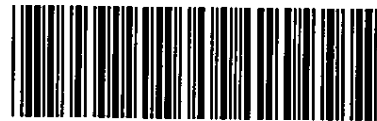


Registered number: 05351398

CAP ENERGY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

WEDNESDAY



AXIM2Q58

A19

22/12/2010

268

COMPANIES HOUSE

CAP ENERGY LIMITED

COMPANY INFORMATION

DIRECTORS

Timothy Hearley
Philippe Schreiber (resigned 14/2/2009)
Clair Opsal
John Killer

COMPANY SECRETARY

Richard Shand

COMPANY NUMBER

05351398

REGISTERED OFFICE

32 Station Road
Beccles
Norwich
Suffolk
NR34 9QJ

AUDITORS

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

CAP ENERGY LIMITED

CONTENTS

	Page
Chairman's statement	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Company balance sheet	8
Notes to the financial statements	9 - 16

CAP ENERGY LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

The chairman presents his statement for the period

At the beginning of the year, Cap finally acquired the working interests in the Stark's Dome oilfield and the Iberia Dome project, both in Louisiana, USA. The Directors of Cap believe that transactions like this are necessary for Cap to become a significant oil and gas producer with great potential for further development. As two thirds of the acquisition consideration was satisfied by the allotment of ordinary shares in Cap, the owner-operator of the two interests, CSV Holdings, Inc., now holds 29.9% of Cap's issued share capital, and has every incentive for the interests and Cap itself to succeed. On acquisition, Cap owned 25% of seven new producing oil wells, three new wells awaiting completion and a large number of depleted inoperative wells which appeared to have further productive zones.

Our first priority for 2009 was the raising of new funding to satisfy the cash element of the CSV acquisition price, to fund the completion of the three new oil wells, the recompletion of some non-producing wells and to provide working capital and corporate overhead for the coming year. Thanks to a toxic combination of weak financial markets and a low oil price, this exercise was not completed until October 2009, when Cap issued a total of £505,000 worth of interest-bearing convertible loan notes.

On completion of the funding exercise, a work programme began to place the three uncompleted remaining new oil wells on production and a preliminary series of recompletions of old oil wells on the Stark's Dome Oilfield also began. Around this time, CSV began to have problems with its salt water disposal well at Stark's Dome, which is essential for the field to be able to operate fully. The result of the difficulties of disposing of waste water meant that any wells producing water as well as oil had to be shut in, severely reducing CSV's and Cap's output.

Finally it was agreed that a new disposal well was necessary. This was a lengthy process requiring the selection and evaluation of a suitable abandoned well, design of the completion of the disposal system, approval of the planned scheme by the state authority, execution of the work, testing of the recompleted well and final approval by the state authority. All but the final element is now complete and we wait to hear that our wells can be placed back on full production.

The prolonged delay has naturally been very frustrating for the Company and their shareholders and Cap can only look forward to a better year with production unhindered by technical problems. In the period after the CSV acquisition the Company saw enough normal oil production to show that the wells were producing a decent surplus even at depressed oil prices. Current prices of around \$80 per barrel are more than adequate for our production to generate good operating surpluses.

While waiting for production to recommence, Cap continues to evaluate other possibilities which are presenting themselves in the USA and elsewhere. When finances allow, hopefully in early 2011, CSV's project in the Iberia Dome area of Louisiana will commence, with the potential for high returns.

With respect to the Company's accounts for the year, the reduction in turnover in 2009 compared with that of the previous year reflects the sale of its producing assets in Oklahoma at the end of 2008 and the loss of oil production at the Stark's Dome Oilfield in 2009 as a result of the problems with the salt water disposal well. Increased overhead was incurred in 2009 as a result of the protracted funding transaction during the year.

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

T Hearley
Chairman



Name Timothy Hearley
Chairman

Date 16 November 2010

CAP ENERGY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the financial statements for the year ended 31 December 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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
Philippe Schreiber (resigned 14/2/2009)
Clair Opsal
John Killer

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 2009**

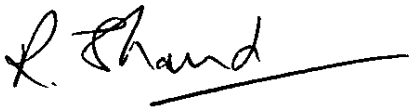
AUDITORS

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 22 November 2010 and signed on its behalf

Richard Shand
Secretary

A handwritten signature in black ink, appearing to read 'R Shand', is written over a horizontal line.

CAP ENERGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAP ENERGY LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Cap Energy Limited for the year ended 31 December 2009, 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 statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 2009 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 limitation in producing cashflow and other forecasts. 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 except as detailed above, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



Darryl Ashing FCA (senior statutory auditor)

for and on behalf of
ASHINGS LIMITED

Chartered Accountants
Registered Auditors

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

22 November 2010

CAP ENERGY LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
TURNOVER	1	38,493	44,602
Cost of sales		<u>(37,048)</u>	<u>(36,770)</u>
GROSS PROFIT		1,445	7,832
Administrative expenses		(181,906)	(133,585)
Exceptional administrative expenses		(104,986)	-
Total administrative expenses		<u>(286,892)</u>	<u>(133,585)</u>
OPERATING LOSS	3	(285,447)	(125,753)
EXCEPTIONAL ITEMS			
Other exceptional items	5	<u>-</u>	<u>130,174</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(285,447)	4,421
Interest receivable and similar income		18	1,944
Amounts written off investments		(5,000)	-
Interest payable and similar charges		<u>(1,079)</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(291,508)	6,365
Tax on (loss)/profit on ordinary activities	6	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	14	<u>(291,508)</u>	<u>6,365</u>
EARNINGS PER SHARE	7	(0 03)	-

The notes on pages 9 to 16 form part of these financial statements

CAP ENERGY LIMITED
REGISTERED NUMBER: 05351398

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	£	2009 £	£	2008 £
FIXED ASSETS					
Tangible assets	8		617,604		864,968
Investments	9		20,000		-
			<u>637,604</u>		<u>864,968</u>
CURRENT ASSETS					
Debtors	10	74,002		10,995	
Cash at bank		60,000		32,594	
		<u>134,002</u>		<u>43,589</u>	
CREDITORS , amounts falling due within one year	11	(18,113)		(585,019)	
NET CURRENT ASSETS/(LIABILITIES)			<u>115,889</u>		<u>(541,430)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>753,493</u>		<u>323,538</u>
CREDITORS , amounts falling due after more than one year	12		(507,490)		-
NET ASSETS			<u>246,003</u>		<u>323,538</u>
CAPITAL AND RESERVES					
Called up share capital	13		43,737		30,660
Share premium account	14		1,375,084		1,126,615
Foreign exchange reserve	14		(3,473)		44,100
Profit and loss account	14		(1,169,345)		(877,837)
SHAREHOLDERS' FUNDS			<u>246,003</u>		<u>323,538</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 22 November 2010

Timothy Hearley
Director



John Killer
Director



The notes on pages 9 to 16 form part of these financial statements

CAP ENERGY LIMITED
REGISTERED NUMBER: 05351398

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	£	2009 £	£	2008 £
FIXED ASSETS					
Investments	9		21,887		1,887
CURRENT ASSETS					
Debtors	10	1,598,599		879,635	
Cash at bank		49,322		9,266	
		<u>1,647,921</u>		<u>888,901</u>	
CREDITORS: amounts falling due within one year	11	<u>(13,381)</u>		<u>(15,928)</u>	
NET CURRENT ASSETS			<u>1,634,540</u>		<u>872,973</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,656,427</u>		<u>874,860</u>
CREDITORS amounts falling due after more than one year	12		<u>(507,490)</u>		<u>-</u>
NET ASSETS			<u><u>1,148,937</u></u>		<u><u>874,860</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		43,737		30,660
Share premium account	14		1,375,084		1,126,615
Profit and loss account	14		<u>(269,884)</u>		<u>(282,415)</u>
SHAREHOLDERS' FUNDS			<u><u>1,148,937</u></u>		<u><u>874,860</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 22 November 2010


Timothy Hearley
 Director


John Killer
 Director

The notes on pages 9 to 16 form part of these financial statements

CAP ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 £12,531 (2008 - £130,130)

1.4 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied, 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
--------------------	---	---

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 2009

1. ACCOUNTING POLICIES (continued)

1.8 GOING CONCERN

As detailed in the Chairman's statement, the principal assets now consists of the interests in the Stark's Dome field and related assets operated by CSV Holdings Inc. The directors believe that these assets represent significant value and that there is the likelihood of strong cashflow developing over the next year. Unfortunately the directors have been unable to obtain cashflow projections from CSV Holdings Inc. and it appears likely that these will not be forthcoming for some time. For this reason the directors have not been able to produce forecasts sufficient to prove that the group is a going concern for the twelve months from the signing of these financial statements.

The Company has received financial support from CSV Holdings Inc. allowing the Company to continue to operate. CSV Holdings Inc. has indicated that this support will continue until such time as the Company has raised sufficient funds to operate independently or has reached breakeven from operational cashflows.

2. TURNOVER

100.0% of the company's turnover (2008 - 100.0%) is attributable to geographical markets outside the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging

	2009 £	2008 £
Depreciation of tangible fixed assets		
- owned by the group	95,659	39,506
Auditors' remuneration	6,500	4,748
Exceptional administrative expenses	104,986	-
	<u>207,145</u>	<u>44,254</u>

During the year, no director received any emoluments (2008 - £NIL)

Auditors fees for the company were £6,500 (2008 - £4,748)

4. DIRECTORS' REMUNERATION

	2009 £	2008 £
Amounts paid to third parties for directors' remuneration services	26,000	27,604

CAP ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Options have been granted by the company as follows

John Killer 100,000 options at the beginning of the year 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 in the year 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 the year 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 the year with an exercise price of 10p per share, the options are fully vested and expire on 31 December 2014.

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

5. EXCEPTIONAL ITEMS

	2009 £	2008 £
Dry Well costs	-	23,976
Release of provisions against contractual disputes	-	(154,150)
Loss on sale of fixed assets	104,986	-
	<u>104,986</u>	<u>(130,174)</u>

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 £131,816 (2008 - £144,347) 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.

	2009 £	2008 £
Profit/(Loss)	(291,508)	(6,364)
Weighted average number of shares	7,751,346	5,970,918
Basic earnings/(loss) per share (pence)	3	-
Fully diluted weighted average number of shares	9,283,134	7,751,346
Fully diluted earnings/(loss) per share	-	-

CAP ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

8. TANGIBLE FIXED ASSETS

	Other fixed assets £
GROUP	
COST	
At 1 January 2009	935,473
Additions	35,000
Disposals	(186,705)
	<hr/>
At 31 December 2009	783,768
	<hr/>
DEPRECIATION	
At 1 January 2009	70,505
Charge for the year	95,659
	<hr/>
At 31 December 2009	166,164
	<hr/>
NET BOOK VALUE	
At 31 December 2009	617,604
	<hr/>
At 31 December 2008	864,968
	<hr/>

9. FIXED ASSET INVESTMENTS

	Listed Investments £
GROUP	
COST OR VALUATION	
At 1 January 2009	-
Additions	25,000
	<hr/>
At 31 December 2009	25,000
	<hr/>
IMPAIRMENT	
At 1 January 2009	-
Charge for the year	5,000
	<hr/>
At 31 December 2009	5,000
	<hr/>
NET BOOK VALUE	
At 31 December 2009	20,000
	<hr/>
At 31 December 2008	-
	<hr/>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Cap Energy USA Inc	Common	100%

CAP ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

9. FIXED ASSET INVESTMENTS (continued)

The aggregate of the share capital and reserves as at 31 December 2009 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Cap Energy USA Inc	(901,047)	(899,461)

LISTED INVESTMENTS

The market value of the listed investments at 31 December 2009 was £20,000 (2008 - £NIL)

COMPANY COST OR VALUATION	Shares in group undertakings £	Sub total carried forward £
At 1 January 2009 and 31 December 2009	1,887	1,887

COMPANY COST OR VALUATION	Sub total brought forward £	Listed investments £	Total £
At 1 January 2009	1,887	-	1,887
Additions	-	25,000	25,000
At 31 December 2009	1,887	25,000	26,887
IMPAIRMENT			
At 1 January 2009	-	-	-
Charge for the year	-	5,000	5,000
At 31 December 2009	-	5,000	5,000
NET BOOK VALUE			
At 31 December 2009	1,887	20,000	21,887
At 31 December 2008	1,887	-	1,887

LISTED INVESTMENTS

The market value of the listed investments at 31 December 2009 was ££20,000 (2008 - £NIL)

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

CAP ENERGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

10. DEBTORS

	GROUP		COMPANY	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	538	4,232	-	-
Amounts owed by group undertakings	-	-	1,597,899	878,372
Other debtors	73,464	6,763	700	1,263
	74,002	10,995	1,598,599	879,635

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	£	£	£	£
Trade creditors	1,930	48,853	280	6,927
Other creditors	16,183	536,166	13,101	9,001
	18,113	585,019	13,381	15,928

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	£	£	£	£
Other loans	507,490	-	507,490	-

Included within the above are amounts falling due as follows

	GROUP		COMPANY	
	2009	2008	2009	2008
	£	£	£	£
BETWEEN TWO AND FIVE YEARS				
Other loans	507,490	-	507,490	-

13. SHARE CAPITAL

	2009	2008
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
8,747,372 (2008 - 6,132,000) Ordinary shares of 0.5p each	43,737	30,660

CAP ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

13. SHARE CAPITAL (continued)

On 19 May 2009 the company issued 2,615,464 ordinary shares with a nominal value of £13,077 for a total consideration of £261,546

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

	Share premium account £	Foreign exchange reserve £	Profit and loss account £
GROUP			
At 1 January 2009	1,375,084	44,100	(877,837)
Loss for the year			(291,508)
Movement on foreign exchange		(47,573)	
At 31 December 2009	<u>1,375,084</u>	<u>(3,473)</u>	<u>(1,169,345)</u>
		Share premium account £	Profit and loss account £
COMPANY			
At 1 January 2009		1,375,084	(282,415)
Profit for the year			12,531
At 31 December 2009		<u>1,375,084</u>	<u>(269,884)</u>

CAP ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 £13,000 (2008 - £17,577) 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 £11,592 (2008 - £3,460) in respect of directors fees, consultancy fees and rechargeable expenses

During the year under review Clair Opsal charged an arrangement fee of £1,541 (2008 - £Nil) and interest of £1,079 (2008 - £Nil) in relation to a short term loan made to the US subsidiary. The loan was fully repaid during the year.

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 (2008 - £13,846) in respect of directors fees, consultancy and rechargeable expenses

During the year under review the group received revenues of £11,874 (2008 - £Nil) and incurred costs of £11,892 (2008 - £Nil) in respect of operations at the Starks Dome field operated by CSV Holdings Inc a shareholder of the company

In the opinion of the directors all of these transactions were undertaken on an arms length basis

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%	Trading Company