FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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Westport Energy Holdings Inc.
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2012.

☐ **Transition report under Section 13 or 15(d) of the Exchange Act**

For the transition period from to .

Commission file number 000-28887

WESTPORT ENERGY HOLDINGS INC.

(Formerly Carbonics Capital Corporation)
(Exact name of registrant as specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	22-3328734 (I.R.S. Employer Identification No.)

100 Overlook Center, 2nd Floor
Princeton, NJ 08540
(Address of Principal Executive Offices)

(609) 498-7029
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer and "smaller reporting company" in Rule 12b-2 or the Exchange Act. (Check one):

Large Accelerated filer ☐ Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller Reporting Company ☒
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☒

As of January 9, 2013 the Registrant had the following number of shares of its capital stock outstanding: 575,862 shares of Common Stock, par value $0.0001and 921,890 shares of Series C Preferred Stock, par value $0.001, which are convertible, in accordance with their terms, into a number of shares of Common Stock equal to 73.75% of the fully-diluted outstanding shares of Common Stock.

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Disclosure Regarding Forward-Looking Statements

Certain statements in the Quarterly Report on Form 10-Q may constitute "forward-looking" statements as defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Act of 1934, as amended (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the Securities and Exchange Commission, all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Westport Energy Holdings Inc. (the "Company") or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words, *"plan", "believe", "expect", "anticipate", "intend", "estimate", "project", "may", "will", "would", "could", "should", "seeks", or "scheduled to",* or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the "safe harbor" provisions of such laws. The Company cautions investors that any forward-looking statements made by the Company are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to the Company, include, but are not limited to, the risks and uncertainties affecting its businesses described in Items 1 and 1A of the Company's Annual Report filed on Form 10-K for the year ended December 31, 2011 and in registration statements and other securities filings by the Company. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of the forward-looking statements and are subject to change due inherent risks and uncertainties. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof and the Company does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

PART I. FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

WESTPORT ENERGY HOLDINGS INC. AND SUBSIDIARY
(FORMERLY CARBONICS CAPITAL CORPORATION)
(AN EXPLORATION COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2012	December 31, 2011
ASSETS		
Assets		
Cash and cash equivalents	$ 30,349	$ 856,061
Restricted cash	675,656	178,021
Trading securities - Restricted	-	567,175
Prepaid and other current assets	38,888	70,821
Total current assets	744,893	1,672,078
Oil and gas properties, unproven	10,475,000	10,475,000
Total assets	$ 11,219,893	$ 12,147,078
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Senior secured convertible debenture, net of discount	$ 29,464,162	$ 28,150,507
Account payable and accrued expenses	148,500	472,425
Line of credit	-	18,238
Convertible debentures	6,083,026	6,083,026
Accrued interest	8,073,314	5,605,401
Derivative liability	1,181,000	4,009,000
Total current liabilities	44,950,002	44,338,597
Stockholders' Deficiency:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized		
Series C Voting Convertible, 921,890 shares issued and outstanding	921	921
Common stock, $0.0001 par value; 2,000,000,000 shares authorized; 575,862 shares issued and outstanding	58	58
Additional paid-in capital	(9,584,242)	(9,584,242)
Accumulated deficiency during exploration stage	(24,146,846)	(22,608,256)
Total stockholders' deficiency	(33,730,109)	(32,191,519)
Total liabilities and stockholders' deficiency	$ 11,219,893	$ 12,147,078

See accompanying notes to condensed consolidated financial statements.

WESTPORT ENERGY HOLDINGS INC. AND SUBSIDIARY
(AN EXPLORATION COMPANY)
(FORMERLY CARBONICS CAPITAL CORPORATION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Period from December 23, 2008 (inception) to September 30, 2012
	2012	2011	2012	2011	
Net sales	$ -	$ -	$ -	$ -	$ -
Cost of sales	-	-	-	-	-
	-	-	-	-	-
Operating expenses					
Impairment loss	-	-	-	-	13,666,518
General and administrative expenses	273,298	214,476	884,097	584,118	2,686,496
Total operating expenses	273,298	214,476	884,097	584,118	16,353,014
Loss from operations	(273,298)	(214,476)	(884,097)	(584,118)	(16,353,014)
Interest income (expense)	(1,117,742)	(1,562,919)	(3,595,053)	(4,627,796)	(12,830,640)
Change in fair value of derivative liability	164,000	734,000	2,942,000	3,357,000	5,053,000
Gains (Losses) from trading securities	-	(5,607)	(1,440)	(10,755)	(16,192)
Loss before income tax provision	(1,227,040)	(1,049,002)	(1,538,590)	(1,865,669)	(24,146,846)
Income tax provision	-	-	-	-	-
Net loss	$ (1,227,040)	$ (1,049,002)	$ (1,538,590)	$ (1,865,669)	$ (24,146,846)
Basic and diluted loss per common share	$ (2.13)	$ (1.82)	$ (2.67)	$ (3.24)	
Weighted average number of common shares outstanding, basic	576,000	576,000	576,000	576,000	
Weighted average number of common shares outstanding - diluted	-	-	-	-	

See accompanying notes to condensed consolidated financial statements.

WESTPORT ENERGY HOLDINGS INC. AND SUBSIDIARY
(FORMERLY CARBONICS CAPITAL CORPORATION)
(AN EXPLORATION COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
FOR THE PERIOD DECEMBER 23, 2008 (INCEPTION) TO September 30, 2012
(UNAUDITED)

	Series C Voting Convertible preferred stock issued		Common Stock Issued			Deficit Accumulated During	Total
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Exploration Stage	Stockholders' Deficiency
December 23, 2008 contribution of assets	-	$ -	-	$ -	$ 24,141,518	$ -	$ 24,141,518
Reverse merger recapitalization	805,767	806	25,456	3	(809)	-	-
Balance, December 31, 2008	805,767	806	25,456	3	24,140,709	-	24,141,518
Shares issued prior to reverse merger by acquiree	166,275		71,112	-	-	-	-
Capital contribution	-	-	-	-	732,497	-	732,497
Reverse merger recapitalization	-	166	-	7	(173)	-	-
Net loss	-	-	-	-	-	(213,110)	(213,110)
Balance, December 31, 2009	972,042	972	96,568	10	24,873,033	(213,110)	24,660,905
Shares issued prior to reverse merger by acquiree	(50,152)	-	479,294	-	-	-	-
Capital contribution	-	-	-	-	420,653	-	420,653
Reverse merger recapitalization	-	(51)	-	48	(34,877,928)	-	(34,877,931)
Net loss	-	-	-	-	-	(5,832,952)	(5,832,952)
Balance, December 31, 2010	921,890	$ 921	575,862	$ 58	$ (9,584,242)	$ (6,046,062)	$ (15,629,325)
Net loss	-	-	-	-	-	(16,562,194)	(16,562,194)
Balance, December 31, 2011	921,890	$ 921	575,862	$ 58	$ (9,584,242)	$ (22,608,256)	$ (32,191,519)
Net loss	-	-	-	-	-	(1,538,590)	(1538,590)
Balance, September 30, 2012	921,890	$ 921	575,862	$ 58	$ (9,584,242)	$ (24,146,846)	$ (33,730,109)

See accompanying notes to condensed consolidated financial statements.

WESTPORT ENERGY HOLDINGS INC. AND SUBSIDIARY
(AN EXPLORATION COMPANY)
(FORMERLY CARBONICS CAPITAL CORPORATION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Cumulative Period from December 23, 2008 (inception) to September 30, 2012
Operating activities:			
Net Loss	$ (1,538,590)	$ (1,865,669)	$ (24,146,846)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Impairment of long-lived assets	-	-	13,666,518
Change in fair value of derivative liability	(2,942,000)	(3,357,000)	(5,053,000)
Unrealized (gains) losses on marketable securities	18	5,609	12,683
Amortization of debt discount	1,127,655	2,252,584	5,905,039
Changes in Assets and Liabilities			
Prepaid and other current assets	31,933	(85,010)	(38,888)
Decrease (increase) in accounts payable and accrued expenses	(323,925)	261,400	148,500
Increase in accrued interest	2,467,913	2,385,973	6,919,121
Net cash used in operating activities	(1,176,996)	(402,113)	(2,586,873)
Investing activities:			
(Payment)receipt of restricted cash	(497,635)	439,507	(675,656)
Proceeds from sale of trading securities	675,129	302,053	2,218,914
Purchases of trading securities	(107,972)	(747,851)	(2,231,597)
Net cash provided by (used in) investing activities	69,522	(6,291)	(688,339)
Financing activities			
Line of credit	(18,238)	-	-
Proceeds from advances	-	-	732,497
Proceeds from issuance of senior secured convertible debenture	300,000	120,000	2,152,411
Proceeds from issuance of promissory notes	-	118,000	168,000
Retirement of promissory notes in exchange for convertible debenture	-	-	(168,000)
Capital contribution	-	-	420,653
Net cash provided by financing activities	281,762	238,000	3,305,561
(Decrease) increase in cash	(825,712)	(170,404)	30,349
Cash and cash equivalents, beginning of period	856,061	180,030	-
Cash and cash equivalents, end of period	$ 30,349	$ 9,626	$ 30,349
NONCASH INVESTING AND FINANCING ACTIVITIES			
Oil and gas properties, unproven	$ -	$ -	$ 24,141,518
Debt discount derived from derivative liability - Convertible debentures	-	-	406,000
Debt discount derived from derivative liability - Senior Secured convertible debentures	114,000	45,000	5,828,000
Reverse merger liabilities and equity adjustments			
Accrued interest	-	-	1,154,193
Senior secured convertible debenture	-	-	27,640,712
Convertible debentures	-	-	6,083,026
Total	$ 114,000	$ 45,000	$ 65,253,449

See accompanying notes to condensed consolidated financial statements.

WESTPORT ENERGY HOLDINGS INC. AND SUBSIDIARY
(FORMERLY CARBONICS CAPITAL CORPORATION)
(AN EXPLORATION COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation and Nature of Organization

Nature of Operations

Westport Energy Holdings Inc.'s wholly owned subsidiary, Westport Acquisition LLC and its wholly owned subsidiary, Westport Energy, LLC (the Company), was formed in December 2008, in the State of Delaware, as a limited liability company. Westport Energy is an exploration stage company engaged in the exploration for coalbed methane in the Coos Bay region of Oregon. Westport Energy holds leases to approximately 104,000 acres of prospective coalbed methane lands in the Coos Bay Basin.

The Company's common stock is traded on the Over-the-Counter Bulletin Board under the symbol CICSE.OB.

Basis of Presentation of Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements were prepared by the Company pursuant to the rules and regulations of the SEC and, in the opinion of management, include all adjustments (consisting of normal recurring accruals and adjustments necessary for adoption of new accounting standards) necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. The results for the interim periods are not necessarily indicative of results for the full year.

The accompanying unaudited condensed consolidated financial statements include the accounts of Westport Energy Holdings Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Liquidity and Going Concern

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The Company has recurring deficits, a large accumulated deficit and is in the exploration stage of development, and has no revenues. These items raise substantial doubt about the Company's ability to continue as a going concern. In view of these matters, realization of the assets of the Company is dependent upon the Company's ability to meet its financial requirements and the success of future operations.

In addition, as of September 30, 2012, the Company is not compliant with the repayment terms of the convertible notes and is in technical default. The senior secured convertible debentures have cross-default provisions within the agreement, which necessitated their classification as a current liability. All convertible debentures are currently due and the Company continues to work with the note holders to remediate the default.

The Company's future success is dependent upon its ability to achieve profitable operations and raise the appropriate funds needed. There is no guarantee whether the Company will be able to generate enough revenue and or raise capital to support these operations.

The Company cannot predict how long it will continue to incur further losses or whether it will ever become profitable, or if its business will improve. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRSs")." Under ASU 2011-04, the guidance amends certain accounting and disclosure requirements related to fair value measurements to ensure that fair value has the same meaning in U.S. GAAP and in IFRS and that their respective fair value measurement and disclosure requirements are the same. ASU 2011-04 is effective for public entities during interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. The adoption of ASU 2011-04 did not have a material impact on the Company's results of operation and financial condition.

WESTPORT ENERGY HOLDINGS INC. AND SUBSIDIARY
(FORMERLY CARBONICS CAPITAL CORPORATION)
(AN EXPLORATION COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

2. Summary of Significant Accounting Policies

There have been no material changes during 2012 in the Company's significant accounting policies to those previously disclosed in the 2011 Form 10K.

Fair Value Framework

The following table reconciles, for the nine months ended September 30, 2012, the beginning and ending balances for financial instruments that are recognized at fair value using level 3 inputs in the condensed consolidated financial statements:

Balance of derivative liability as of December 31, 2011	$ 4,009,000
Additional liability incurred	114,000
Change in fair value during period	(2,942,000)
Balance at September 30, 2012	$ 1,181,000

Level 3 financial instruments consist of certain embedded conversion features in the Company's convertible debentures and senior secured convertible debentures. The fair value of these embedded conversion features are measured using the Black-Scholes model. The Company computes valuations each quarter, using Black-Scholes model calculations. The unobservable input used by the Company was the estimation of the volatility of the Company's stock price over the remaining term of the convertible debentures, which were measured at 44% at September 30, 2012.

Changes in unobservable input values would likely cause material changes in fair value of the Company's Level 3 financial instruments. The significant unobservable input used in the fair value measurement is the estimation of the volatility of the Company's common stock. A significant increase (decrease) in the volatility would result in a higher (lower) fair value measurement.

Net Loss per Share of Common Stock

The Company's basic loss per common share is based on net loss for the relevant period, divided by the weighted average number of common shares outstanding during the period. Diluted income per common share is based on net income, divided by the weighted average number of common shares outstanding during the period, including common share equivalents, such as outstanding stock options and beneficial conversion of related party accounts. Diluted loss per share does not include common stock equivalents, as these shares would have no effect. The computation of diluted loss per share also does not assume conversion, exercise or contingent exercise of securities due to the beneficial conversion of related party accounts, as this would be anti-dilutive.

The computation of basic and diluted net loss attributable to common stockholders is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net loss attributable to common stockholders	$ (1,227,000)	$ (1,049,000)	$ (1,539,000)	$ (1,866,000)
Weighted-average common shares outstanding - basic	576,000	576,000	576,000	576,000
Basic and diluted net loss per share	$ (2.13)	$ (1.82)	$ (2.67)	$ (3.24)

2. Summary of Significant Accounting Policies (Continued)

Potentially Dilutive Securities

The following table summarizes the potentially dilutive securities which were excluded from the above computation of basic and diluted net loss per share of common stock due to their anti-dilutive effect in a net loss situation:

	September 30, 2012	September 30, 2011
Warrants	600	600
Senior secured convertible debentures	47,307,400	20,138,200
Convertible debentures	13,181,600	13,181,600

3. Oil and Gas Properties, Unproven

Summary

As of September 30, 2012 the remaining capitalized costs of Oil and Gas Properties, unproved are summarized as follows:

	Acquisition Costs	Impairment	Total
Coos Bay Basin Property			
Year ended 2008	$ 24,141,000	$ -	$ 24,141,000
Year ended 2009	-	-	-
Year ended 2010	-	(3,041,000)	(3,041,000)
Year ended 2011	-	(10,625,000)	(10,625,000)
9 months ended September 30, 2012	-	-	-
Inception through September 30, 2012	$ 24,141,000	$ (13,666,000)	$ 10,475,000

Impairment – Chehalis Basin Property

In January 2010, the Company determined that the cost to continue exploration of the Chehalis Basin Property outweighed the benefit in which they projected. Therefore, lease agreements were not renewed with the owners and the asset balance was fully impaired. This resulted in an impairment of approximately $1,331,000 during the first quarter of 2010.

On May 13, 2010, the Company received formal notice from Washington State Department of Natural Resources that these leases had been cancelled and forfeited effective May 7, 2010.

Impairment

During the fourth quarter of 2011 and 2010, the Company determined that the carrying cost of the Coos Bay property exceeded the fair value of the property by approximately $10,625,000 and $1,710,000, respectively. The fair value of the property was independently valued based upon a discounted cash flow using management's estimates, which are considered level 3 inputs. The differences were recorded as impairment charges in the statement of operations.

WESTPORT ENERGY HOLDINGS INC. AND SUBSIDIARY
(FORMERLY CARBONICS CAPITAL CORPORATION)
(AN EXPLORATION COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. Environmental Matters

The Company has established procedures for a continuing evaluation of its operations to identify potential environmental exposures and to assure compliance with regulatory policies and procedures. Management monitors these laws and regulations and periodically assesses the propriety of its operational and accounting policies related to environmental issues. The nature of the Company's business requires routine day-to-day compliance with environmental laws and regulations. The Company incurred no material environmental investigation, compliance and remediation costs for the nine months ended September 30, 2012 and 2011. The Company is unable to predict whether its future operations will be materially affected by these laws and regulations. It is believed that legislation and regulations relating to environmental protection will not materially affect the results of operations of the Company.

5. Convertible Debentures, Derivative Liability, and Debt Discount

The following is a summary of the Company's convertible debenture arrangements:

Convertible debentures:

	Conversion Price	September 30, 2012	December 31, 2011
Due December 2010 – 5%	0.50	$ 592,000	$ 592,000
Due December 2010 – 12%	0.45	570,000	570,000
Due December 2010 – 5%	0.50	921,000	921,000
Due December 2011– 12%	0.45	4,000,000	4,000,000
Debt discount	-	-	-
Total convertible debentures		$ 6,083,000	$ 6,083,000

The convertible debentures ("debentures"), plus accrued interest are convertible into common stock of the Company at a conversion rate generally based on the lower of $500 or 90% of the average of the three lowest closing market prices of the Company's stock for the thirty days preceding conversion, subject to adjustment and beneficial ownership limitations.

The following is a summary of the Company's senior secured convertible debenture arrangements:

Senior secured convertible debentures:

	Conversion Price	September 30, 2012	December 31, 2011
Due August 2012 – 9%	0.65	$ 27,641,000	$ 27,641,000
Due August 2012 – 9%	0.45	650,000	650,000
Due August 2012 – 9%	0.45	120,000	120,000
Due December 2013– 9%	0.45	910,000	910,000
Due December 2013– 9%	0.45	172,000	172,000
Due December 2013– 9%	0.45	200,000	-
Due December 2013– 9%	0.45	25,000	-
Due December 2013– 9%	0.45	25,000	-
Due December 2013– 9%	0.45	50,000	-
Debt discount of $3,513,000 and 3,435,000	-	(329,000)	(1,342,000)

Total senior secured convertible debentures		$ 29,464,000	$ 28,151,000

The senior secured convertible debentures ("senior debentures"), plus accrued interest are convertible into common stock at various conversion rates which are subject to adjustment and beneficial ownership limitations. The conversion rates are subject to reduction based on the volume weighted average price ("VWAP") for the period preceding the conversion date or other date of determination, based upon the contractual provisions included in the debenture agreements.

5. Convertible Debentures, Derivative Liability, and Debt Discount (Continued)

The senior debentures are secured by a Guaranty and Security agreement dated August 17, 2010 provided by Westport Energy and Westport Acquisition provided to NEC and YA Global pursuant to which the guarantors unconditionally and irrevocably guarantee the full payment and performance of obligations the Company owes to NEC. In addition, the grantors of the security agreement grant to NEC security interest in all the assets and personal property of each grantor in order to secure the obligations under the NEC note.

Technical default

As of September 30, 2012 the Company is not compliant with the repayment terms of the convertible notes and is in technical default. The senior secured convertible debentures have cross-default provisions within the agreement, which necessitated their classification as a current liability. All convertible debentures are currently due and the Company continues to work with the note holders to remediate the default.

Derivative Liability –Conversion Option

Price protection features of the convertible debentures required the Company to treat the conversion options in the Company's senior secured convertible debentures and convertible debentures as a derivative liability. The Company used the Black-Scholes option pricing model to calculate the fair value of the conversion options.

Assumptions utilized to calculate the fair value of the derivative liability were as follows:

	September 30, 2012	December 31, 2011
Risk Free Interest Rate	1%	1%
Volatility	44%	67%
Term	.7 years	.7 years
Dividend Rate	0%	0%
Closing Price of Common Stock	$ 0.50	$ 0.50

6. Reverse Stock Split

The Company authorized a one-for-five thousand reverse stock split on November 29, 2012, to take effect on December 3, 2012. Each five thousand shares of common stock of the Company, either issued and outstanding or held by the Company as treasury stock, immediately prior to the time this action became effective was automatically reclassified and changed into one fully paid and nonassessable share of common stock of the Company. All share and related information presented in these financial statements and accompanying footnotes has been retroactively adjusted to reflect the reduced number of shares resulting from this action.

7. Subsequent Events

On October 2, 2012, the Company issued to YA Global Investments, L.P., a secured convertible debenture dated October 2, 2012 in the principal amount of $50,000. The debenture bears interest at the rate of 9% per annum, payable at maturity. The maturity date of the note is December 31, 2013. The holder of the debenture is entitled to convert the principal and accrued interest into common stock of the Company at a conversion rate equal to the lesser of $15 (fixed conversion price) or 90% of the lowest daily VWAP of the common stock during the 10 consecutive trading days immediately preceding the conversion date or other date of determination, subject to adjustment as provided for in the debenture.

On November 6, 2012, the Company issued to YA Global Investments, L.P., a secured convertible debenture dated November 6, 2012 in the principal amount of $75,000. The debenture bears interest at the rate of 9% per annum, payable at maturity. The maturity date of the note is December 31, 2013. The holder of the debenture is entitled to convert the principal and accrued interest into common stock of the Company at a conversion rate equal to the lesser of $15 (fixed conversion price) or 90% of the lowest daily VWAP of the common stock during the 10 consecutive trading days immediately preceding the conversion date or other date of determination, subject to adjustment as provided for in the debenture.

7. Subsequent Events (Continued)

On December 1, 2012, the Company issued to YA Global Investments, L.P., a secured convertible debenture dated December 1, 2012 in the principal amount of $100,000. The debenture bears interest at the rate of 9% per annum, payable at maturity. The maturity date of the note is December 31, 2013. The holder of the debenture is entitled to convert the principal and accrued interest into common stock of the Company at a conversion rate equal to the lesser of $15 (fixed conversion price) or 90% of the lowest daily VWAP of the common stock during the 10 consecutive trading days immediately preceding the conversion date or other date of determination, subject to adjustment as provided for in the debenture.

On November 29, 2012, the Company amended its certificate of incorporation to (i) change the name of the Company from “Carbonics Capital Corporation” to “Westport Energy Holdings, Inc”, (ii) effect a reverse stock split of its outstanding common stock at a ratio of 1-for-5,000, and (iii) reduce the number of authorized shares of the Company’s common stock from 10,000,000,000 to 2,000,000,000. The Company also amended its bylaws to reflect the name change. The Company’s ticker symbol continues to be “CICS”, although the Company plans to change its ticker symbol shortly to a symbol more consistent with its new name.

Item 2. Management's Discussion and Analysis

Certain statements set forth under this caption constitute "forward-looking statements." See "Disclosure Regarding Forward-Looking Statements" on page 1 of this Report for additional factors relating to such statements. The following discussion should also be read in conjunction with the condensed consolidated financial statements of the Company and Notes thereto included elsewhere herein and the Company's Annual Report on Form 10-K.

The financial statements contained herein include the results of Westport Energy Holdings Inc. and its subsidiaries, which are collectively referred to as the "Company."

Results of Operations – three months ended September 30, 2012 compared to three months ended September 30, 2011

Revenues

There were no revenues from continuing operations for the three months ended September 30, 2012 and 2011.

Cost of Revenues

There was no cost of revenues for the three months ended September 30, 2012 and 2011.

Net Loss

The Company had a net loss of approximately $1,227,000 for the three months ended September 30, 2012 versus a net loss of approximately $1,049,000 for the three months ended September 30, 2011.

The increase in net loss was predominately the result of the change in derivative liability, which resulted in a gain of approximately $164,000 in the three months ended September 30, 2012 compared to a gain of approximately $734,000 during the three months ended September 30, 2011. This difference was offset by a decrease in interest expense of approximately $445,000 from approximately $1,563,000 during the three months ended September 30, 2011 to approximately $1,118,000 during the three months ended September 30, 2012.

Operating Expenses:

General and administrative expenses

General and administrative fees and professional fees increased approximately $59,000 from approximately $214,000 for the third quarter of 2011 to approximately $273,000 for the third quarter of 2012.

Variance in individual expenses included in general and administrative fees and professional fees that constituted greater than 5% of total operating expenses during the three months ended September 30, 2012 and 2011 are as follows. Supplies expense increased from approximately $0 during the three months ended September 30, 2011 to approximately $23,000 during the three months ended September 30, 2012. This increase is attributable to the increased levels of exploration activities that occurred during the current period. Consulting and professional fees increased approximately $31,000 from approximately $168,000 during the three months ended September 30, 2011 to approximately $199,000 during the three months ended September 30, 2012.

We expect to incur significant additional professional fees as we continue to proceed with our exploration activities.

Results of Operations – nine months ended September 30, 2012 compared to nine months ended September 30, 2011

Revenues

There were no revenues from continuing operations for the nine months ended September 30, 2012 and 2011.

Cost of Revenues

There was no cost of revenues for the nine months ended September 30, 2012 and 2011.

Net Loss

The Company had a net loss of approximately $1,539,000 for the nine months ended September 30, 2012 versus a net loss of approximately $1,866,000 for the nine months ended September 30, 2011.

The decrease in net loss was predominately the result of a decrease in interest expense of approximately $1,033,000 from approximately $4,628,000 during the nine months ended September 30, 2011 to approximately $3,595,000 during the nine months ended September 30, 2012. This decrease was offset by the change in the derivative liability, which resulted in a gain of approximately $3,357,000 during the nine months ended September 30, 2011 compared to a gain of $2,942,000 during the nine months ended September 30, 2012.

Operating Expenses:

General and administrative expenses

General and administrative fees and professional fees increased approximately $300,000 from approximately $584,000 for the first nine months of 2011 to approximately $884,000 for the first nine months of 2012.

Variance in individual expenses included in general and administrative fees and professional fees that constituted greater than 5% of total operating expenses during the nine months ended September 30, 2012 and 2011 are as follows. Supplies expense increased from approximately $0 during the nine months ended September 30, 2011 to approximately $23,000 during the nine months ended September 30, 2012. This increase is attributable to the increased levels of exploration activities that occurred during the current period. Consulting and professional fees increased approximately $215,000 from approximately $438,000 during the nine months ended September 30, 2011 to approximately $653,000 during the nine months ended September 30, 2012.

We expect to incur significant additional professional fees as we continue to proceed with our exploration activities.

Liquidity and Capital Resources

Our liquid assets, consisting of cash on hand, restricted cash and certificates of deposit were approximately $706,000 as of September 30, 2012. As of September 30, 2012 our working capital deficit was approximately $44 million.

We expect to incur significant additional professional fees as we proceed with our exploration activities, which will require additional financing. In addition, the Company will need to re-negotiate terms with the holders of our debentures as they become due. Currently, we do not have sufficient capital to meet the needs of our note holders and cannot predict when operations will commence, and if so, will provide enough capital resources to meet those needs.

During the nine months ended September 30, 2012, the Company had a net decrease in cash of approximately $826,000. Our principal sources and uses of funds were as follows:

Cash used in operating activities. For the nine months ended September 30, 2012, the Company used approximately $1,177,000 in cash for operating activities as compared to approximately $402,000 for the nine months ended September 30, 2011. This increase of approximately $775,000 was due primarily to the payment of general and administrative expenses accrued during the end of 2011 and the current period, as well as the payment of expenses for field services during the current period in connection with five wells that are being tested by the Company.

Cash provided by investing activities. For the nine months ended September 30, 2012, the Company received approximately $70,000 in net cash from investing activities as compared to using approximately $6,000 for the nine months ended September 30, 2011. This increase of approximately $76,000 was due primarily to activity in trading securities during the period.

Cash provided by financing activities. For the nine months ended September 30, 2012, the Company received approximately $282,000 in cash from financing activities as compared to approximately $238,000 for the nine months ended September 30, 2011. This increase of approximately $44,000 was due primarily to the proceeds from the issuance of a senior secured convertible debenture during the period.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate these estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

We have identified below the accounting policies related to what we believe are most critical to our business operations and are discussed throughout Management's Discussion and Analysis of Financial Condition or Plan of Operation where such policies affect our reported and expected financial results.

Oil and Gas Properties

The Company utilizes the successful efforts method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, interest costs relating to unproved properties, geological expenditures and direct internal costs are capitalized into the full cost pool. As of September 30, 2012, the Company has no properties with proven reserves. When the Company obtains proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects including capitalized interest, if any, are not amortized until proved reserves associated with the projects can be determined. If the future exploration of unproved properties is determined uneconomical, the amount of such properties will be added to the capitalized cost to be amortized. As of September 30, 2012, all of the Company's oil and gas properties were unproved and were excluded from amortization.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Impairment of Long—Lived Assets

Long-lived assets, including oil and gas properties, are reviewed for impairment when circumstances indicate that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets with the future undiscounted net cash flows estimated by the Company to be generated by such assets. If the carrying amount exceeds the net undiscounted cash flows, the fair value of the assets are determined using appropriate valuation techniques. The impairment loss is the extent to which the carrying value of the assets exceeds the fair value of the assets.

Off Balance Sheet Arrangements

None.

Item 3. Quantative and Qualitative Disclosure About Market Risk

N/A

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, our management, including our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of September 30, 2012.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statement for external purposes in accordance with U.S. generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of the inherent limitations in all control systems, internal controls over financial reporting may not prevent or detect misstatements. The design and operation of a control system must also reflect that there are resource constraints and management is necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls. Our management assessed the effectiveness of our internal controls over financial reporting for the quarter ended September 30, 2012 based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such assessment, our management concluded that during the period covered by this report, our internal controls over financial reporting were not effective. Management has identified the following material weaknesses in our internal controls over financial reporting:

- lack of documented policies and procedures;
- there is no effective separation of duties, which includes monitoring controls, between the members of management; and
- lack of resources to account for complex and unusual transactions

Management is currently evaluating what steps, if any, can be taken in order to address these material weaknesses in light of our current management structure.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended September 30, 2012, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

N/A

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Section 302 Certification of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer.
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	WESTPORT ENERGY HOLDINGS INC.
Date: January 11, 2013	By: */s/ Stephen J. Schoepfer* Name: Stephen J. Schoepfer Title: Chief Executive Officer
Date: January 11, 2013	By: */s/ Stephen J. Schoepfer* Name: Stephen J. Schoepfer Title: Chief Financial Officer

EXHIBIT INDEX

31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Stephen J. Schoepfer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2012 of Westport Energy Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2013

By: */s/ Stephen J. Schoepfer*
Stephen J. Schoepfer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Stephen J. Schoepfer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2012 of Westsport ;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2013

By: */s/ Stephen J. Schoepfer*
Stephen J. Schoepfer

EXHIBIT 32.1

Section 906 Certification by the Chief Executive Officer and Chief Financial Officer

Stephen J. Schoepfer, Chief Executive Officer and Chief Financial Officer of Westport Energy Holdings Inc., a Delaware corporation (the "Company") hereby certifies pursuant to 18 U.S.C. ss. 1350, as added by ss. 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

(1) The Company's periodic report on Form 10-Q for the period ended September 30, 2012 ("Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Stephen J. Schoepfer	/s/ Stephen J. Schoepfer
Name: Stephen J. Schoepfer Title: Chief Executive Officer	Name: Stephen J. Schoepfer Title: Chief Financial Officer

Date: January 11, 2013