

WESTMOUNT ENERGY LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2009

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

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COMPANY PROFILE

Westmount Energy Limited (the "company") was incorporated in Jersey on 1 October 1992 under the Companies (Jersey) Law 1991, as amended, and is a public company with registered number 53623. The company now operates solely as an energy investment company.

The investment strategy of the company has been to provide seed capital to small companies that are identified as having significant growth possibilities. These investments are usually sold subsequent to floatation or when a significant third party offer is available, which values such a stake as attractive both for price and market reasons.

The shares of the company commenced trading on the Alternative Investment Market ("AIM") on 2 October 1995. The middle market closing share price on 30 June 2009 was 32.5p (30 June 2008: 102.0p). The reduction in the share price takes into account the return of capital in the amount of 65p per share. The company had a total of 6,980,300 ordinary shares of 20p each in issue at 30 June 2009, held by approximately 1,300 shareholders. This number of shares is after taking into account 35,000 shares purchased by the company in the market during the year, which have now been cancelled and the issue of 6,980,300 redeemable B shares of 1p each, which were allotted and redeemed during the year, returning £4,597,358 of capital to shareholders. There were also 640,000 share options outstanding at 30 June 2009, with various exercise periods, mostly expiring 31 December 2012, consisting of 540,000 20p ordinary shares exercisable at a subscription price of 38.5p (prior to capital repayment 103.5p) per share and 100,000 20p ordinary shares exercisable at a subscription price of 26p (prior to capital repayment 91p) per share. Since the exercise price of the latter options at 30 June 2009 was below the average market price of ordinary shares this year, they are deemed to have a dilution effect on earnings per share and the diluted earnings per share is consequently disclosed in the profit and loss account.

COMPANY INFORMATION

Chairman	Mervyn Bradlow (non-executive)
Directors	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	Cenkos Securities Plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Legal Advisers	Ogier Whiteley Chambers Don Street, St Helier Jersey JE4 9WG Channel Islands
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 12 Castle Street St Helier Jersey JE2 3RT Channel Islands

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.

CHAIRMAN'S REVIEW (continued)

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

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

1. The directors have pleasure in presenting the audited financial statements of the company for the year ended 30 June 2009.
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 company's activities and its prospects are reviewed in the chairman's review on pages 4 and 5.
4. The directors during the year and subsequently were as follows:

P J Richardson
M S D Yates
P R Anderson
M Bradlow (Non-Executive Chairman)

Biographical Information

Peter J Richardson, age 53, a Jersey resident, is an associate of the Chartered Institute of Bankers and a diploma qualified Fellow 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 49, 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 five years standing.

He also holds a number of public company directorships.

Paul R Anderson, age 35, a Jersey resident, and a director of the company since 22 December 2005, is a Fellow of the Institute of Chartered Secretaries and Administrators and a senior trust manager of Bedell Group, Jersey and has been involved with the company's business for over 10 years.

Mervyn Bradlow, Non Executive Chairman, age 77, has been known to the company for many years and had a close association with the previous chairman, was a member of the London Stock Exchange and is currently an investment advisor with Hargreave Hale Limited, stockbrokers, and has been involved in the oil and gas sector for over 20 years.

REPORT OF THE DIRECTORS (continued)

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 company purchased, for cancellation at £Nil cost, 35,000 ordinary shares of 20p during the year for a total consideration of £31,668. The shares represent 0.5% of the opening called up share capital as at 1 July 2008.
8. At 8 September 2009 notification had been received of the following holdings of more than 3% of the issued capital of the company:

	<u>Number</u>	<u>%</u>
Personal representatives of the late D G Williams and related parties	1,005,939	14.41
Gryphon Trading S.A.	838,900	12.02
Hargreave Hale Limited	1,327,000	19.01

The company held no beneficial interest in shares of the company through related parties.

9. There are no service contracts with directors. However, Ridge House Resources Limited, a company in which D G Williams was 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. Commission paid during the year amounted to £12,291.

In order to secure loan finance in July 2002 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 paid his estate during the year a fee of 3% of profits realised by the company on the investment in Eclipse Energy UK plc. This fee amounted to £109,784.

The directors, from time to time, are entitled to an aggregate bonus calculated at 5% of the gross profit realised from any potential sale of shares in Sterling Energy plc, received following the disposal of the group's investments in Fusion Oil & Gas plc and Fusion Oil & Gas NL.

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 investments are shown in note 7 to the financial statements on page 16.
12. The company does not follow any specified code or standard on payment practice. However, it is company policy to settle all debts owing on a timely basis, taking account of the credit period given by each supplier. The company has few trade creditors and the majority of year end creditors 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. The directors are responsible for preparing their Annual Report and the financial statements in accordance with applicable law and regulations.

The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and applicable law. The financial statements are required to give a true and fair view of the state of the affairs of the company as at the end of the financial period and of the profit and loss of the company for that period. In preparing those 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, 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 assume that the company will continue in business.

REPORT OF THE DIRECTORS (continued)

The directors are responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and that enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991;
- safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities;
- the maintenance and integrity of the corporate and financial information included on the company's website.

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 company 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. In the case of each of the persons who are directors at the time when the report is approved, the following applies:
 - so far as the director is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
 - each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information and to establish that the company's auditors are aware of that information.
15. 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.
16. **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

21 September 2009

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

We have audited the financial statements of Westmount Energy Limited for the year ended 30 June 2009 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the notes 1 to 13. 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 in accordance with Article 110 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, 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 Directors' Responsibilities Statement on pages 7 to 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its profit for the year 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 (Jersey) Law 1991.

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

21 September 2009

WESTMOUNT ENERGY LIMITED**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)			(374,827)		(346,267)
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		1,423,726		206,410
Taxation			<u>-</u>		<u>-</u>
Profit for the financial year			<u>1,423,726</u>		<u>206,410</u>
Basic earnings per share	6		20.34p		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.

WESTMOUNT ENERGY LIMITED**BALANCE SHEET
AT 30 JUNE 2009**

(Expressed in United Kingdom Sterling)

	Note	2009	2008
		£	£
FIXED ASSETS			
Investments	7	1,830,287	4,728,998
CURRENT ASSETS			
Prepayments and accrued income		10,540	7,689
Cash at bank		873,656	1,118,597
		<u>884,196</u>	<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	3,383,351
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	<u>4,648,229</u>	<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		<u>(244,941)</u>	<u>577,988</u>
Reconciliation of cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash		<u>(244,941)</u>	<u>577,988</u>
Movement in net funds in the year		<u>(244,941)</u>	<u>577,988</u>
Net funds brought forward		<u>1,118,597</u>	<u>540,609</u>
Net funds carried forward	E	<u>873,656</u>	<u>1,118,597</u>
Represented by:			
Cash at bank		<u>873,656</u>	<u>1,118,597</u>
Net funds carried forward		<u>873,656</u>	<u>1,118,597</u>

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

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>

