

WESTMOUNT ENERGY LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2006

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

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COMPANY PROFILE

Westmount Energy Limited ("the company"), incorporated in Jersey on 1 October 1992 under the Companies (Jersey) Law 1991, as amended, is a public company with registered number 53623. During the year the company's former subsidiary Westmount Petroleum UK Limited, discontinued its operations in the North Sea following the receipt of funds upon the termination of its overriding royalty interest in the Buchan Oilfield and ceased trading. The company now operates solely as an energy investment company.

The shares of the company commenced trading on the Alternative Investment Market ("AIM") at 15p on 2 October 1995. The middle market closing share price on 30 June 2006 was 120.5p (30 June 2005: 98.5p). Following the re-organisation of the company's share capital approved by shareholders on 22 December 2005, and the resultant return of capital to shareholders the company now has a total of 7,425,000 ordinary shares of 20p each in issue held by approximately 1,600 shareholders. This number of shares is after taking into account 81,680 shares purchased by the company in the market which have now been cancelled. There are also share options outstanding over 750,000 20p ordinary shares, exercisable at a subscription price of 103.5p per share, over various periods, expiring 31 December 2012.

COMPANY INFORMATION

Directors	Derek G. Williams (Chairman) Peter J. Richardson Marc S.D. Yates Paul R. Anderson
Secretary and Registered Office	Bedell Secretaries Limited 26 New Street St Helier Jersey JE2 3RA Channel Islands
Nominated Adviser and Nominated Broker	Ruegg & Co Limited 39 Cheval Place London SW7 1EW
Legal Advisers	Jersey Ogier Whiteley Chambers Don Street, St Helier Jersey JE4 9WG Channel Islands UK Stikeman Elliott Dauntsey House 4B Frederick's Place London EC2R 8AB
Auditors	Moore Stephens First Island House 19 – 21 Peter Street, St Helier Jersey JE2 4SP Channel Islands
Bankers	The Royal Bank of Scotland International Limited 71 Bath Street, St Helier Jersey JE2 4SU Channel Islands
Registrar	Capita Registrars (Jersey) Limited Victoria Chambers Liberation Square 1-3 The Esplanade St Helier Jersey JE2 3QA Channel Islands

CHAIRMAN'S REVIEW

The results for the year ended 30 June 2006 show profits before taxation of £4,759,631 (£4,292,357 after taxation) compared with profits before taxation of £485,867 (£461,362 after taxation) for the year ended 30 June 2005. Turnover for the year ended 30 June 2006 arising from the group's discontinued operations in the North Sea amounted to £1,118 as compared with £137,925 for the year ended 30 June 2005.

For the year ended 30 June 2006 the results include the surplus realised on the termination of the group's overriding royalty interest relating to Licence P241 North Sea amounting to £1,706,201. Also included in the profits for the year is the profit realised on the disposal of 40,000,000 ordinary shares of Sterling Energy plc ("Sterling") amounting to £3,189,999.

As set out in the circular to shareholders dated 25 November 2005 following the sale of the two investments referred to above, the company had cash funds available of approximately £9 million and your directors were in a position to recommend return of capital to shareholders, whilst retaining sufficient funds for the future growth of the company. Following the Extraordinary General Meeting of the company held on 22 December 2005 it was announced that all enabling resolutions as set out in the circular were duly passed and accordingly capital of the equivalent of 50p per ordinary share totalling approximately £7,500,000 would be returned to shareholders. Shareholders would also receive one consolidated ordinary share of 20p for every two ordinary shares of 10p each held. On 31 January 2006 a total of £5,836,679 was returned to shareholders and those shareholders not receiving full earlier repayment were forwarded return of capital on 1 May 2006, totalling £1,670,001.50.

On 19 January 2006 the company announced it had provided a £500,000 convertible loan to AIM quoted CDS Oil and Gas Group plc ("CDS") to be utilised solely towards the funding of its exploration programme in the Chaco Basin in North West Paraguay, South America. One of the features of the arrangements is that if the Loan is not repaid on 29 December 2006, Westmount will apply the amount of the Loan and accrued interest by subscribing for such number of new 1p ordinary shares of CDS, calculated by the average price (less 5% thereof) of an ordinary share of 1p each in CDS as traded on AIM for the previous 14 trading days.

The company's investment policy is to continue to invest, mainly in the energy sector, selectively in companies principally at an early stage of their development, which the directors of Westmount consider hold the possibility of considerable capital growth of the funds invested. Your directors will also continue its policy of divesting part or all of the funds so invested in a company, when appropriate, to maximise the return from the investments, for the benefit of Westmount shareholders.

Besides the recent investment in CDS, referred to above the company's other investments include, 30,000,000 shares of AIM quoted Sterling, 5,500,000 shares of AIM quoted Desire Petroleum plc ("Desire") and 244,000 shares of presently unquoted Eclipse Energy Company Limited ("Eclipse"). The carrying book value of these investments is £4,882,017. Having regard to the current middle-market prices of the company's two AIM quoted investments, the indicated market value shows up a surplus much in excess of the book carrying value of the investments.

Sterling is an oil and gas exploration and production company operating in the Gulf of Mexico and Africa and recently published its interim results for the first half of 2006. These show continued growth in its development over the corresponding period last year. Turnover was increased 263% to £24.5 million, net profit up 159% to £4.9 million and earnings per share up to 0.34p per share from 0.13p per share. Sterling's strategy is to create value by achieving a balance between production and exploration. Sterling has a growing cash position and an active and largely carried exploration portfolio with 8 wells planned over the next year.

Through its shareholding in Desire the company has a significant indirect investment in the exploration of the North Falkland Basin, South Atlantic. Following Desire's fundraising of £24.4 million last year it is ready to resume drilling operations as soon as arrangements can be made to secure a suitable rig.

Eclipse has developed an innovative concept for the hybrid production of electricity from offshore gas and wind resources. The first development of Eclipse is the Ormonde project located 10 kilometres offshore Barrow-in-Furness, Cumbria in the East Irish Sea. Eclipse operates the undeveloped Ormonde North and South gas fields located in Blocks 113/28a and 113/29a held under licences P1032 and P1033. Eclipse completed a placing of new shares at a price of £7.50 each last year to raise £4,950,000 before expenses. Eclipse is currently waiting approval from the DTI for the Ormonde project.

CDS's activities are focused on exploring several potential oil and gas plays in the Chaco Basin in North West Paraguay. Under the terms of the joint-venture agreement on the Gabino Mendoza block CDS had an obligation to drill a well before the end of 2005. The well reached a planned depth of 1,635 metres and was cased and suspended for testing and deepening at a later date. The initial objective of the well was a potential oil-bearing zone between 705 metres and 1,600 metres. Analysis to date by CDS of the technical information derived from the well, confirms that hydrocarbons were found within several zones, although reservoir qualities are lower than required to flow oil unassisted. CDS believes that the results from the well have improved the level of confidence of the gas potential at depth on the Gabino Mendoza block and merits a deepening of the well. The drilling of the well fulfilled CDS's work obligation on the block although CDS has stated that at a later date it intends to drill the well to 3,250 metres to test for gas. CDS holds prospecting rights over a large area of the under-explored Chaco Basin of North West Paraguay which is due east of, and shares the same stratigraphy at shallower depth as, the oil and gas producing areas in Bolivia. The two most interesting plays have yet to be drilled by CDS – the Carboniferous oil on the Boqueron block and the deep Devonian gas on the Gabino Mendoza block. CDS plans to bring in joint venture partners to provide further funding, in addition to further placing of its shares (CDS reported on 17 October 2006 it had raised a further £1.8 million in cash), to spread the risk for its shareholders.

Outlook

The Board of Westmount continues to look forward to the growth in value of its investments which already indicate a good profit margin over book value.

DEREK G WILLIAMS

Chairman
5 December 2006

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF WESTMOUNT ENERGY LIMITED**

1. The directors have pleasure in presenting the audited financial statements of the company and of the group for the year ended 30 June 2006.
2. The result for the year is set out on page 10 in the profit and loss account. The directors do not recommend the payment of a dividend in respect of these financial statements.
3. Development of the group's activities and its prospects are reviewed in the chairman's review on pages 4 and 5.
4. The directors during the year were as follows:

D G Williams (USA)
P J Richardson
M S D Yates
P R Anderson (appointed 22 December 2005)

Biographical Information

Derek G Williams, Chairman, age 75, a founding director of the company, appointed 18 November 1992, has many years experience in the international oil industry and is a chartered accountant. He was appointed to the board of Charterhall PLC in 1965 and became chairman and chief executive in 1969, a position he held for seventeen years. Charterhall was a British independent oil company and a member of the consortium which discovered the North Sea producing Buchan Oilfield in 1974.

Charterhall was active in the UK offshore and onshore areas and in the USA, Canada and Australia with offices in London, Denver, Calgary and Melbourne. Derek retired as chief executive of Charterhall in July 1986, upon the change in control of Charterhall and left the board in July 1988. Upon leaving Charterhall and until he joined the company in 1992, he acted as an international petroleum consultant. After living for several years in Houston, he became a US citizen in March 1994.

Peter J Richardson, age 50, a Jersey resident, is an associate of the Chartered Institute of Bankers and a diploma qualified member of the Securities Institute. A director of the company since 25 June 1998, he is a director of fund management and special purpose vehicle administration companies. He was formerly for six years Corporate Trust Manager of The Royal Bank of Scotland Trust Company (Jersey) Limited and for the previous twenty years held senior positions with four major international banking groups.

He also holds a number of public company directorships.

Marc S D Yates, age 46, a Jersey resident, and a director of the company since 1 October 1998, is a partner in the offshore legal and fiduciary services Ogier Group Partnership. He practices in the area of corporate and finance law and has been an advocate of the Royal Court of Jersey since 1985, as well as being an English barrister of twenty four years standing.

He also holds a number of public company directorships.

Paul R Anderson, age 33, a Jersey resident, is an associate member of the Institute of Chartered Secretaries and Administrators and a trust manager of Bedell Group, Jersey and has been involved with Westmount's business for over 10 years. He was appointed a director of the company on 22 December 2005.

WESTMOUNT ENERGY LIMITED

5. The secretary of the company throughout the year was Bedell Secretaries Limited.
6. The principal activity of the company is, and continues to be, investment holding.
7. The directors and their families have the following interests in the shares of the company.

	Ordinary shares of 20p (2005:10p) each			Share options		
	27 November 2006	30 June 2006	30 June 2005	27 November 2006	30 June 2006	30 June 2005
D G Williams (a)	1,005,939	1,005,939	2,011,879	150,000	150,000	-
P J Richardson	139,988	139,988	279,977	150,000	150,000	-
M S D Yates	139,988	139,988	279,977	150,000	150,000	-
P R Anderson	-	-	-	150,000	150,000	-

a) Including non-beneficial holdings of 750,939 shares at 30 June 2006 (1,176,879 at 30 June 2005).

8. At 27 November 2006 notification had been received of the following holdings of more than 3% of the issued capital of the company:

	<u>Number</u>	<u>%</u>
D G Williams	1,005,939	13.55
Amodeo Investments Limited	830,000	11.12

9. There are no service contracts with directors. However, Ridge House Resources Limited, a company in which D G Williams is interested, is entitled to a commission of 3% of profits arising from the group's current interest held through Desire Petroleum plc and any future interests in the Falkland Islands.

In order to secure loan finance from The Royal Bank of Scotland plc, D G Williams provided a personal guarantee to the bank amounting to £500,000. In consideration of D G Williams providing that guarantee the company has agreed to pay him a fee of 3% of profits realised by the company on the investment in Eclipse Energy Company Limited.

In 2003 it was resolved that the directors at that time be entitled to a bonus calculated at 5% of the gross profit realised from any potential sale of 71,375,000 shares in Sterling Energy plc, received following the disposal of the group's investments in Fusion Oil & Gas plc and Fusion Oil & Gas NL. On 22 December 2005, P R Anderson became party to the overall bonus of 5%.

10. The company is not resident in the United Kingdom and is, therefore, not a close company within the meaning of the United Kingdom Income and Corporation Taxes Act 1988.
11. The movements in fixed assets and investments are shown in notes 7 and 8 to the financial statements on pages 20 and 21.
12. The group does not follow any specified code or standard on payment practice. However, it is group policy to settle all debts owing on a timely basis, taking account of the credit period given by each supplier. The group has few trade creditors and the majority of year end credit was due to professional advisers. For this reason, the directors consider that the publication of the number of creditor days would not provide meaningful information.

13. Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:
- Select suitable accounting policies and then apply them consistently;
 - Make judgements and estimates that are reasonable and prudent;
 - State whether applicable accounting standards have been followed;
 - Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with laws and regulations.

The directors confirm that they have complied with these requirements and, at the time of approving these financial statements, have a reasonable expectation that the group has adequate resources to continue in operational existence as a going concern for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

14. A resolution to re-appoint the auditors, Moore Stephens, and authorising the directors to fix their remuneration will be submitted to the forthcoming annual general meeting.
15. Special Business at Annual General Meeting
The annual renewal of the general authority of the company to purchase up to ten per cent of its issued shares on a stock exchange is included as special business at the Annual General Meeting.

By Order of the Board

For and on behalf of
Bedell Secretaries Limited

P R ANDERSON

Secretary

26 New Street
St Helier
Jersey
JE2 3RA
Channel Islands

5 December 2006

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
WESTMOUNT ENERGY LIMITED**

We have audited the group and parent company financial statements (the "financial statements") of Westmount Energy Limited for the year ended 30 June 2006 set out on pages 10 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with article 110(2) of the Companies (Jersey) Law 1991. 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

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable Law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page 8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Review and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the group and parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at 30 June 2006 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

MOORE STEPHENS

Chartered Accountants
First Island House
Peter Street, St Helier
Jersey JE2 4SP
Channel Islands

5 December 2006

WESTMOUNT ENERGY LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2006**

(Expressed in United Kingdom Sterling)

	Note	£	2006 £	£	2005 £
Turnover	2				
Continuing operations		-		-	
Discontinued operations		<u>1,118</u>		<u>137,925</u>	
			1,118		137,925
Operating costs	3		<u>-</u>		<u>(5,927)</u>
Operating profit before administrative expenses					
Continuing operations		-		-	
Discontinued operations		<u>1,118</u>		<u>131,998</u>	
			1,118		131,998
Administrative expenses	3		(316,022)		(280,841)
Profit on termination of oil and gas field interests		1,706,201		-	
Profit on disposal of investments		3,190,096		639,751	
Interest and similar fees receivable		178,238		27,584	
Bank loan interest and charges payable		<u>-</u>		<u>(32,625)</u>	
			5,074,535		634,710
Net profit on ordinary activities before taxation	3		4,759,631		485,867
Taxation	5		(467,274)		(24,505)
Profit for the year			<u>4,292,357</u>		<u>461,362</u>
Basic earnings per share	6		<u>57.19p</u>		6.14p
Diluted earnings per share	6		<u>56.20p</u>		6.14p

Movements in reserves are set out in note 12.

**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2006**

(Expressed in United Kingdom Sterling)

	2006 £	2005 £
Profit retained for the year	4,292,357	461,362
Cost of B share issue and share consolidation	(155,895)	-
Total recognised gains and losses relating to the year	<u>4,136,462</u>	<u>461,362</u>

WESTMOUNT ENERGY LIMITED

**CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2006**

(Expressed in United Kingdom Sterling)

	Note	2006		2005	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	7	-		32,563	
Investments	8	<u>4,882,017</u>		<u>9,482,017</u>	
			4,882,017		9,514,580
CURRENT ASSETS					
Debtors	9	505,549		11,779	
Cash at bank		<u>880,222</u>		<u>34,791</u>	
		1,385,771		46,570	
CREDITORS: amounts falling due within one year	10	<u>(176,148)</u>		<u>(71,060)</u>	
NET CURRENT ASSETS/ (LIABILITIES)			<u>1,209,623</u>		<u>(24,490)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,091,640</u>		<u>9,490,090</u>
SHARE CAPITAL AND RESERVES					
Share capital	11		1,496,686		1,501,336
Share premium account	12		668,220		974,248
Capital redemption reserve	12		150,134		-
Profit and loss account	12		<u>3,776,600</u>		<u>7,014,506</u>
SHAREHOLDERS' FUNDS	13		<u>6,091,640</u>		<u>9,490,090</u>

These financial statements were approved by the board of directors on 5 December 2006.

D G WILLIAMS

Chairman

WESTMOUNT ENERGY LIMITED

**BALANCE SHEET
AT 30 JUNE 2006**

(Expressed in United Kingdom Sterling)

	Note	2006		2005	
		£	£	£	£
FIXED ASSETS					
Investments	8		4,882,019		9,482,019
CURRENT ASSETS					
Debtors	9	505,549		11,779	
Cash at bank		880,222		10,002	
		<u>1,385,771</u>		<u>21,781</u>	
CREDITORS: amounts falling due within one year	10		<u>(176,150)</u>		<u>(33,465)</u>
NET CURRENT ASSETS/ (LIABILITIES)			<u>1,209,621</u>		<u>(11,684)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,091,640</u>		<u>9,470,335</u>
SHARE CAPITAL AND RESERVES					
Share capital	11		1,496,686		1,501,336
Share premium account	12		668,220		974,248
Capital redemption reserve	12		150,134		-
Profit and loss account	12		<u>3,776,600</u>		<u>6,994,751</u>
SHAREHOLDERS' FUNDS			<u>6,091,640</u>		<u>9,470,335</u>

These financial statements were approved by the board of directors on 5 December 2006.

D G WILLIAMS

Chairman

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

(Expressed in United Kingdom Sterling)

	Note	2006 £	2005 £
Net cash outflow from operating activities	A	(325,752)	(64,519)
Returns on investments and servicing of finance	B	178,238	63,813
Taxation	C	(500,869)	(19,605)
Capital expenditure and financial investment	D	9,028,860	779,581
Cash outflow before financing		8,380,477	759,270
Financing	E	(7,535,046)	(764,174)
Increase/(decrease) in cash in the year		845,431	(4,904)
Reconciliation of cash flow to movement in net funds/(debt)	F		
Increase/(decrease) in cash in the year		845,431	(4,904)
Cash outflow from decrease in debt		-	764,174
Loan advance		500,000	-
Cash inflow from decrease in current asset		-	(94,332)
Change in net funds resulting from cashflows		1,345,431	664,938
Non-cash movements on debt		-	(575,900)
Movement in net funds in the year		1,345,431	89,038
Net funds/(debt) brought forward		34,791	(54,247)
Net funds carried forward		1,380,222	34,791

The notes on pages 16 to 24 form part of these financial statements
Independent Auditors' Report page 9

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

A. RECONCILIATION OF NET OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	2006		2005
	£		£
Operating profit before administrative expenses	1,118		131,998
Administrative expenses	(316,022)		(280,841)
Decrease in prepayments and accrued income	6,230		80,828
(Decrease) in creditors and accrued expenses	(17,078)		(2,431)
Amortisation of tangible fixed assets	-		5,927
Net cash outflow from operating activities	(325,752)		(64,519)
B. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2006		2005
	£		£
Interest received	178,238		96,438
Interest paid	-		(32,625)
Net cash inflow from returns on investments and servicing of finance	178,238		63,813
C. TAXATION	2006		2005
	£		£
Tax paid	(500,869)		(19,605)
Net cash outflow for taxation	(500,869)		(19,605)
D. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2006		2005
	£		£
Loan advance	(500,000)		-
Sale of fixed asset investments	7,790,096		1,008,203
Termination of oil and gas field interests	1,738,764		-
Purchase of fixed asset investments	-		(228,622)
Net cash inflow from capital expenditure and financial investment	9,028,860		779,581
E. FINANCING	2006		2005
	£		£
Redemption of B shares	(7,350,919)		-
Purchase of own shares	(28,232)		-
Cost of B share issue ordinary share consolidation	(155,895)		-
Bank loan repayment	-		(764,174)
Net cash outflow from financing	(7,535,046)		(764,174)
F. ANALYSIS OF NET FUNDS	01.07.05	Cash flow	30.06.06
		£	£
Net funds			
Cash at bank	34,791	845,431	880,222
Current asset	-	500,000	500,000
	<u>34,791</u>	<u>1,345,431</u>	<u>1,380,222</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

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) Turnover

Turnover represents royalty and other income receivable by the group from its oil and gas field interests.

c) 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.

d) Taxation

United Kingdom Corporation Tax is provided on taxable profits at the appropriate rate.

e) Investments

Fixed and current 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.

f) Financial instruments

Financial assets and liabilities are recognised on the historical cost basis, which approximate to fair value.

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.

g) Tangible fixed assets

Tangible fixed assets are stated at cost.

Depreciation of the oil and gas field interests is provided for using the unit of production method based on proven and probable recoverable reserves.

h) Deferred taxation

If applicable, deferred tax is provided on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

i) Basis of consolidation

The group financial statements incorporate the assets, liabilities and results of Westmount Energy Limited and its subsidiary. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated results from, or up to, the effective date of acquisition or disposal, being the date control passes.

WESTMOUNT ENERGY LIMITED

2. TURNOVER: SEGMENTAL INFORMATION By class of business	Oil & Gas Field Interests £	Investments £	Total £
2006			
Turnover	<u>1,118</u>	<u>-</u>	<u>1,118</u>
Net profit before taxation			<u>1,118</u>
Segment profit	<u>1,118</u>	<u>-</u>	
Common costs			<u>(316,022)</u>
			<u>(314,904)</u>
Profit on termination of oil and gas fields interests			<u>1,706,201</u>
Profit on disposal of investments			<u>3,190,096</u>
Interest and similar fees receivable			<u>178,238</u>
			<u>4,759,631</u>
Net assets			
Segment net assets	<u>-</u>	<u>5,382,017</u>	<u>5,382,017</u>
Unallocated net assets			<u>709,623</u>
			<u>6,091,640</u>
2005			
Turnover	<u>137,925</u>	<u>-</u>	<u>137,925</u>
Net profit before taxation			
Segment profit	<u>131,998</u>	<u>-</u>	<u>131,998</u>
Common costs			<u>(280,841)</u>
			<u>(148,843)</u>
Profit on disposal of investments			<u>639,751</u>
Interest and similar fees receivable			<u>27,584</u>
Bank loan interest and charges payable			<u>(32,625)</u>
			<u>485,867</u>
Net assets			
Segment net assets/(liabilities)	<u>(1,033)</u>	<u>9,482,017</u>	<u>9,480,984</u>
Unallocated net liabilities			<u>9,106</u>
			<u>9,490,090</u>

WESTMOUNT ENERGY LIMITED
**2. TURNOVER: SEGMENTAL
INFORMATION (continued)
By geographical area**

	North Sea £	Investments £	Total £
2006			
Turnover	<u>1,118</u>	<u>-</u>	<u>1,118</u>
Net profit before taxation			
Segment profit	<u>1,118</u>	<u>-</u>	<u>1,118</u>
Common costs			<u>(316,022)</u>
			<u>(314,904)</u>
Profit on termination of oil and gas fields interests			<u>1,706,201</u>
Profit on disposal of investments			<u>3,190,096</u>
Interest and similar fees receivable			<u>178,238</u>
			<u>4,759,631</u>
Net assets			
South America		<u>500,000</u>	
South Atlantic		<u>697,017</u>	
American and African regions		<u>3,450,000</u>	
European regions		<u>735,000</u>	
Segment net assets	<u>-</u>	<u>5,382,017</u>	<u>5,382,017</u>
Unallocated net assets			<u>709,623</u>
			<u>6,091,640</u>
2005			
Turnover	<u>137,925</u>	<u>-</u>	<u>137,925</u>
Net loss before taxation			
Segment profit	<u>131,998</u>	<u>-</u>	<u>131,998</u>
Common costs			<u>(280,841)</u>
			<u>(148,843)</u>
Profit on disposal of investments			<u>639,751</u>
Interest and similar fees receivable			<u>27,584</u>
Bank loan interest and charges payable			<u>(32,625)</u>
			<u>485,867</u>
Net assets			
South Atlantic		<u>697,017</u>	
American and African regions		<u>8,050,000</u>	
European regions		<u>735,000</u>	
Segment net assets/(liabilities)	<u>(1,033)</u>	<u>9,482,017</u>	<u>9,480,984</u>
Unallocated net liabilities			<u>9,106</u>
			<u>9,490,090</u>

3. NET PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			2006 Group £			2005 Group £
	Company £		Company £		Company £	2005 Group £
Net profit on ordinary activities before taxation is stated after charging:						
Directors' emoluments	107,500		107,500		100,000	100,000
Auditors' remuneration	12,000		12,000		10,000	12,750
Other auditors' costs	2,618		2,618		5,339	6,858
Amortisation of tangible fixed assets	-		-		-	5,927
	<u>-</u>		<u>-</u>		<u>-</u>	<u>5,927</u>
	Continuing £	Discontinued £	2006 Total £	Continuing £	Discontinued £	2005 Total £
Operating costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,927</u>	<u>5,927</u>
Administrative expenses	<u>315,854</u>	<u>168</u>	<u>316,022</u>	<u>276,413</u>	<u>4,428</u>	<u>280,841</u>

4. REMUNERATION OF DIRECTORS	2006 Salary/ fees £	2005 Salary/ fees £
Chairman and highest paid director	60,000	60,000
Other executive directors	47,500	40,000
	<u>107,500</u>	<u>100,000</u>

During the year the company paid commission of £170,000 in respect of the profit realised on the disposal of 30,000,000 shares in Sterling Energy plc ("Sterling") being part of the shareholding acquired on the acquisition by Sterling of the company's interest in Fusion Oil & Gas plc, as follows: Ridge House Resources Limited, a company in which D G Williams has an interest, £85,000, P J Richardson £42,500 and M S D Yates £42,500.

During the year legal and professional fees totalling £22,061.30 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.

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

5. **TAXATION**

The company has exempt company status for Jersey tax purposes and has paid exempt company tax at the fixed rate of £600 per annum. As no relationship exists between the tax and the level of the company's activities, the tax has been included in administrative expenses.

	2006	2005
	£	£
The charge for group taxation comprises:		
United Kingdom corporation tax		
Current year at 30% (2005 : 19%)	<u>467,274</u>	<u>24,505</u>

6. **EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit for the year after taxation: £4,292,357 (2005 £461,362). The weighted average number of shares in issue during the year was 7,506,060 (2005 7,506,060 (restated)).

The calculation of diluted earnings per share uses the same earnings figure as the basic calculation but the weighted average number of shares has been adjusted to 7,638,223 (2005: 7,506,060) to reflect the dilutive effect of outstanding share options.

7. **TANGIBLE FIXED ASSETS**

	Company	2006	Company	2005
	£	Group	£	Group
		£		£
Oil and gas field interests				
Cost				
1 July 2005	-	143,379	-	143,379
Disposal	-	(143,379)	-	-
30 June 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,379</u>
Amortisation				
1 July 2005	-	110,816	-	104,889
Charge for the year	-	-	-	5,927
Eliminated on disposal	-	(110,816)	-	-
30 June 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,816</u>
Written down value	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,563</u>

The group's oil and gas field interests were an overriding royalty relating to Licence P241 North Sea, including the Buchan Field representing a 0.5% interest. The overriding royalty agreement was terminated during the year.

WESTMOUNT ENERGY LIMITED

8. INVESTMENTS	Company £	2006 Group £	Company £	2005 Group £
Fixed asset investments				
Subsidiary company				
100% owned				
Westmount Petroleum UK Limited				
2 £1 shares at cost	2	-	2	-
Other investments				
Desire Petroleum plc ("Desire")				
5,500,000 ordinary, fully paid shares at cost (2005: 5,500,000) (a)				
	697,017	697,017	697,017	697,017
Eclipse Energy Company Limited ("Eclipse")				
244,000 ordinary, fully paid shares at cost (2005: 244,000)(b)				
	735,000	735,000	735,000	735,000
Sterling Energy plc ("Sterling")				
30,000,000 ordinary, fully paid shares at cost (2005 : 70,000,000) (c)				
	<u>3,450,000</u>	<u>3,450,000</u>	<u>8,050,000</u>	<u>8,050,000</u>
	<u>4,882,019</u>	<u>4,882,017</u>	<u>9,482,019</u>	<u>9,482,017</u>

(a) On 30 June 2006 the market value of the group's holding of 5,500,000 ordinary fully paid shares, representing 2.48% of the issued share capital of Desire, was £1,773,750 (32.25p per share).

(b) This investment represents 13.82% of the issued share capital of Eclipse. As the investment is currently unquoted, the market value of the group's holding is not readily available.

(c) On 30 June 2006 the market value of the group's holding of 30,000,000 ordinary fully paid shares representing 2.13% of the issued share capital of Sterling was £7,500,000 (25p per share). During the year, the company disposed of 40,000,000 shares, realising a profit of £3,189,999 (after expenses).

WESTMOUNT ENERGY LIMITED

9.	DEBTORS: amounts falling due within one year	Company	2006 Group	Company	2005 Group
		£	£	£	£
	Loan receivable	500,000	500,000	-	-
	Prepayments and accrued income	5,549	5,549	11,779	11,779
		<u>505,549</u>	<u>505,549</u>	<u>11,779</u>	<u>11,779</u>

On 19 January 2006 the company provided a convertible loan of £500,000 to CDS Oil and Gas Group plc ("CDS") to be utilised solely towards the funding of its exploration programme in the Chaco Basin in North West Paraguay, South America, repayable 29 December 2006. If the loan is not repaid the company will apply the Loan by paying up and 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 of an ordinary share of 1p each in CDS as traded on AIM for the previous 14 trading days, less 5% thereof.

10.	CREDITORS: amounts falling due within one year	Company	2006 Group	Company	2005 Group
		£	£	£	£
	Amounts due to shareholders	155,761	155,761	-	-
	United Kingdom taxation	-	-	-	33,595
	Accrued expenses	20,389	20,387	33,465	37,465
		<u>176,150</u>	<u>176,148</u>	<u>33,465</u>	<u>71,060</u>

11.	SHARE CAPITAL		2006	2005
			£	£
	Authorised:			
	10,000,000 shares of 20p each		<u>2,000,000</u>	<u>2,000,000</u>
	(2005 : 20,000,000 shares of 10p each)			
	Allotted and fully paid:	2006	2006	2005
		Shares	£	£
	In issue	<u>7,483,430</u>	<u>1,496,686</u>	<u>1,501,336</u>
		15,013,361		

11. **SHARE CAPITAL** (continued)

Movement:	Ordinary shares		Redeemable shares	Ordinary shares	Redeemable shares
	20p	10p	1p	£	£
Balance at 1 July	-	15,013,361	-	1,501,336	-
Conversion to 20p shares and issue of redeemable shares	7,506,680	(15,013,361)	15,013,361		150,134
Redemption of redeemable shares			(15,013,361)		(150,134)
Purchase of own shares	(23,250)			(4,650)	
	7,483,430	-	-	1,496,686	-

As at 30 June 2006, options over 750,000 (2005: Nil) ordinary 20p shares were outstanding. The options were granted on 22 December 2005 with an exercise price of 103.50p. The options are exercisable at the election of the option holder, over various periods, expiring 31 December 2012.

12. **SHARE PREMIUM ACCOUNT AND RESERVES**

	Capital Redemption Reserve	Share Premium Account £	Profit & Loss Account £
Group			
Balance at 1 July 2005	-	974,248	7,014,506
Issue of B shares	-	(150,134)	-
Premium arising on issue of B shares		7,356,547	(7,356,547)
Cost of B share issue and share consolidation	-	(155,895)	-
B shares redeemed	150,134	(7,356,546)	(150,134)
Purchase of own shares	-	-	(23,582)
Profit for the year			4,292,357
Balance at 30 June 2006	150,134	668,220	3,776,600
Company			
Balance at 1 July 2005		974,248	6,994,751
Issue of B shares	-	(150,134)	-
Premium arising on issue of B shares		7,356,547	(7,356,547)
Cost of B share issue and share consolidation	-	(155,895)	-
B shares redeemed	150,134	(7,356,546)	(150,134)
Purchase of own shares	-	-	(23,582)
Profit for the year	-	-	4,312,112
Balance at 30 June 2006	150,134	668,220	3,776,600

13.	RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS	2006 £	2005 £
	Profit for the year	4,292,357	461,362
	Issue of B shares	(7,506,680)	-
	Cost of B share issue and share consolidation	(155,895)	-
	Purchase of own shares	(28,232)	-
	Opening group shareholders' funds	<u>9,490,090</u>	<u>9,028,728</u>
	Closing group shareholders' funds	<u>6,091,640</u>	<u>9,490,090</u>

14. **SUBSIDIARY COMPANY**

The consolidated financial statements include the following subsidiary company:

	Nature of business	Place of incorporation	Ordinary shares owned
Westmount Petroleum UK Limited	Investment in oil and gas exploration and production (Dormant from 16 August 2005)	England and Wales	100%

15. **POST BALANCE SHEET EVENTS**

On 21 September 2006 the company re-purchased 25,000 20p ordinary shares from the stock exchange at a cost of £27,146. The company re-purchased a further 33,430 20p ordinary shares on 3 October 2006, from the stock exchange, at a cost of £36,296.

NOTICE OF MEETING

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 Friday, 29 December 2006 at 11.45 am for the purpose of conducting the following business.

Ordinary business of the company:-

1. To receive the company's financial statements for the year ended 30 June 2006 and the reports of the directors and the auditors thereon.
2. To re-appoint Moore Stephens as auditors of the company.
3. To authorise the directors of the company to fix the remuneration of the auditors.
4. To transact any other ordinary business which may properly be transacted at an annual general meeting.

Special business of the company:-

1. To consider and, if thought fit, pass a special resolution in the form attached as **Annexure 1** to this Notice renewing the company's authority to purchase certain consolidated ordinary shares of £0.20 each in the company on the terms set out in Annexure 1.

By order of the Board
Bedell Secretaries Limited
Secretary

Registered office:
26 New Street
St Helier
Jersey JE2 3RA
Channel Islands

5 December 2006

NOTES

- (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the company.
- (ii) A Form of Proxy is enclosed which, to be effective, must be completed and deposited (together with the power of attorney or other authority, if any, under which it is signed or a copy thereof certified notarially) with Capita Registrars (Jersey) Limited, Victoria Chambers, Liberation Square, 1-3 The Esplanade, St Helier, Jersey JE2 3QA, Channel Islands by 11.45 am on 27 December 2006. Completion and return of the Form of Proxy does not preclude a shareholder from attending and voting in person at the meeting.
- (iii) The company, pursuant to the Companies (Uncertificated Securities) (Jersey) Order 1999 and its articles of association, specifies that only those shareholders holding consolidated ordinary shares of 20p each in the Company and entered on the register of members of the company as at 11.45am on 27 December 2006 shall be entitled to attend or vote at the aforesaid meeting in respect of the number of such shares registered in their name at that time. Changes to entries on the relevant register of securities after 11.45 am on 27 December 2006 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (iv) In accordance with paragraph 14.17 of the Listing Rules, an explanation regarding the special business to be conducted at the meeting, and complying with the requirements of paragraph 15.4 of the Listing Rules, is incorporated in the directors' report on the company's financial statements for the year ended 30 June 2006.

ANNEXURE 1 TO NOTICE OF MEETING

Special Resolution authorising the purchase by the company of its own shares

IT IS RESOLVED THAT:

In renewal of the existing authority under Article 57 of the Companies (Jersey) Law 1991, as amended, the company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with such Article 57, to make purchases on a stock exchange of fully paid consolidated ordinary shares of 20p each of the company ("**Ordinary Shares**") provided that:

- (a) the maximum number of Ordinary Shares which are authorised to be purchased shall be such number as represents 10 percent of the aggregate nominal amount of the company's issued consolidated ordinary share capital as at the date of this Special Resolution;
- (b) the minimum price which may be paid for any such Ordinary Share (exclusive of expenses) shall be the nominal amount of the Ordinary Share purchased; and
- (c) the maximum price (exclusive of expenses) which may be paid for any such Ordinary Share is an amount equal to 105 percent of the average of the middle market quotations as derived from the Official List for such Ordinary Shares for the five business days immediately preceding the date of purchase,

such authority to expire on 31 December 2007, unless previously revoked, varied or renewed by the company in general meeting, save that the company may at any time prior to the expiry of such authority enter into a contract or contracts to purchase such Ordinary Shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of such Ordinary Shares in pursuance of any such contract or contracts. Such authority pursuant to this Special Resolution will allow the company to buy back Ordinary Shares only for cancellation.

FORM OF PROXY

for use at the Annual General Meeting convened for
11.45 am on Friday, 29 December 2006

I/WEBLOCK
CAPITALS
OF.....PLEASE
being holder(s) of consolidated ordinary shares of 20p each in Westmount Energy Limited hereby appoint
the Chairman of the Meeting (See Note 1)

.....
or failing him.....
of..... as my/our proxy,
to attend, vote and act for me/us on my/our behalf at the annual general meeting of the company to be
held at 11.45 am on Friday, 29 December 2006, and at any adjourned meeting, and at any poll which
may take place in consequence thereof. My/our proxy is to vote as indicated below in respect of the
Ordinary Business and the Special Business set out in the Notice of Meeting.

	ORDINARY BUSINESS	FOR	AGAINST
1.	TO RECEIVE THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 AND THE DIRECTORS AND AUDITORS REPORTS THEREON.	<input type="checkbox"/>	<input type="checkbox"/>
2.	TO RE-APPOINT MOORE STEPHENS AS AUDITORS OF THE COMPANY.	<input type="checkbox"/>	<input type="checkbox"/>
3.	TO AUTHORISE THE DIRECTORS OF THE COMPANY TO FIX THE AUDITORS REMUNERATION.	<input type="checkbox"/>	<input type="checkbox"/>
	SPECIAL BUSINESS		
	TO PASS A SPECIAL RESOLUTION TO AUTHORISE THE PURCHASE BY THE COMPANY OF CERTAIN OF ITS FULLY PAID CONSOLIDATED ORDINARY SHARES ON A STOCK EXCHANGE FOR CANCELLATION.	<input type="checkbox"/>	<input type="checkbox"/>

SIGNED..... DATE.....
Signature (See Note 2, 3 and 5)

* Please indicate how you wish your proxy to vote in respect of each item of the Ordinary Business and Special Business by placing an "X" in the boxes desired. Unless otherwise instructed the proxy will vote or abstain as he/she thinks fit. The proxy will act at his/her discretion in relation to any other business arising at the meeting (including any resolution to adjourn the Meeting).

NOTES:

1. If any other proxy be desired, please delete "the Chairman of the Meeting" and insert the name and address (or names and addresses) of person(s) preferred in block capitals in the spaces provided. A proxy need not be a member of the company. The appointment of a proxy does not preclude any member from attending and voting in person at the Meeting.
2. In the case of a corporation, this proxy must be executed in accordance with the constitution of the corporation.
3. In the case of joint holdings the signature of one holder will suffice, but the names of all joint holders should be stated.
4. Any alteration or deletion must be signed or initialled.
5. To be effective this proxy (and the Power of Attorney or other authority, if any, under which it is signed, or a notarially certified copy of such Power of Attorney or other authority) must be deposited with Capita Registrars (Jersey) Limited, Victoria Chambers, Liberation Square, 1-3 The Esplanade, St Helier, Jersey JE2 3QA Channel Islands by 11.45 am on 27 December 2006.

(CUT ALONG DOTTED LINE)

THIRD FOLD AND TUCK IN

AFFIX
POSTAGE
STAMP

CAPITA REGISTRARS (JERSEY) LIMITED
PO BOX 378
ST HELIER
JERSEY JE4 0FF
CHANNEL ISLANDS

FIRST FOLD

SECOND FOLD

