

## Regulatory Announcement

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**Company** Westmount Energy Limited  
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### CONTACTS:

Westmount Energy Limited Tel: 01534 814 209  
Derek Williams, Chairman  
Paul Anderson, Director

Ruegg & Co Limited Tel: 020 7584 3663  
Gavin Burnell  
Brett Miller

Merlin Tel: 020 7653 6620  
Paul Downes  
Tom Randell

19 January 2006

### WESTMOUNT ENERGY LIMITED

#### PARTICIPATION IN OIL & GAS EXPLORATION IN THE CHACO BASIN

#### IN NORTH WEST PARAGUAY THROUGH CDS OIL & GAS GROUP plc

#### AND OTHER RECENT EVENTS

Westmount Energy Limited ("Westmount") the Jersey, Channel Islands, based independent energy investment company quoted on AIM, today announced it has provided a £500,000 Convertible Loan to AIM quoted CDS Oil & Gas Group plc ("CDS"), to be utilised solely towards the funding of its exploration programme in the Chaco Basin in North West Paraguay.

The Loan is repayable on 29 December 2006, but in lieu of repayment, Westmount has the option, at any time prior to 29 December 2006 to elect to subscribe for, and apply the amount of the Loan by subscribing for and paying up five million new ordinary shares of 1p each in CDS at a subscription price of 10p per share. Westmount will waive any interest and CDS will simultaneously procure the issue to Westmount of Warrants to subscribe for a further five million new ordinary shares of 1p each in CDS at 10p per share for a period of one year thereafter.

In the event Westmount has not exercised its rights as aforesaid, by 29 December 2006 it has agreed to apply the Loan (including accrued interest thereon) in paying up and automatically subscribing for on 29 December 2006, such number of new ordinary shares of 1p each in CDS as shall be found by dividing the aggregate amount of the Loan and accrued interest by the "Average Price" (namely the average mid-market price per share of an Ordinary Share of 1p in CDS as traded on AIM for the previous 14 trading days prior to the 29 December 2006) less 5% thereof.

CDS is a London based newly listed AIM company and owns CDS Energy S.A., a Paraguayan company which was formed to pursue the exploration and development potential of three blocks covering a large area (7.22 million acres or 29,210 km<sup>2</sup>) of North West Paraguay in South America.

CDS has a 100% working interest in all three blocks, which include the 400km<sup>2</sup> Gabino Mendoza Block, the 4,911 km<sup>2</sup> PG&E Block and the 23,899 km<sup>2</sup> Boqueron Block. These blocks include substantial exploration opportunities in a large prospective area in the eastward extension of the Chaco Basin within Paraguay. CDS has recently announced that it had reached the planned depth of 1,635 metres on its first well in the Chaco region of Paraguay. The well has been cased and suspended for further evaluation.

The well, which was spudded on 25 November 2005, is located 200m southeast of the Independencia 1 well drilled in 1993 on the Gabino Mendoza block, which was in turn a re-entry of the Mendoza 1-R well drilled by Pure Oil in 1959. The primary objective of the new well was a potential oil-bearing zone between 705 metres and 1,600 metres, identified by CDS through its interpretation of seismic data and the well logs of previous drilling operations.

Early results have indicated the presence of hydrocarbons at various levels within the well, but are as yet inconclusive. CDS is currently engaged in analysing the drilling logs and the results taken from sidewall cores to ascertain the potential of the well. Further information will be provided in due course.

James Wade, President and CEO of CDS, said: "There are encouraging indications from this well. However there is still a great deal of work required before we can confirm the quality and quantity of the hydrocarbon indications we have encountered."

Commenting on the investment in CDS, Derek Williams, Chairman of Westmount, stated:

"I am pleased, now that Westmount has received shareholders approval to its Return of Share Capital proposals, we are able to utilise part of our remaining funds in providing assistance to CDS in bringing forward its encouraging exploration programme in NW Paraguay. Westmount has been able to take advantage of the opportunity to participate at an early stage in the largely under explored and unexploited Paraguayan area of the Chaco Basin and one of the least explored hydrocarbon provinces left in South America."

On other recent events at Westmount, Derek Williams, commented as follows:

- "At the Extraordinary General Meeting of Westmount held on 22 December 2005, shareholders approved the Reorganisation of Westmount's Share Capital.
- Westmount also announced on 22 December 2005 that the Board has been widened by the appointment of Paul Anderson, who has been closely involved with the administration of Westmount for over nine years.
- On 17 January 2006 Westmount announced the appointment of Ruegg & Co Limited, an independent corporate finance house, established in 1992, which specialises in the AIM and OFEX markets, as Westmount's Nominated Adviser and Broker.
- All of these moves have been designed to assist in the further development of Westmount and the growth in value per share for the benefit of shareholders.
- Included in Westmount's current investment portfolio, besides the recent investment in CDS, Westmount owns 30,000,000 shares of Sterling Energy plc and 5,500,000 shares of Desire Petroleum plc. These three companies are all traded on the AIM market. Westmount also owns 244,000 shares of the presently unquoted Eclipse Energy, representing approximately 14% of the issued share capital of Eclipse.

- Following the consolidation of 15,013,361 10p ordinary shares, Westmount has 7,506,680 20p ordinary shares in issue traded on AIM, held by approximately 1,500 shareholders.
- There are also currently outstanding share options over 750,000 20p ordinary shares, exercisable at 1031/2p per share over various periods expiring on 31 December 2012. As previously announced, 600,000 of these share options are held by the four directors of Westmount, each holding 150,000 share options. The balance of share options over 150,000 20p ordinary shares have since been issued to Ruegg & Co Limited.
- As a result of the Share Capital Reorganisation of Westmount, involving the return of capital of approximately £7,500,000 to shareholders, to facilitate this, there are also 15,013,361 unquoted B shares of 1p each in issue, which are in the course of being redeemed at 50p per share in cash."

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