

Brady Exploration Plc (formerly Capcon Holdings Plc)

Report and Financial Statements

15 months ended

31 December 2011

Brady Exploration plc

Annual report and financial statements for the 15 months ended 31 December 2011

Contents

Page:

1	Our Business
2	Chairman's statement
3	Board of Directors
4	Report of the Directors
6	Statement of Directors' responsibilities
7	Independent auditor's report
8	Profit and loss account
9	Balance sheet
10	Cash flow statement
11	Notes forming part of the financial statements

Directors

Michael Alexander Borrelli (Chairman)

Nicholas Lee (Non-Executive Director)

Secretary

Clifford John Cavender

Company number

4196004

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Brady Exploration plc

Our Business

Main points - Highlights

- Former loss-making businesses sold
- New investment policy to focus on the natural resources sector
- Share placing resulted in cash injection to facilitate pursuit of new investment opportunities
- Name changed to Brady Exploration plc from Capcon Holdings plc

Brady Exploration plc

Chairman's statement

I am pleased to report on the Company's results for the 15 month period to 31 December 2011.

During the period under review, the Company disposed of its loss-making trading activities in audit, stocktaking and investigatory services to a company connected with two of its former directors, Ken Dulieu and Paul Jackson, which was completed and approved by shareholders on 26 October 2011. At the same time, the Company raised gross proceeds of approximately £500,000 through a placing with new investors to be put towards the implementation of a new investing policy.

Following the sale of the Company's entire trading operations it became an Investing Company under the AIM Rules and the Company has adopted an investing policy to invest in companies operating in the natural resources sector, with a focus mainly, but not exclusively, on the mining sector. The Company's name was also changed from Capcon Holdings plc to Brady Exploration plc.

Ken Dulieu, Paul Jackson, Cliff Cavender and Jane Fowler stepped down from the Board following shareholder approval of the disposal and I would like to express my thanks to them for their contribution to the Company. In addition, I would like to welcome Nicholas Lee to the Board as a non-executive director. Nicholas joined the Board on 26 October 2011.

The audited results for the period under review show a profit on ordinary activities before taxation of £1.33 million and EPS of 6.4p reflecting a profit on the write-off of the intercompany balances of £0.25 million and a profit on the disposal of subsidiaries of £1.13m. The detailed results for the former trading activities are not disclosed in either the period under review or the comparative figures for the year ended 30 September 2010 as they were disposed of during the period. Net assets at 31 December 2011 amounted to £407,042 and cash balances at that date were £463,816.

The Board believes that value can be generated for shareholders through the implementation of the Company's investing policy through investments or acquisitions, or a combination of both. Such an acquisition or investment may be deemed to be a reverse takeover transaction of the Company under the AIM Rules and would therefore be subject to shareholders' approval.

We are currently considering a number of potential opportunities within the natural resources sector although our discussions remain at an early stage. We recognise that the Company has limited cash resources but believe they are sufficient for us to implement the initial stages of the Company's investing policy and, in the meantime, we are maintaining tight control over costs.

I look forward to updating shareholders as we progress our discussions and am confident that we can implement our investing policy for the benefit of the Company and its shareholders.

Alex Borrelli
Chairman

28 March 2012

Brady Exploration plc

Board of Directors

Board of Directors

Alex Borrelli (Non- executive Chairman)

Alex Borrelli initially studied medicine and then qualified as a chartered accountant with Deloitte, Haskins & Sells, London in 1982. He has subsequently been active within the investment banking sector and has acted on a wide variety of corporate transactions in a senior role for over 20 years, including flotations, takeovers, mergers and acquisitions for private and quoted companies (on the Official List, AIM and PLUS). He is currently non-executive chairman of Ablon Group Limited, on the Main Market, and a non-executive director of Strategic Minerals plc, on AIM.

Nicholas Lee (Non- executive Director)

Nicholas Lee read Engineering at St. John's College, Cambridge and began his career at Coopers & Lybrand where he qualified as a chartered accountant. He then joined Dresdner Kleinwort where he worked in their corporate finance department advising a range of companies across a number of different sectors and most recently was a Managing Director and Head of Investment Banking for Dresdner Kleinwort's hedge fund/alternative asset manager clients. Nicholas is currently Chairman of AIM quoted Viridas plc and a Non-Executive Director of AIM quoted Leed Resources plc and AIM quoted Pan Pacific Aggregated plc.

Brady Exploration plc

Report of the Directors for the 15 months ended 31 December 2011

The Directors present their report together with the audited financial statements for the 15 months ended 31 December 2011. The Company has changed its year end from 30 September to 31 December resulting in the extended accounting period.

Results and dividends

The results of the Company for the 15 month period ending 31 December 2011 are set out on page 8 and show a profit before taxation for the 15 months ended 31 December 2011 of £1,208,749 (2010 – loss £121,440). The Company generated a profit of £1,381,412 in the period under review in relation to the disposal of the Company's subsidiary companies which is classed as a non-operating exceptional item.

The detailed results for the former trading activities are not disclosed in the 15 month period ending 31 December 2011 or the comparative figures for the year ended 30 September 2010 because they were disposed of during the period.

No interim dividend was paid (2010 - £nil) and the Directors do not propose a final dividend (2010 - £nil) for the 15 months ended 31 December 2011.

Principal activities

Prior to 26 October 2011 the Company was the holding company of an audit, stocktaking and investigatory business.

The Company has not traded during the period but on 26 October 2011 the adoption of a policy to invest in companies that are active in the natural resources sector has resulted in the Directors reviewing various investment opportunities since that date. The Company changed its name from Capcon Holdings plc to Brady Exploration plc on 26 October 2011.

Principal developments, business review and future developments

On 26 October 2011 the Company disposed of its entire business related to audit, stocktaking and investigatory activities to certain former Directors of the Company who resigned on the date of disposal. Also, on 26 October 2011 the Company raised £500,000 (before expenses) through a placing of new ordinary shares in the Company. Brady Exploration plc has been reclassified as an investing company (under rule 15 of the AIM Rules for Companies) and the Directors intend to utilise the Company's cash resources in line with the investing policy which covers a company, joint venture, partnership or direct interest involved in the exploration and/or development of natural resources extraction.

Principal risks and uncertainties.

The main business risk is considered to be investment risk. The Directors intend to mitigate this risk by carrying out a comprehensive and thorough project review of any potential investment in which all material aspects will be subject to rigorous due diligence. The Directors believe that the funds raised from the placing and the disposal of the loss making businesses has left the Company with sufficient cash resources to fund the cost of the investment appraisals in the medium term and also to make modest investments in any selected businesses.

Policy on the payment of creditors

The Company's policy is to pay its creditors promptly and within their credit terms.

It is the Company's policy to agree the terms of payment at the time the contract supply is made, to ensure that suppliers are aware of the terms of payment and to make payments in accordance therewith, subject to terms and conditions being met by suppliers. At the end of the 15 month period, the Company had creditor days of 46 days.

Key Performance Indicators

No key performance indicators have been calculated as the Company is not yet trading.

Brady Exploration plc

Report of the Directors for the 15 months ended 31 December 2011 (*Continued*)

Directors

The Directors of the Company who held office during the year were as follows:

Kenneth Paul Dulieu (Resigned 26 October 2011)
Clifford John Cavender (Resigned 26 October 2011)
Paul Francis Jackson (Resigned 26 October 2011)
Michael Alexander Borrelli
Jane Marie Fowler (Resigned 26 October 2011)
Nicholas Lee (Appointed 26 October 2011)

Further details of the Directors' interests in transactions of the Company are given in note 15, and details of the Directors' remuneration and share options are given in note 4.

Financial instruments

Details of the Company's financial instruments are given in note 11.

Significant Shareholders

As at 27 March 2012 the following were, as far as the Directors are aware, interested in 3% or more of the issued share capital of the Company at this date:

Name	Number of Ordinary Shares	% of Issued Share Capital	Number of Warrants
Viridas plc	*16,977,675	29.18%	NIL
Woodburne Square AG Plc	8,695,652	14.94%	NIL
Ken Dulieu	6,095,225	10.48%	6,095,225
Paul Jackson	3,734,475	6.42%	3,559,475
Ian Jefferson	2,635,986	4.53%	2,635,986
ECK Partners Holdings Limited	1,782,500	3.06%	NIL
Alex Borrelli	NIL	NIL	4,347,826

* Note: Nicholas Lee, a Director of the Company, is also Chairman of Viridas plc.

Auditors

All of the current Directors have taken steps to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

C J Cavender
Secretary

28 March 2012

Brady Exploration plc

Statement of Directors' responsibilities

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 of the profit or loss of the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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 whether the Company accounts have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements.
- 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 transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website (www.bradyexploration.com) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibilities also extend to the ongoing integrity of the financial statements contained therein.

By order of the Board

Secretary

Brady Exploration plc

Independent auditor's report to the members of Capcon Holdings plc

To the shareholders of Brady Exploration plc

We have audited the financial statements of Brady Exploration plc (formerly Capcon Holdings plc) for the 15 months ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement 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 auditor's 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the 15 month period 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial 15 month period 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

John Everingham (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

28 March 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Brady Exploration plc**Profit and loss account for 15 months ended 31 December 2011**

	Note	15 months ended 31 December 2011	Year ended 30 September 2010
		£	£
Administrative expenses		(50,735)	-
		<hr/>	<hr/>
Operating loss	2	(50,735)	-
Non operating exceptional items			
Profit on disposal of subsidiary companies	8	1,381,412	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,330,677	-
Interest payable and similar charges	5	(121,928)	(121,440)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		1,208,749	(121,440)
Taxation on profit/(loss) from ordinary activities	6	-	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		1,208,749	(121,440)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

All recognised gains and losses and other movements in shareholders' funds are included in the profit and loss account.

Earnings per share	7		
Basic		6.4p	(1.0p)
Diluted		5.8p	(1.0p)

The notes on pages 11 to 22 form part of these financial statements.

Brady Exploration plc**Balance sheet at 31 December 2011**

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Investments	8		-		50,000
Current assets					
Debtors	9	13,592		-	
Cash at bank and in hand		463,816		-	
		<u>477,408</u>		<u>-</u>	
Creditors:					
Amounts falling due within one year	10 (a)	(70,366)		(759,937)	
		<u>(70,366)</u>		<u>(759,937)</u>	
Net current assets /(liabilities)			407,042		(759,937)
			<u>407,042</u>		<u>(759,937)</u>
Total assets less current liabilities			407,042		(709,937)
Creditors					
Amounts falling due after more than one year	10 (b)		-		(600,000)
			<u>-</u>		<u>(600,000)</u>
Net assets/(liabilities)			407,042		(1,309,937)
			<u>407,042</u>		<u>(1,309,937)</u>
Capital and reserves					
Called up share capital	12		577,472		121,856
Share premium account	13		2,887,296		2,842,942
Share based payment reserve	13		8,260		-
Profit and loss account	13		(3,065,986)		(4,274,735)
			<u>407,042</u>		<u>(1,309,937)</u>
Shareholders' funds/(deficit)	14		407,042		(1,309,937)
			<u>407,042</u>		<u>(1,309,937)</u>

The financial statements were approved by the Board and authorised for issue on 28 March 2012.

Alex Borrelli
Director
28 March 2012

The notes on pages 11 to 22 form part of these financial statements.

Brady Exploration plc**Cash flow statement for the 15 months ended 31 December 2011**

	Note	2011 £	2011 £	2010 £	2010 £
Net cash outflow from operating activities	17		(11,155)		-
Returns on investments and servicing of finance					
Interest paid		-		-	
Net cash inflow from returns on investment and servicing of finance			-		-
Acquisitions and disposals					
Sale of subsidiary company		1		-	
Net cash inflow from capital expenditure and financial investment			1		-
Cash outflow before financing			(11,154)		-
Financing					
Issue of shares		500,000		-	
Share issue costs		(25,030)		-	
Cash inflow from financing			474,970		-
Increase in cash in the year	19		463,816		-

Brady Exploration plc

Notes forming part of the financial statements for the 15 months ended 31 December 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with United Kingdom Generally Accepted Accounting Practice.

The principal accounting policies are:

Basis of consolidation

At year end Brady Exploration plc had one wholly owned subsidiary, Brady Exploration (Operations) Limited. Since incorporation, Brady Exploration (Operations) Limited has not commenced operations and has no material assets or liabilities. As such, no consolidated financial statements have been prepared on the basis that in accordance with section 405 of the Companies Act 2006 its inclusion is not material for the purpose of giving a true and fair view.

Going concern

The financial statements have been prepared on the going concern basis as, in the opinion of the Directors, at the time of approving the financial statements, there is a reasonable expectation that the Company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Deferred taxation

Deferred tax is provided in full on timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Financial Instruments

Financial instruments are measured initially and subsequently at cost. Finance costs are charged to the profit and loss account over the term of the debt so that the amount charged is at the constant rate on the carrying amount of the debt. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument. Loan stock interest accruals are rolled up and included in the loan stock balance.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Where the 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 profit and loss account over the remaining vesting period.

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

Where warrants are issued for services of Directors and employees the accounting treatment is consistent with the above.

Brady Exploration plc

Notes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)

2 Operating profit	15 months ended 31 December 2011 £	Year ended 30 September 2010 £
This is arrived at after charging:		
Audit remuneration: fees payable for the audit of the Company's annual accounts	8,000	-
Share based remuneration (note 20)	8,260	-
	<u> </u>	<u> </u>

The prior year audit fee was borne by the subsidiary Capcon Limited.

3 Employees	15 months ended 31 December 2011 £	Year ended 30 September 2010 £
Staff costs, including Directors' remuneration, consist of:		
Wages and salaries	6,071	-
Social security costs	350	-
Share based remuneration (note 20)	8,260	-
	<u>14,681</u>	<u> </u>

The average number of employees during the period was as follows:

	Number	Number
Administration and management	4	-
	<u> </u>	<u> </u>
	4	-
	<u> </u>	<u> </u>

All costs of the Directors and employees were borne by the subsidiaries until 26 October 2012.

Brady Exploration plc

Notes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)

4 Directors

				15 months ended 31 December	Year ended 30 September
Remuneration paid to Directors by Brady Exploration plc:-					
				2011	2010
				£	£
	Salary/Fee £	Pension £	Benefits £	Total	Total
Chairman					
M A Borrelli	2,142	-	-	2,142	-
Executive Directors					
N Lee	2,142	-	-	2,142	-
	<u>4,284</u>	<u>-</u>	<u>-</u>	<u>4,284</u>	<u>-</u>
	<u><u>4,284</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,284</u></u>	<u><u>-</u></u>

In addition to the above Alex Borrelli was issued warrants on 26 October 2011 to subscribe for 4,347,826 ordinary shares at an exercise price of 1.15p per ordinary share.

The remuneration paid to Directors by subsidiary companies:-

Chairman				
K P Dulieu	15,000	-	-	15,000
Executive Directors				
P F Jackson	-	-	-	-
C J Cavender	51,433	1,500	1,973	54,906
Non Executive Directors				
M A Borrelli	21,398	-	-	21,398
J Fowler	25,905	-	-	25,905
Remuneration	<u>113,736</u>	<u>1,500</u>	<u>1,973</u>	<u>117,209</u>
	<u><u>113,736</u></u>	<u><u>1,500</u></u>	<u><u>1,973</u></u>	<u><u>117,209</u></u>

The remuneration paid to Directors by subsidiary companies in 2010 is set out below.

				Year ended 30 September 2010 £
	Salary/Fee £	Pension £	Benefits £	Total
Chairman				
K P Dulieu	129,815	-	-	129,815
Executive Directors				
P F Jackson	-	-	-	-
C J Cavender	45,852	1,500	1,911	49,263
Non Executive Directors				
M A Borrelli	17,100	-	-	17,100
J Fowler	3,000	-	-	3,000
Remuneration	<u>195,767</u>	<u>1,500</u>	<u>1,911</u>	<u>199,178</u>
	<u><u>195,767</u></u>	<u><u>1,500</u></u>	<u><u>1,911</u></u>	<u><u>199,178</u></u>

There was one Director in the subsidiary's defined contribution pension scheme (2010 - one) during the year.

Brady Exploration plcNotes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)**5 Interest payable and similar charges**

	15 months ended 31 December 2011 £	Year ended 30 September 2010 £
Interest payable on loan stock	104,171	108,218
Interest payable on other loans and payable	17,757	13,222
	<hr/>	<hr/>
	121,928	121,440
	<hr/> <hr/>	<hr/> <hr/>

6 Taxation on profit/(loss) from ordinary activities

The tax assessed for the year differs from the standard rate of corporation tax in the UK. Differences are explained below:

	15 months ended 31 December 2011 £	Year ended 30 September 2010 £
Profit/(loss) on ordinary activities before tax	1,208,749	(121,440)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20% (2010 – 21%)	241,750	(25,502)
Effects of:		
Amounts not taxable (write off of loans)	(276,282)	-
Expense not allowable for tax purposes	1,652	-
Other short term timing differences	23,224	25,502
Unrelieved tax losses	9,656	-
	<hr/>	<hr/>
Current tax credit for year	-	-
	<hr/> <hr/>	<hr/> <hr/>

There were no significant factors that may affect future charges other than the availability of tax losses and the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Brady Exploration plcNotes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)**7 Earnings per share**

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 18,865,307 (2010 – 11,959,988) and the earnings, being profit after tax, are £1,208,749 (2010 – £121,440, loss).

	15 months ended 31 December 2011 £	Year ended 30 September 2010 £
<i>Reconciliation of profit/(loss)</i>		
Profit/(loss) used for calculation of basic and diluted EPS	1,208,749	(121,440)
	=====	=====
<i>Reconciliation of denominator</i>		
Shares used for calculation of basic EPS	18,865,307	11,959,988
Dilutive effect of shares warrants	2,115,685	-
	-----	-----
Shares used in calculation of diluted EPS	20,980,992	11,959,988
	=====	=====
Earnings/(loss) per share		
Basic	6.4p	(1.0p)
Diluted	5.8p	(1.0p)

Brady Exploration plc

Notes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)

8 Fixed asset investments

	Subsidiary undertakings	Subsidiary undertakings
	2011 £	2010 £
At 1 October 2010	50,000	50,000
Disposals	(50,000)	-
	<hr/>	<hr/>
At 31 December 2011	-	50,000
	<hr/> <hr/>	<hr/> <hr/>

On 26 October 2011 Brady Exploration plc sold all of its investment in the wholly owned subsidiary, Capcon Limited, for £1 to Capcon Securities Limited. Both Capcon Limited and Capcon Securities Limited are UK incorporated companies.

Also on 26 October 2011 a Deed of Novation was agreed, whereby all the liabilities totalling £1,178,259, excluding £25,000 of loan stock, within Brady Exploration plc at that date were novated and transferred to Capcon Limited. This was part of the sale agreement of Capcon Limited to Capcon Securities Limited. The resulting intercompany balance of £253,152 was written back to the profit and loss account.

At the period end Brady Exploration plc had one subsidiary, Brady Exploration (Operations) Limited. Since incorporation, Brady Exploration (Operations) Limited has not commenced operations and has no material assets or liabilities therefore no consolidated financial statements have been prepared as at the date of these financial statements.

The profit on disposal has been calculated as:-

	£
Cash proceeds	1
Intercompany balances written back	253,152
Liabilities transferred:-	
Loan stock	600,000
Other loans	142,384
Accruals	410,014
Intercompany balances	25,861
Net assets disposed of:-	
Investment in subsidiary undertaking	(50,000)
	<hr/>
Profit on disposal	1,381,412
	<hr/> <hr/>

9 Debtors

	2011 £	2010 £
Other debtors	9,000	-
Prepayments and accrued income	4,592	-
	<hr/>	<hr/>
	13,592	-
	<hr/> <hr/>	<hr/> <hr/>

Brady Exploration plcNotes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)**10 Creditors****(a) Amounts falling due within one year**

	2011	2010
	£	£
Amounts due to subsidiary undertakings	-	270,455
Taxation and social security creditor	1,670	-
Other creditors	32,934	-
Accruals and deferred income	10,762	9,012
Other loans	-	126,638
Redeemable loan stock	25,000	353,832
	<u>70,366</u>	<u>759,937</u>

The interest accrued on £600,000 of loan stock liability, the Directors' loans of £142,385 and the accrued interest on the loans of £404,724 were transferred to Capcon Securities Limited as part of the agreement for the sale of Capcon Limited by Brady Exploration plc. Of the remaining £50,000 of loan stock liability, £25,000 was repaid with an issue of 2,083,333 shares in Brady Exploration plc valued at 1.2 pence.

(b) Amounts falling due after more than one year

	2011	2010
	£	£
Loan stock	-	600,000
	<u>-</u>	<u>600,000</u>

£600,000 of the loan stock liability along with all accrued interest was novated on 26 October 2011 as part of sale and purchase agreement of Capcon Limited to Capcon Securities Limited. In 2010 the unpaid interest accrued was £303,832.

11 Financial Instruments

The Company's circumstances and operations do not require financing arrangements. Nevertheless, the Directors recognise that the Company faces certain interest rate and liquidity risks, which are discussed below.

(a) **Interest rate risk**

The Company's principal financial assets comprise other debtors and cash at bank, neither of which attract interest.

The interest rate profile, maturity and categories of the Company's financial liabilities are as follows:-

	Fixed rate financial liabilities		Financial liabilities for which no interest is payable	
	2011 £	2010 £	2011 £	2010 £
Financial liabilities due in less than 1 year				
Redeemable loan stock	25,000	353,832	-	-
Other loans	-	126,638	-	-
Other creditors	-	-	32,934	-
Amounts due to subsidiaries	-	-	-	270,455
Total current financial liabilities	25,000	480,470	32,934	270,455
Financial liabilities due in more than 1 year but less than 2 years				
Redeemable loan stock	-	600,000	-	-
Total non-current financial liabilities	-	600,000	-	-
Total financial liabilities	25,000	1,080,470	32,934	270,455

The fair values of the financial assets and financial liabilities are not materially different to their carrying amounts.

The principal terms of the Company's loans are as follows:-

The interest rate applying to the 10% Redeemable Guaranteed Loan stock is 10% of the capital balance outstanding from time to time. £600,000 of the loans were transferred as part of the sale agreement of Capcon Limited and the remaining £25,000 outstanding at the year end is repayable on 1 April 2012.

Other loans are from two Directors of the Company. The balance, including accrued interest, of £547,109 was transferred as part of the sale agreement of Capcon Limited. Interest was charged at 10% on the outstanding balances on these loans. There is no outstanding balance at the year end.

(b) **Currency Exposure**

The Company is non-trading and therefore has no currency risk at this time.

(c) **Liquidity Risk**

The Company has sufficient cash resources to fund administrative costs and the cost of investment appraisals in the medium term. The Company monitors cash flow as part of its normal control procedures.

Brady Exploration plcNotes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)**12 Share capital**

Ordinary shares of 1p each	Number	£
In issue at 1 October 2010	12,185,598	121,856
Shares issued during the year	45,561,594	455,616
	<u> </u>	<u> </u>
In issue at 31 December 2011	57,747,192	577,472
	<u> </u>	<u> </u>

On 26 October 2011, 2,083,333 shares were issued at a price of 1.2p and 43,478,261 were issued at a price of 1.15p. Costs associated with these issues were £25,030 and gross consideration received was £525,000.

Share option scheme

At 31 December 2011 there were no outstanding share options in respect of unissued ordinary shares of 1p each in the Company (2010: 125,000 options at an exercise price of 6.25p). 50,000 of the share options lapsed on 7 May 2011 and the remaining 75,000 lapsed as a result of the sale of Capcon Limited on 26 October 2011. None of the share options were held by the Directors of the company during the period. The share option scheme expired on 17 May 2011.

	2011	2011	2010	2010
	Weighted		Weighted	
	average		average	
	exercise price		exercise price	
	(pence)	Number	(pence)	Number
Outstanding at the beginning of the year	6.25	125,000	6.00	1,163,850
Exercised during the year	-	-	6.00	(418,350)
Lapsed during the year	6.25	(125,000)	6.00	(745,500)
Granted during the year	-	-	6.25	125,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Outstanding at the end of the year	-	-	6.25	125,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 26 October 2011 a warrant instrument was issued by the Company enabling it to issue warrants to subscribe for up to 18,341,757 ordinary shares at an exercise price of 1.15p per ordinary share. Warrants were issued to the holders of the Ordinary Shares as at 7 October 2011 on the basis of one warrant for each ordinary share held and 2,083,333 warrants were issued, on the same terms, to one of the loan stock holders in respect of the new ordinary shares arising from the repayment of £25,000 of loan stock (see note 10). Each warrant is exercisable for a period of 12 months from issue date. No warrants were exercised in the period ended 31 December 2011. Included in the above one of the current Directors, Alex Borrelli, was issued warrants on 26 October 2011 to subscribe for 4,347,826 ordinary shares on the same terms as the warrants issued to shareholders.

Brady Exploration plc

Notes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)

13 Reserves

Company	Share premium account £	Share based payment reserve £	Profit and loss account £
At 1 October 2010	2,842,942	-	(4,274,735)
Shares issued during year the year	69,384	-	-
Share issue expenses	(25,030)	-	-
Employee share warrants issued	-	8,260	-
Profit for the year	-	-	1,208,749
At 31 December 2011	<u>2,887,296</u>	<u>8,260</u>	<u>(3,065,986)</u>

14 Reconciliation of movements in shareholders' funds

	Company 2011 £	Company 2010 £
Profit/(loss) for the year	1,208,749	(121,440)
Shares issued during the year	525,000	30,100
Share issue expenses	(25,030)	-
Employee share options issued during the period	8,260	-
Net increase/(reduction) in shareholders' funds	<u>1,716,979</u>	<u>(91,340)</u>
Opening shareholders' deficit	<u>(1,309,937)</u>	<u>(1,218,597)</u>
Closing shareholders' funds/(deficit)	<u>407,042</u>	<u>(1,309,937)</u>

15 Related party transactions

On 26 October 2011 the wholly owned subsidiary, Capcon Limited, was sold to Capcon Securities Limited, a company held jointly by Paul Jackson and Ken Dulieu, who retired as Directors of the Company on this date. Details of this transaction are in note (8).

£600,000 of the loan stock liability, owed to these Directors, along with all accrued interest was novated on the 26 October 2011 as part of sale and purchase agreement of Capcon Limited to Capcon Securities Limited. Liabilities for unpaid dividends and accrued interest of £247,211 owed to these Directors and one other retired Director were also novated on this date.

There is no ultimate controlling party.

Brady Exploration plcNotes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)**16 Subsidiary undertakings**

The following were subsidiary undertakings at the end of the year. As discussed in note 1, these have not been included in consolidated financial statements.

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Brady Exploration (Operations) Limited	England and Wales	100%	Non-trading

On 24 October 2011 Brady Exploration plc's 100% holding in Capcon Argen Limited, Vincent Sherman (Creditors Claims) Limited, Capcon Argen Risk Management Limited, Capcon Surveillance Bureau Limited were all transferred through the intercompany account at cost to Brady Exploration plc's trading subsidiary Capcon Limited. The Company retains no ownership interest in these non trading companies. Then on 26 October 2011 Brady Exploration plc sold Capcon Limited for £1 to Capcon Securities Limited. Also on 26 October 2011 Brady Exploration plc purchased Brady Exploration (Operations) Limited to enable it to change its name from Capcon Holdings plc to Brady Exploration plc. Brady Exploration (Operations) Limited is a non trading entity which has no assets or liabilities and no profit or loss to date.

17 Reconciliation of operating profit to net cash outflow from operating activities

	2011 £	2010 £
Operating loss	(50,735)	-
Increase in debtors	(13,592)	-
Decrease in creditors	(234,101)	-
Write back of intercompany creditors	279,013	-
Share based payment	8,260	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(11,155)	-
	<hr/> <hr/>	<hr/> <hr/>

18 Reconciliation of net cash inflow to movement in funds/(debt)

	2011 £	2010 £
Increase in cash in the year	463,816	-
Non-cash movements	1,055,470	(83,812)
	<hr/>	<hr/>
Movement in net debt in the year	1,519,286	(83,812)
Net debt at start of year	(1,080,470)	(996,658)
	<hr/>	<hr/>
Net funds/(debt) at end of year (note 19)	438,816	(1,080,470)
	<hr/> <hr/>	<hr/> <hr/>

Brady Exploration plc

Notes forming part of the financial statements for the 15 months ended 31 December 2011 (*Continued*)

19 Analysis of net funds /(debt)

	1 October 2010 £	Cash flow £	Other non- cash movements £	At 31 December 2011 £
Cash at bank and in hand	-	463,816	-	463,816
Cash	-	463,816	-	463,816
Debt due after one year	(600,000)	-	600,000	-
Debt due within one year	(353,832)	-	328,832	(25,000)
Other loans	(126,638)	-	126,638	-
Financing	(1,080,470)	-	1,055,470	(25,000)
Total	<u>(1,080,470)</u>	<u>463,816</u>	<u>1,055,470</u>	<u>438,816</u>

20 Share based payments

Employee equity based payments

26 October 2011 Alex Borrelli, Director and Chairman was issued warrants to subscribe for 4,347,826 new ordinary shares at an exercise price of 1.15p per ordinary share exercisable for a period of 12 months from issue date. These options were issued in part payment for services rendered in fulfilling the role as the Senior Independent Director.

Using the Black and Scholes option pricing model, and assuming an average market price on issue of 1.15p, a risk free interest rate of 0.5% and a share volatility of 40%, the fair value of these option on issue is 0.19p per share option. The total fair value of the transaction charged to profit and loss as share based remuneration (in note 2) is £8,260.

	2011 Weighted average exercise price (pence)	2011 Number	2010 Weighted average exercise price (pence)	2010 Number
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	1.15	4,347,826	-	-
Outstanding at the end of the year	<u>1.15</u>	<u>4,347,826</u>	<u>-</u>	<u>-</u>

Professional advisors

Registered office:	10 Chiswell Street London EC1Y 4UQ
Nominated adviser/joint broker	Allenby Capital Limited Claridge House 32 Davies Street Mayfair London W1K 4ND
Joint broker	Rivington Street Corporate Finance 3 rd Floor 3 London Wall Buildings London EC2M 5SY
Auditors:	BDO LLP 55 Baker Street London W1U 7EU
Solicitors:	Duane Morris LLP 10 Chiswell Street London EC1Y 4UQ
Bankers:	Natwest Bank 186 Brompton Road London SW3 1XJ
Registrars:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Registered number:	4196004
Website	www.bradyexploration.com