of the company that took place on 3 May 2012, have agreed to waive part of their accrued fees.

Further various options granted to the directors were cancelled at the same time.

5. INTEREST PAYABLE

| | 2012 £ | 2011 £ |
|------------------------------|-----------------|---------------|
| On bank loans and overdrafts | 1 | - |
| On other loans | (49,199) | 40,774 |
| | <u>(49,198)</u> | <u>40,774</u> |

As part of the company's recapitalisation on 3 May 2012 accrued interest costs from prior years were waived by the holders of the loan notes resulting in a credit of £49,199 (2011 - £Nil).

CAP ENERGY LIMITED

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

6. TAXATION

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2011 - *lower than*) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%). The differences are explained below:

| | 2012 £ | 2011 £ |
|---|-----------|-----------|
| Loss on ordinary activities before tax | (40,695) | (101,691) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%) | (9,970) | (26,938) |
| EFFECTS OF: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 10,963 | 1,325 |
| Capital allowances for year in excess of depreciation | (421) | - |
| Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment | (65,404) | - |
| Unrelieved tax losses carried forward | 5,437 | 24,754 |
| Unrelieved loss on foreign subsidiaries | 59,395 | 859 |
| CURRENT TAX CHARGE FOR THE YEAR (see note above) | - | - |

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 £260,696 (2011 - £238,503) 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.

| | 2012 £ | 2011 £ |
|---|------------|------------|
| Profit/(Loss) | (40,695) | (101,691) |
| Weighted average number of shares | 29,325,930 | 8,797,372 |
| Basic earnings/(loss) per share (pence) | - | (1) |
| Fully diluted weighted average number of shares | 29,325,930 | 14,642,272 |
| Fully diluted earnings/(loss) per share | - | (1) |

CAP ENERGY LIMITED

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

8. TANGIBLE FIXED ASSETS

| GROUP | Fixtures & Fittings £ | Other Fixed Assets £ | Total £ |
|-------------------------------------|--|-------------------------------------|--------------------|
| COST | | | |
| At 1 January 2012 | - | 407,858 | 407,858 |
| Additions | 2,292 | 318,549 | 320,841 |
| Relating to discontinued operations | - | (763,321) | (763,321) |
| Impairment losses written back | - | 355,463 | 355,463 |
| At 31 December 2012 | 2,292 | 318,549 | 320,841 |
| DEPRECIATION | | | |
| At 1 January 2012 | - | 138,802 | 138,802 |
| Charge for the year | 573 | - | 573 |
| On disposals | - | 355,462 | 355,462 |
| Relating to discontinued operations | - | (494,264) | (494,264) |
| At 31 December 2012 | 573 | - | 573 |
| NET BOOK VALUE | | | |
| At 31 December 2012 | 1,719 | 318,549 | 320,268 |
| At 31 December 2011 | - | 269,056 | 269,056 |

| COMPANY | Fixtures & Fittings £ | Other Fixed Assets £ | Total £ |
|-----------------------|--|-------------------------------------|--------------------|
| COST | | | |
| At 1 January 2012 | - | - | - |
| Additions | 2,292 | 318,549 | 320,841 |
| At 31 December 2012 | 2,292 | 318,549 | 320,841 |
| DEPRECIATION | | | |
| At 1 January 2012 | - | - | - |
| Charge for the year | 573 | - | 573 |
| At 31 December 2012 | 573 | - | 573 |
| NET BOOK VALUE | | | |
| At 31 December 2012 | 1,719 | 318,549 | 320,268 |
| At 31 December 2011 | - | - | - |

CAP ENERGY LIMITED

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

9. FIXED ASSET INVESTMENTS

| | Other Fixed Asset Investments £ |
|--------------------------|--|
| GROUP | |
| COST OR VALUATION | |
| At 1 January 2012 | - |
| Additions | 132 |
| | <hr/> |
| At 31 December 2012 | 132 |
| | <hr/> |
| NET BOOK VALUE | |
| At 31 December 2012 | 132 |
| | <hr/> <hr/> |
| At 31 December 2011 | - |
| | <hr/> <hr/> |

Other fixed asset investments relates to shares in the company held by the Employee Benefit Trust.

| | Investments in Subsidiary Companies £ | Other Fixed Asset Investments £ | Total £ |
|--------------------------|---|--|-------------|
| COMPANY | | | |
| COST OR VALUATION | | | |
| At 1 January 2012 | 1,887 | - | 1,887 |
| Additions | - | 132 | 132 |
| Disposals | (1,887) | - | (1,887) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2012 | - | 132 | 132 |
| | <hr/> | <hr/> | <hr/> |
| NET BOOK VALUE | | | |
| At 31 December 2012 | - | 132 | 132 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| At 31 December 2011 | 1,887 | - | 1,887 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Details of the principal subsidiaries can be found under note number 19.

Other fixed asset investments relates to shares in the company held by the Employee Benefit Trust.

10. DEBTORS

| | GROUP | | COMPANY | |
|---------------|--------------|-------------|----------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Other debtors | 3,598 | 115 | 3,598 | 115 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

CAP ENERGY LIMITED

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

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

| | GROUP | | COMPANY | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | 68 | - | 68 | - |
| Shareholder loans | 328,068 | - | 328,068 | - |
| Other creditors | 32,848 | - | 32,848 | - |
| Accruals and deferred income | 3,025 | 131,213 | 3,024 | 131,211 |
| | 364,009 | 131,213 | 364,008 | 131,211 |

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

| | GROUP | | COMPANY | |
|-------------|--------------|-------------|----------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Other loans | - | 507,490 | - | 507,490 |

Included within the above are amounts falling due as follows:

| | GROUP | | COMPANY | |
|-----------------------------------|--------------|-------------|----------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| BETWEEN TWO AND FIVE YEARS | | | | |
| Other loans | - | 507,490 | - | 507,490 |

13. SHARE CAPITAL

| | 2012 | 2011 |
|---|----------------|---------------|
| | £ | £ |
| ALLOTTED, CALLED UP AND FULLY PAID | | |
| 39,759,867 Ordinary shares of £0.005 each | 198,799 | - |
| 7,917,650 Deferred shares of £0.005 each | 39,588 | - |
| 8,797,372 Ordinary shares of £0.005 each | - | 43,987 |
| | 238,387 | 43,987 |

CAP ENERGY LIMITED

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

13. SHARE CAPITAL (continued)

On 3 May 2012 the company undertook a series of transactions which resulted in the disposal of its sole subsidiary Cap Energy Inc. for consideration of \$1, the cancellation of £268,740 8% loan notes and the transfer of 256,246 shares in the company to an employee benefit trust.

On 3 May 2012 the existing ordinary shares were replaced on the basis of 10 existing ordinary shares for 1 new ordinary share and 9 deferred shares.

On 3 May 2012 7,640,000 new ordinary shares were issued to redeem the remaining £238,750 8% loan notes.

On 3 May 2012 1,240,144 new ordinary shares were issued to defray certain creditors including those of certain directors.

On 3 May 2012 30,000,000 new ordinary shares were issued for a total consideration of £150,000.

On 1 March 2013 following the year end 20,000,000 new ordinary shares were allotted at par for £100,000.

The deferred shares carry no voting rights nor any rights to dividends. In addition, holders of Deferred Shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of New Ordinary Shares have received a payment of £10,000,000 on each such share. The Deferred Shares will not be listed or traded and will not be transferable without the prior written consent of the Board. No share certificates will be issued following the Capital Reorganisation for the Deferred Shares. In addition, the Board may appoint any person to act on behalf of all the holders of the Deferred Shares to procure the transfer all such shares back to the Company (or its nominee) for an aggregate consideration of 1 penny.

14. RESERVES

| | Share premium account £ | Foreign exchange reserve £ | Profit and loss account £ |
|--|----------------------------------|-------------------------------------|---------------------------------|
| GROUP | | | |
| At 1 January 2012 | 1,111,094 | 11,070 | (1,829,062) |
| Loss for the financial year | | | (40,695) |
| Premium on shares issued during the year | 469,290 | | |
| Movement on foreign exchange | | (11,070) | |
| Other movements | | | 11,070 |
| At 31 December 2012 | <u>1,580,384</u> | <u>-</u> | <u>(1,858,687)</u> |
| COMPANY | | Share premium account £ | Profit and loss account £ |
| At 1 January 2012 | | 1,111,094 | (2,085,270) |
| Profit for the financial year | | | 226,584 |
| Premium on shares issued during the year | | 469,290 | |
| At 31 December 2012 | | <u>1,580,384</u> | <u>(1,858,686)</u> |

CAP ENERGY LIMITED

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

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

| | 2012 | 2011 |
|--|-----------------|------------------|
| | £ | £ |
| GROUP | | |
| Opening shareholders' deficit | (369,345) | (271,926) |
| Loss for the financial year | (40,695) | (101,691) |
| Shares issued during the year | 194,400 | - |
| Share premium on shares issued (net of expenses) | 175,724 | 4,272 |
| Other movements in profit and loss reserve | 11,070 | - |
| Movement in foreign exchange reserve | (11,070) | - |
| | <u>(39,916)</u> | <u>(369,345)</u> |
| Closing shareholders' deficit | | |
| | <u>(39,916)</u> | <u>(369,345)</u> |
| | | |
| | 2012 | 2011 |
| | £ | £ |
| COMPANY | | |
| Opening shareholders' deficit | (636,623) | (542,461) |
| Profit/(loss) for the financial year | 226,584 | (98,434) |
| Shares issued during the year | 194,400 | - |
| Share premium on shares issued (net of expenses) | 175,724 | 4,272 |
| | <u>(39,915)</u> | <u>(636,623)</u> |
| Closing shareholders' deficit | | |
| | <u>(39,915)</u> | <u>(636,623)</u> |

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

The profit/(loss) for the year dealt with in the accounts of the company was £226,584 (2011 - £130,130).

CAP ENERGY LIMITED

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

16. RELATED PARTY TRANSACTIONS

On 3 May 2012 as part of the recapitalisation the directors accepted the cancellation of options:

John Killer 870,000
Clair Opsal 90,000
Tim Hearley 180,000.

In addition directors accepted new ordinary shares for loan notes as follows:

John Killer 416,000 shares for £13,000 of loan notes
Tim Hearley 112,000 shares for £3,500 of loan notes.

Further directors accepted new ordinary shares for existing liabilities at a rate of 9p of shares for each £1 of liability as follows:

John Killer 315,900 shares
Tim Hearley 314,584 shares

On 3 May 2012 the company's sole subsidiary Cap Energy USA Inc. was sold to CSV Holdings Inc., a shareholder in the company. The consideration comprised \$1 for the entire share capital of Cap Energy USA Inc., cancellation by CSV Holdings Inc. of £268,740 of loan notes and all accrued interest and the transfer by CSV Holdings Inc. of 256,546 ordinary shares to an Employee Benefit Trust for a consideration of £1.

During the year shareholder loans were advanced as follows:

Global Energy Trade Limited £119,472 (2011 - £Nil) a shareholder
Lina Haider £81,517.85 (2011 - £Nil) a director and shareholder
Alexander Haly £127,129 (2011 - £Nil) a shareholder

All amounts are repayable on demand and carry no interest.

17. POST BALANCE SHEET EVENTS

On 1 March 2013 20,000,000 new ordinary shares were allotted at par for £100,000.

On 5 April 2013 the company acquired an 87.5% equity interest in Sphere Petroleum Corporation (BVI) a private company incorporated in the British Virgin Islands. The company therefore has an effective interest of approximately 30% in the highly prospective areas of Block 1 and Block 5B offshore the Republic of Guinea-Bissau.

18. CONTROLLING PARTY

The directors regard Global Energy Trade Limited, a private limited company incorporated in the British Virgin Islands as being the ultimate parent undertaking.

Global Energy Trade Limited is under the control of Alexander Haly.

19. PRINCIPAL SUBSIDIARIES

| Company name | Country | Percentage Shareholding | Description |
|--------------------|--------------------------|-------------------------|-------------------------|
| CAP Energy USA Inc | United States of America | 0 | Oil extraction and sale |

CAP ENERGY LIMITED

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

19. PRINCIPAL SUBSIDIARIES (continued)

| Company name | Country | Percentage Shareholding | Description |
|-----------------------------------|---------|----------------------------|---------------------|
| Cap Energy Employee Benefit Trust | England | 0 | Trust for employees |

Cap Energy USA Inc was disposed of on 3 May 2012. No other subsidiaries were owned during the year under review.

The Cap Energy Employee Benefit Trust was established on 3 May 2012 and holds 25,654 ordinary shares in the company.