

Regulatory Story

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Westmount Energy Limited
22 September 2009

Westmount Energy Limited ("Westmount" or the "Company")

Final Results and Notice of Annual General Meeting

The Company is pleased to announce its Final Results. A copy of the results will be made available on the Company's website and will be posted to shareholders by the 25th September 2009.

Notice is hereby given that the Annual General Meeting of Westmount Energy Limited will be held at Whiteley Chambers, Don Street, St. Helier, Jersey, JE4 9WG Channel Islands on Wednesday, 28 October 2009 at 11.45 am

CHAIRMAN'S REVIEW

The past twelve months have been a period of extreme volatility in the Financial Markets and notably in the oil industry in which our company's two remaining investments are based. The oil price has fluctuated from a high of US\$147 a barrel to a low of US\$32 per barrel and at the time of writing appears to have settled in the US\$70 a barrel range.

When I became Chairman some eighteen months ago the company had three investments quoted on the Alternative Investment Market (AIM) of the London Stock Exchange and a further investment in unquoted Eclipse Energy Plc (Eclipse). During this period we sold our holding in CDS Oil and Gas Plc for a net profit of £289,072 and in November of 2008 we accepted an offer from Vattenfall AB (publ) of £18.01 per share for our holding in Eclipse which produced a substantial profit of £3,659,440. As a result of these two transactions we were able to return to shareholders 65p per share by way of a return of capital. The payment in February this year together with the earlier payment of 50p per share in 2006 has allowed the company to repay the shareholders a total of 115p per share. When our late founding Chairman Derek Williams floated the company in 1995 the shares were placed at 15p per share. My fellow directors and I only wish Derek was alive to see his plans fulfilled.

Notwithstanding the volatility in the markets I am very pleased to report that our two remaining investments in Desire Petroleum Plc and Sterling Energy Plc have performed well.

1. Desire Petroleum Plc (Desire)

On 10 September 2009 Desire announced that they had exchanged letters of intent with Diamond Offshore Drilling (UK) Ltd for a rig to undertake a minimum four well drilling campaign in the North Falkland Basin. The rig is due to arrive in Falkland waters in February 2010. In addition Desire has options to drill a further four wells for itself or its partners. Exercising this option may require further

fund raising in the future.

Desire's share price has responded to this news and is currently trading at 90.75p per share as compared to 31 December 2008 middle market price of 26.75p per share. The company currently holds 4,100,000 shares in Desire and the market liquidity in the shares has improved considerably. In August this year the Falkland Island Council granted the necessary environmental consents for the proposed drilling programme.

2. Sterling Energy Plc (Sterling)

This was the investment that gave your Board the greatest concern as the share price had weakened considerably as Sterling struggled to refinance its bank loans and there seemed to be no end to the bid negotiations announced in the third quarter of 2007. It was with a great sense of relief that in August this year it was announced that negotiation has been successfully concluded for a fund raising of approximately US\$100m with a new shareholder, Waterford Finance and Investment Ltd, subscribing for US\$46m of the fund raising representing a 29.9% interest in Sterling.

It has been widely reported that the new shareholder has been extremely successful in the oil industry having recently accepted an offer for their holding in Emerald Energy Plc which valued that company at over £500m. Their management is very highly regarded in the City and are now strongly represented on the Board of Sterling. We were offered a participation in the remaining Institutional fund raising and your Board decided to participate. Through the good office of Graeme Thompson, Sterling's CEO, we were allocated 42,446,789 new shares at a placing price of 1.3p per share. At the time of the placing it was also announced that there would be a further opportunity for existing shareholders to subscribe for two new shares for every nine held at 1.3p per share. The actions of your Board in respect of the first subscription shall result in the company being eligible to subscribe for approximately 16 million additional new shares.

The company currently holds 63,946,786 shares in Sterling and following the second subscription shall hold in the region of 80 million shares, which at their current share price of 3.80p per share represents a value of around £3m. It is worth noting that following the fund raising your company will not have a disclosable interest in Sterling and with the daily turnover being substantial, and averaging 31 million shares in the last month, it is an extremely liquid market.

We are obviously very delighted with our decision to increase our exposure in Sterling and I would suggest that any shareholder wishing to view Sterling's revised situation should log on to Sterling's web site which is very explanatory.

Nominated Advisors

During this period we appointed Cenkos Securities Plc as our Nominated Advisors and would like to thank Ruegg & Co, our previous advisors, for their efforts over the past years.

Future Prospects

As stated in my previous review the interest of shareholders is of major importance to your Board. Our policy of harvesting our cash resources and only making strategic investments when the opportunity arises has been rewarded. We will continue to consider any transaction that we deem to be in the best interests of the shareholders and at the same time we will always consider our policy of returning surplus funds arising on sales of our investments to shareholders. In addition your Board will continue to maintain its emphasis on controlling our costs.

We look forward to the future developments of our two remaining investments and in particular to the long awaited exploration of the Falkland Basin in the first Quarter of 2010.

Finally at the time of writing this review the net asset value (NAV) of the company fully diluted for share options is 93p per share. The NAV per share is calculated prior to the subscription for approximately 16 million additional new shares in Sterling at a price of 1.3p per share.

MERVYN BRADLOW

Chairman

21 September 2009

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009****(Expressed in United Kingdom Sterling)**

	Note	2009		2008	
		£	£	£	£
Administrative expenses			<u>(374,827)</u>		<u>(346,267)</u>
Operating (loss)			<u>(374,827)</u>		<u>(346,267)</u>
Profit on disposal of investments	7	3,874,768		507,325	
Impairment of investment	7	(2,125,250)		-	
Interest receivable		<u>49,035</u>		<u>45,352</u>	
			<u>1,798,553</u>		<u>552,677</u>
Net profit on ordinary activities before taxation	3		<u>1,423,726</u>		<u>206,410</u>
Taxation			-		-
Profit for the financial year			<u>1,423,726</u>		<u>206,410</u>
Basic earnings per share	6		<u>20.34p</u>		2.85p
Diluted earnings per share	6		<u>19.91p</u>		<u>2.85p</u>

There are no recognised gains or losses other than as disclosed above
There were no acquisitions or discontinued operations during the current or preceding year.

**BALANCE SHEET
AT 30 JUNE 2009****(Expressed in United Kingdom Sterling)**

	Note	2009		2008	
		£	£	£	£
FIXED ASSETS					
Investments	7		<u>1,830,287</u>		<u>4,728,998</u>
CURRENT ASSETS					
Prepayments and accrued		<u>10,540</u>		<u>7,689</u>	

income			
Cash at bank		<u>873,656</u>	<u>1,118,597</u>
		884,196	<u>1,126,286</u>
CREDITORS: amounts falling due within one year	8	<u>(172,377)</u>	<u>(131,730)</u>
NET CURRENT ASSETS		<u>711,819</u>	<u>994,556</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,542,106</u>	<u>5,723,554</u>
SHARE CAPITAL AND RESERVES			
Share capital	9	1,396,060	1,403,060
Share premium account	10	261,682	416,317
Capital redemption reserve	10	-	251,410
Share option account	10	244,363	269,416
Profit and loss account	10	640,001	<u>3,383,351</u>
SHAREHOLDERS' FUNDS	11	<u>2,542,106</u>	<u>5,723,554</u>

These financial statements were approved and authorised for issue by the board of directors on 21 September 2009 and were signed on its behalf by:

P J RICHARDSON

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

(Expressed in United Kingdom Sterling)

	Note	2009 £	2008 £
Net cash (outflow) from operating activities	A	(313,179)	(315,740)
Returns on investments and servicing of finance	B	49,035	45,352
Capital expenditure and financial investment	C	4,648,229	<u>1,196,468</u>
Cash inflow before financing		4,384,085	926,080
Financing	D	<u>(4,629,026)</u>	<u>(348,092)</u>

(Decrease)/increase in cash	(244,941)	577,988
Reconciliation of cash flow to movement in net funds/(debt)		
(Decrease)/increase in cash	(244,941)	577,988
Movement in net funds in the year	(244,941)	577,988
Net funds brought forward	1,118,597	540,609
Net funds carried forward	873,656	1,118,597
Represented by:		
Cash at bank	873,656	1,118,597
Net funds carried forward	873,656	1,118,597

A. RECONCILIATION OF NET OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2009	2008
	£	£
Administrative expenses	(374,827)	(346,267)
Cost attributable to issue of share options	23,852	44,003
(Increase) in prepayments and accrued income	(2,851)	(1,865)
Increase/(decrease) in creditors and accrued expenses	40,647	(11,611)
Net cash outflow from operating activities	(313,179)	(315,740)
B. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2009	2008
	£	£
Interest received	49,035	45,352
Net cash inflow from returns on investments and servicing of finance	49,035	45,352
C. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2009	2008
	£	£

	Purchase of fixed asset investments (note 7)	(50,250)		-
	Sale of fixed asset investments (note 7)	4,698,479		1,196,468
	Net cash inflow from capital expenditure and financial investment	4,648,229		1,196,468
D.	FINANCING	2009		2008
		£		£
	Purchase of ordinary shares	(31,668)		(348,092)
	Redemption of B shares (note 9)	(4,597,358)		-
	Net cash outflow from financing	(4,629,026)		(348,092)
E.	ANALYSIS OF NET FUNDS	30 June		1 July
		2009	Cash flow	2008
		£	£	£
	Net funds			
	Cash at bank	<u>873,656</u>	<u>(244,941)</u>	<u>1,118,597</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. ACCOUNTING POLICIES

a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

b) Foreign currency

Transactions denominated in foreign currencies are translated to United Kingdom Sterling at the rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into United Kingdom Sterling at the rate prevailing at the balance sheet date.

Exchange gains and losses are taken to administrative expenses in the profit and loss account.

c) Investments

Fixed asset investments are stated at cost and are subject to review for impairment. Any impairment is recognised in the profit and loss account in the year in which it occurs. Profits or losses realised on the disposal of individual fixed asset investments are calculated on an average cost basis.

d) Financial instruments

Financial assets and liabilities are initially recognised on the historical cost basis, which approximate to fair value. The company recognises a financial asset or financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument.

Income and expenses associated with financial instruments are taken to the profit and loss account on an accruals basis.

Impairment of financial assets is recognised in the profit and loss account in the year in which it occurs.

e) Share options

Awards of share options are recorded under Financial Reporting Standard 20: Share-

based Payment. The cost of the share options are ascribed a fair value at grant date and accounted for as an administration cost of the company with an equal Share Option Reserve being created in Shareholders' Funds. The cost is recognised in the profit and loss account over the vesting period of the award.

f) Capital redemption

The nominal amount and the premium paid upon any redemption of shares is charged to Profit and Loss Reserves. Companies (Amendment No.9) Jersey Law 2008 became effective in January 2008 allowing companies to repurchase their capital from any existing reserves without creating a capital redemption reserve account. The company has decided to use this amendment to the law and as such it has changed its accounting treatment regarding capital redemptions such that a capital redemption reserve will no longer be used.

**2. TOTAL ASSETS LESS CURRENT LIABILITIES:
SEGMENTAL INFORMATION**

By geographical area

	2009	2008
	£	£
Total assets less current liabilities		
South Atlantic	570,287	658,998
North American and African regions	1,260,000	3,335,000
European regions	-	735,000
Segment net assets	1,830,287	4,728,998
Unallocated net assets	711,819	994,556
	2,542,106	5,723,554

Segmental information is reported under Statement of Accounting Practice 25: Segmental reporting. Since there is only one class of business, reporting is provided by geographical area only.

**3. NET PROFIT ON ORDINARY ACTIVITIES BEFORE
TAXATION**

	2009	2008
	£	£
Net profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments	114,352	173,369
Compensation for loss of office	-	24,486
Auditors' remuneration	17,454	16,000

4. REMUNERATION OF DIRECTORS AND RELATED PARTIES

	2009	2008
	Salary/ fees	Salary/ Fees

	£	£
Executive directors	55,000	137,821
Non-executive director	59,351	35,548
	<u>114,352</u>	<u>173,369</u>

Directors' remuneration includes the cost of any share options granted to directors. In 2008, 250,000 share options were granted to directors at a weighted average fair value of 16.47p. There have been no share options granted to directors during the current year.

During the year, legal and professional fees totalling £15,158 (2008: £1,641) were paid to Ogier, a firm in which M S D Yates is a partner, in respect of services charged on an arms length basis as the company's legal advisors. Company secretary fees of £42,785 (2008: £37,598) were paid to Bedell Secretaries Limited, a firm in which Mr Anderson is a senior manager. At the balance sheet date the company owed £1,250 to directors in respect of commissions on the sale of shares in Sterling Energy Plc and £2,171 to Ogier in respect of legal and professional fees.

The company does not employ any staff except for its board of directors. The company does not contribute to the pensions or any other long-term incentive schemes on behalf of its directors.

5. TAXATION

With effect from 1 January 2009 a new system of taxation was introduced in Jersey which is referred to as Zero Ten. Under Zero Ten rules the company is taxed at 0% based on the net profit for the year as adjusted for non-allowable expenses and capital allowances. Jersey resident shareholders are liable to Jersey income tax on distributions of trading companies paid out of profits of accounting periods ending after 1 January 2009.

The company is registered as an International Services Entity under the Goods and Services Tax (Jersey) Law 2007 and a fee of £100 has been paid. As no relationship exists between the tax and the level of the company's activities, the tax has been included in the administrative expenses.

6. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the profit for the year after taxation of £1,423,726 (2008: £206,410). The weighted average number of shares in issue during the year was 6,983,273 (2008: 7,246,858). As explained in note 9 there are share options in issue over the company's ordinary shares. Since the exercise price of some of these options at 30 June 2009 was below the average market price of the ordinary shares during the year, they are deemed to have a dilution effect on earnings per share and diluted earnings per share are consequently disclosed separately.

7. INVESTMENTS

	2009 £	2008 £
Fixed asset investments		
Desire Petroleum plc ("Desire")		
4,500,000 ordinary, fully paid		
shares at cost (2008: 5,200,000) (a)	570,287	658,998
Eclipse Energy UK plc ("Eclipse")		
Nil ordinary, fully paid		
shares at cost (2008: 244,000) (b)	-	735,000

Sterling Energy plc ("Sterling")		
31,500,000 ordinary, fully paid		
shares at cost (2008: 29,000,000) (c)	3,385,250	3,335,000
Less: Impairment	(2,125,250)	-
Net carrying value of Sterling shares	1,260,000	3,335,000
	1,830,287	4,728,998

(a) On 30 June 2009 the market value of the company's holding of 4,500,000 ordinary fully paid shares in Desire, representing 1.96% of the issued share capital of the company, was £2,025,000 (45.00p per share, 2008: 91.75p per share). During the year, the company disposed of 700,000 ordinary shares in Desire, realising a profit of £215,328 (after expenses).

(b) On 19 November 2008 the company disposed of all of its holding of 244,000 ordinary shares in Eclipse Energy UK plc, realising a profit of £3,659,440 (after expenses).

(c) On 30 June 2009 the market value of the company's holding of 31,500,000 ordinary fully paid shares representing 1.35% of the issued share capital of Sterling was £699,300 (2.22p per share, 2008 11.25p per share). On 1 October 2008 the company purchased 2,500,000 ordinary shares in Sterling at a cost of 2p per share.

In the opinion of the directors, the company's investment in Sterling suffered a permanent diminution in value to an amount of less than cost. The carrying value of this investment has been written down to the directors' estimated recoverable value of 4p per share (2008: 11p per share), at a cost of impairment of £2,125,250.

8. CREDITORS: amounts	2009	2008
falling due within one year	£	£
Amounts due to shareholders	127,292	93,892
Accrued expenses	45,085	37,838
	172,377	131,730

9. SHARE CAPITAL	2009	2008
	£	£
Authorised:		
10,000,000 ordinary shares of 20p each	2,000,000	2,000,000
15,100,000 redeemable "B" shares of 1p each	151,000	151,000

Allotted, called up and fully-paid:	2009	2008	2009	2008
In issue:	No.	No.	£	£
Ordinary shares	6,980,300	7,015,300	1,396,060	1,403,060
"B" shares	-	-	-	-
			No.	£
			Ordinary	Ordinary
			shares	shares

Movement		
Balance at 1 July 2008	7,015,300	1,403,060
Purchase of own shares	(35,000)	(7,000)
	<hr/>	<hr/>
Balance at 30 June 2009	6,980,300	1,396,060
	"B" shares	"B" shares
Issued, fully paid on 30 January 2009	6,980,300	69,803
Redeemed and cancelled on 6 February 2009	(6,980,300)	(69,803)
	<hr/>	<hr/>
Balance at 30 June 2009	-	-

On 30 January 2009, following the sale of the company's shares in Eclipse Energy plc, the company issued 6,980,300 fully paid redeemable "B" shares of 1p each ranking parri passu with existing shareholdings to enable the return of capital to shareholders of the company equivalent to 65p per ordinary share (£4,597,358 in aggregate). These "B" shares were redeemed on 6 February 2009.

As at 30 June 2009, options were outstanding over 640,000 (2008: 850,000) ordinary 20p shares, with a weighted average exercise price of 32.87p (2008: 102.8p). The options are exercisable at the election of the option holder, over various periods expiring 31 December 2012. During the year, 150,000 options lapsed (2008: Nil) held by former director A Levison on 12 September 2008. Of the 150,000 options held by former nominated advisor Ruegg & Co Limited, 60,000 options are deemed to have lapsed as at 30 June 2009 for accounting and valuation purposes as these could only be exercised upon a change of control of the company prior to 20 September 2009. The remaining 90,000 options were not exercised and therefore lapsed on 20 September 2009.

As at 30 June 2009 480,000 (2008: 510,000) of the options were exercisable at a weighted average exercise price (adjusted to reflect the return of capital to shareholders) of 38.5p (2008: 103.5p) and 100,000 of the options were exercisable at a weighted average exercise price (adjusted) of 26p (2008: 91p). The weighted average vesting date of the 60,000 options issued, currently not vested, is 22 June 2010. The share options are ascribed a total expense for the year ended 30 June 2009 of £23,852 (2008: £44,003).

The options were repriced by a deduction of 65pence from the original grant price to take into account the return of capital made to shareholders by the issue and redemption of B shares made during the financial year. The deduction of 65 pence accorded with the advice received by the Board from Ruegg & Co Limited.

No share options were granted during the year (2008: 250,000). The fair values of previously granted options were calculated using the Black Scholes valuation model. At each date of grant the volatility of the company was estimated as the standard deviations of daily historical continuously compounded returns over a period commensurate with the expected life of the option, back from the date of grant, and annualised by the factor of square root 252, assuming 252 trading days per year. The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option. The expected life of the options is estimated as the mid-point between the date of grant and the date of expiry of the option.

10. SHARE PREMIUM ACCOUNT AND RESERVES	Share Premium Account	Capital Redemption Reserve £	Share Option Account £	Profit & Loss Account £
1 July 2008	416,317,	251,410	269,416	3,383,351
Issue of B shares	(69,803)	-	-	-
Redemption of B shares	-	-	-	(4,467,391)

Redemption costs	(60,164)	-	-	-
Cost of share options	-	-	23,852	-
Lapse of share options	-	-	(48,905)	48,905
Purchase of own shares	(24,668)	-	-	-
Transfer to profit and loss		(251,410)		251,410
Profit for the year	-	-	-	1,423,726
Balance at 30 June 2009	261,682	-	244,363	640,001

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Profit for the year	1,423,726	206,410
Cost of share options	23,852	44,003
Purchase of own shares	(31,668)	(348,092)
Return of share capital	(4,597,358)	-
Opening shareholders' funds	5,723,554	5,821,233
Closing shareholders' funds	2,542,106	5,723,554

12. CONTROLLING PARTY

In the opinion of the directors the company does not have a controlling party.

13. POST BALANCE SHEET EVENTS

Desire

Subsequent to the year end the company has disposed of an additional 400,000 ordinary shares in Desire realising proceeds of £230,626 and a profit of £179,934 (after expenses). At the current market value of 90.75p per share the carrying value of this investment is £3,720,750.

Sterling

Subsequent to the year end, and as announced by the company on 17 August 2009, a further 42,446,786 new ordinary shares in Sterling were subscribed for as part of the Placing at a placing price of 1.3p per share. In addition the company has disposed of 10,000,000 ordinary shares realising proceeds of £385,699 (after expenses). At the current market value of 3.80p per share the carrying value of this investment is £2,429,978.

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Regulatory