

DISENCO ENERGY PLC

UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

Expressed in Pounds Sterling

The accompanying financial information for the three and nine months ended 30 September 2007

has not been reviewed or audited by the company's auditors

DISENCO ENERGY PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007
UNAUDITED

	Three months ended 30 Sept 2007 £	Three months ended 30 Sept 2006 £	Nine months ended 30 Sept 2007 £	Nine months ended 30 Sept 2006 £
TURNOVER	4,800	-	14,400	-
Cost of sales	(21,209)	(46,857)	(125,319)	(109,824)
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loss	(16,409)	(46,857)	(110,919)	(109,824)
Administrative expenses	(265,893)	(440,651)	(996,040)	(783,571)
Other operating income	-	106,183	-	114,983
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING LOSS	(282,302)	(381,325)	(1,106,959)	(778,412)
Interest receivable and similar income	1,358	8,203	4,580	9,808
Interest payable	(66,837)	(3,082)	(120,278)	(16,242)
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LOSS ON ORDINARY ACTIVITIES AND FOR THE FINANCIAL PERIOD	(347,781)	(376,204)	(1,222,657)	(784,846)
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LOSS PER SHARE (Note 2)				
Basic	(0.49) pence	(0.56) pence	(1.81) pence	(1.37) pence

All amounts relate to continuing operations.

There were no recognised gains or losses for the period other than those included in the profit and loss account.

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

DISENCO ENERGY PLC
CONSOLIDATED BALANCE SHEET
AS AT 30 September 2007

	Notes	As at 30 September 2007 (unaudited) £	As at 31 December 2006 (audited) £	As at 30 September 2006) (unaudited) £
FIXED ASSETS				
Intangible	3	3,122,512	1,683,277	1,134,794
Tangible	4	31,843	28,885	20,168
		<hr/>	<hr/>	<hr/>
		3,154,355	1,712,162	1,154,962
CURRENT ASSETS				
Debtors		93,945	332,417	767,485
Cash at bank and in hand		98,301	32,034	99,934
		<hr/>	<hr/>	<hr/>
		192,246	364,451	867,419
CREDITORS: amounts falling due within one year		(2,009,174)	(1,355,250)	(1,012,799)
		<hr/>	<hr/>	<hr/>
NET CURRENT LIABILITIES		(1,816,928)	(990,799)	(145,380)
		<hr/>	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,337,427	721,363	1,009,582
CREDITORS: amounts falling due after more than one year		-	(467,554)	(506,357)
		<hr/>	<hr/>	<hr/>
NET ASSETS		1,337,427	253,809	503,225
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES				
Called up share capital	5	7,233,016	5,907,806	5,907,806
Share premium account	7	943,072	-	52,889
Merger reserve	7	(3,762,559)	(3,762,559)	(3,762,559)
Warrant reserve	7	63,020	347,280	350,031
Share option reserve	7	735,391	502,074	40,095
Convertible debenture - equity reserve	7	7,049	12,436	12,436
Profit and loss account	7	(3,881,562)	(2,753,228)	(2,097,473)
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SHAREHOLDERS' FUNDS	8	1,337,427	253,809	503,225
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The consolidated financial information was approved and authorised for issue by the board and was signed on its behalf on

S Ambler
Director

C Mearns
Director

DISENCO ENERGY PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007
UNAUDITED

	Three months ended 30 Sept 2007 £	Three months ended 30 Sept 2006 £	Nine months ended 30 Sept 2007 £	Nine months ended 30 Sept 2006 £
Reconciliation of operating loss to net cash outflow from operating activities				
Operating loss	(282,302)	(381,325)	(1,106,959)	(778,412)
Amortisation of intangible assets	13,174	12,149	39,198	34,385
Depreciation of tangible fixed assets	3,699	2,390	9,501	6,977
Decrease/(increase) in debtors	100,211	(687,161)	238,472	(478,137)
Increase/(decrease) in creditors	(265,423)	332,399	(76,181)	599,089
Share based payments	70,405	265,402	300,728	265,402
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash outflow from operating activities	(360,236)	(456,146)	(595,241)	(350,696)
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CASH FLOW STATEMENT				
Net cash (outflow)/inflow from operating activities	(360,236)	(456,146)	(595,241)	(350,696)
Returns on investments and servicing of finance (note 9)	(40,498)	5,121	(63,728)	(6,434)
Capital expenditure (note 9)	(501,319)	(207,963)	(1,490,892)	(596,474)
	<hr/>	<hr/>	<hr/>	<hr/>
	(902,053)	(658,988)	(2,149,861)	(953,604)
Financing (note 9)	910,628	735,102	2,216,128	935,712
	<hr/>	<hr/>	<hr/>	<hr/>
Increase/(decrease) in cash	8,575	76,114	66,267	(17,892)
	<hr/>	<hr/>	<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt (note 10)				
Increase/(decrease) in cash in the period	8,575	76,114	66,267	(17,892)
Cash transferred on merger	-	-	-	117,826
Debt transferred on merger	-	-	-	(300,000)
Issue of convertible debenture	-	(431,357)	-	(431,357)
Issue of loans	(500,662)	-	(1,010,662)	-
Loan repayments	-	-	374,021	-
Conversion of convertible debenture into equity	-	-	186,060	-
Issue of shares for settlement of debt	-	-	200,000	-
Exchange rate movements	(41,856)	-	(65,560)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net debt	(533,943)	(355,243)	(249,874)	(631,423)
Opening net debt	(728,379)	(276,180)	(1,012,448)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing net debt	(1,262,322)	(631,423)	(1,262,322)	(631,423)
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DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

1. ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

A group reconstruction of Disenco Energy plc and Disenco Limited, which took place on 13 March 2006, has been accounted for under the merger accounting rules as permitted by Financial Reporting Standard No.6. The cost was £5,593,500 and the consideration was satisfied by the issue of 5,593,500 shares in Disenco Energy plc. The net book value of Disenco Limited's assets and liabilities at the date of the merger was £285,582.

The consolidated financial statements comprise the financial statements of the company and its subsidiary undertaking made up to 30 September 2007.

(b) Basis of preparation - going concern basis

The directors have prepared financial projections to take the group through to commercialisation of its product in early 2008 in the reasonable expectation that the company will generate significant amounts of future funding via private equity placements and director and other loans. They believe that sufficient funds can be raised to meet the net costs for the foreseeable future and until the group becomes profitable. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

While the directors have estimated the future costs of the group and are taking reasonable steps to ensure that the required funding is received, there can be no certainty in relation to these matters. The financial statements do not include any adjustments that would result from a failure to secure the required equity funding.

(c) Turnover

Turnover represents amounts received from the Carbon Trust in respect of a contract for trials to be undertaken of the company's Home Power Plant.

(d) Intangible fixed assets

Intangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition, less amortisation. Amortisation is provided to write off the cost of the intangible fixed assets over their expected useful economic lives on the following bases:

Intellectual property rights	5%
Patents and designs	25%

(e) Property, plant and equipment

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Fixtures, fittings, tools and equipment	25% - 33%
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DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

1. ACCOUNTING POLICIES (continued)

(f) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non monetary assets and liabilities are translated at historical rates. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(g) Research & Development

Development expenditure that relates to the clearly defined project of developing the home power plant (mCHP) which is proven technically feasible and is commercially viable is capitalised and amortised over its expected useful economic life. Amortisation will commence once the project reaches commercialisation.

Other expenditure on research and development is charged in the profit and loss account as cost of sales in the period in which it is incurred.

(h) Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the term of the lease.

(i) Grant income

Grant income relating to revenue expenditure is recognised in the profit and loss account when received.

(j) Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

A net deferred tax asset is recognised only if it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rate of amortisation of intangible fixed assets, the rate of depreciation of tangible assets and the assumptions used in determination of the fair value of share-based payments. Management believes that estimates are reasonable however actual results could differ from those estimates and would impact future results of operations.

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

1. ACCOUNTING POLICIES (continued)

(l) Share based payments

The company follows FRS 20 'Share-based payments', to account for share-based payments using the fair value based method with respect to all share-based payments to directors, employees, non employees and service providers, including awards that are direct awards of shares and call for settlement in cash or other assets, or share appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, share-based payments for directors, employees and non-employees are recorded as an expense in the period the share-based payment vests or when the awards or rights are granted. For service providers share-based payments are recorded as an expense in the period the service is received based on the fair value of the service. A corresponding increase to the share option reserve under shareholders' funds is recognised. When share options are exercised, the corresponding fair value is transferred to share capital or when share options are forfeited, cancelled or expire, the corresponding fair value is transferred to the profit and loss account.

2. LOSS PER SHARE

The calculation of the basic loss per share is based on the following loss and number of shares.

	Three months ended 30 Sept 2007 £	Three months ended 30 Sept 2006 £	Nine months ended 30 Sept 2007 £	Nine months ended 30 Sept 2006 £
Loss for the financial period	347,781	326,204	1,222,657	784,846
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of shares for basic loss per share	70,922,887	57,968,236	67,464,312	57,267,945

The company is not required to report diluted earnings per share under FRS 22 "Earnings per share" due to the fact that the potential ordinary shares would decrease loss per share from continuing operations on conversion to ordinary shares.

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

3. INTANGIBLE FIXED ASSETS

	Development costs £	Patents & designs £	Intellectual property rights £	Total £
Cost				
At 31 December 2006	1,123,808	91,186	575,000	1,789,994
Additions	1,476,778	1,655	-	1,478,433
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007	2,600,586	92,841	575,000	3,268,427
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 31 December 2006	-	44,422	62,295	106,717
Charge for the period	-	17,644	21,554	39,198
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At 30 September 2007	-	62,066	83,849	145,915
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount				
At 31 December 2006	1,123,808	46,764	512,705	1,683,277
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2007	2,600,586	30,775	491,151	3,122,512
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4. TANGIBLE FIXED ASSETS

	Fixtures, fittings tools & equipment £
Cost	
At 31 December 2006	50,702
Additions	12,459
	<hr/>
At 30 September 2007	63,161
	<hr/>
Depreciation	
At 31 December 2006	21,817
Charge for the period	9,501
	<hr/>
At 30 September 2007	31,318
	<hr/>
Net book amount	
At 31 December 2006	28,885
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At 30 September 2007	31,843
	<hr/> <hr/>

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

5. SHARE CAPITAL

Equity share capital	Authorised		Allotted, called up & fully paid	
	No	£	No	£
At 31 December 2006				
S Ordinary shares of £0.10 each	60,000,000	6,000,000	559,350	55,935
C Ordinary shares of C\$0.24 each	83,333,333	9,792,640	58,082,799	5,851,871
	143,333,333	15,792,640	58,642,149	5,907,806
Movements in period:				
S Ordinary shares of £0.10 each	-	-	-	-
C Ordinary shares of C\$0.24 each	116,666,667	12,791,053	12,503,713	1,325,210
	116,666,667	12,791,053	12,503,713	1,325,210
At 30 September 2007				
S Ordinary shares of £0.10 each	60,000,000	6,000,000	559,350	55,935
C Ordinary shares of C\$0.24 each	200,000,000	22,583,693	70,586,512	7,177,081
	260,000,000	28,583,693	71,145,862	7,233,016

A resolution was passed on 13 January 2007 to convert all £1 "S" shares into 10 shares of £0.10 each. Each holder of £1 "S" shares was granted 10 £0.10 "S" shares to replace the £1 "S" share in issue. This change has been applied retro-actively to the opening balances in the table above in accordance with Canadian GAAP.

The company completed its listing on the TSX Venture Exchange on 21 February 2007, issuing 5,500,000 shares to subscribers at a price of C\$0.50 per share. In addition to this, the company also issued 670,462 shares at C\$0.50 per share to investors from a US private placement, 2,059,642 shares at C\$0.35 per share to convert previously issued special warrants and 207,964 shares at C\$0.35 per share to convert previously issued finders warrants.

On 28 March 2007 the company issued 240,000 C shares and 120,000 warrants as consideration for conversion of C\$120,000 of the debt owing to the holders of the company's convertible debenture.

A further 626,400 C shares and 313,200 warrants were issued on 10 April 2007 as consideration for conversion of C\$313,200 of the debt owing to the holders of the company's convertible debenture.

A resolution was passed at the Annual General Meeting on 14 May 2007 to increase the company's authorised share capital by C\$28,000,000 divided into 116,666,667 C shares of C\$0.24.

On 3 March 2007, the company agreed with Dover International and Mr B Longpre to repay loans due to them totalling £200,000 with the issue of 1,120,343 S class shares in the company, On 15 May 2007 the company received a request from these shareholders to convert those shares into C class shares. This request was agreed and the shares were duly issued to the shareholder on 5 June 2007.

On 16 May 2007 the company issued a total of 184,017 C shares as shares for debt settlement for debts owing to Mr P Smith (£10,000), Edengene Limited (£15,000) and Life IC Limited (£15,000).

On 5 July 2007 the company issued 55,000 C shares at C\$0.28 per share to investors who invested in the company in 2006 but had yet to receive their share certificates.

On 11 July 2007 the company issued 1,839,885 C shares and 1,046,743 warrants at C\$0.50 on closure of a North American private placement.

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

5. SHARE CAPITAL (continued)

Rights

As a result of a resolution passed on 13 January 2007, £0.10 S shares and C\$0.24 C shares are to rank pari passu in all respects.

Outstanding share options at the period end

Options have been granted under the following option schemes to subscribe for ordinary shares of the company. As at 30 September 2007 the following options were outstanding:

	Number of shares under option	Weighted average subscription price per share C\$	Exercise period expires
Executive share options	7,984,816	0.322	16/10/2011
Service providers	1,700,000	0.409	16/10/2011
Service providers	659,904	0.500	16/10/2009
IPO fundraisers	617,045	0.500	21/02/2009
	<hr/>	<hr/>	
Options outstanding at 31 December 2006	10,961,765	0.357	
Issued during the period:			
Executive share options	750,000	0.430	08/05/2012
Executive share options	26,019	0.375	16/10/2011
Service providers	96,000	0.510	15/03/2012
Service providers	104,000	0.510	15/03/2012
Cancelled during the period:			
Executive share options	(1,200,000)	0.350	
	<hr/>	<hr/>	
Options outstanding at 30 September 2007	10,737,784	0.365	
	<hr/> <hr/>	<hr/> <hr/>	

On 15 March 2007, 96,000 options were granted to a service provider. The options are exercisable at any time up to 15 March 2012 at a price of C\$0.51 per share. A further 104,000 options were granted to the service provider on 31 August 2007, which are exercisable at any time up to 31 August 2012 at a price of C\$0.51 per share.

On 28 March 2007, the company granted an additional 26,019 options to Mr S Ambler to ensure consistency with his employment contract, which entitled Mr S Ambler to options totalling 4% of the issued share capital in existence immediately after listing on the TSX Venture Exchange.

On 8 May 2007, 750,000 options were granted under the company's executive share option scheme. The options vest on the achievement of certain company milestones at a price of C\$0.43 and are exercisable up until 8 May 2012.

6. SHARE BASED PAYMENTS

Share based payments recorded through the profit and loss account in the three and nine months ended 30 September 2007 totalled £70,405 and £300,728 respectively.

This includes £42,481 (£233,048 for nine month period) in relation to issue of share options to certain executives and non employees of the company. These have been calculated at fair value using the Black-Scholes method and the main assumptions are disclosed below.

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

6. SHARE BASED PAYMENTS (continued)

The model has used the following assumptions:

- A volatility rate of 50%. This figure is based upon the experience of similar companies, newly listed, operating in a market with new technology.
- A risk free interest rate of 4.04% based upon the value of Government of Canada benchmark bond yields for 5 years.
- Expected life of options of 3.5 years.
- Bid price discount of 20%.
- Expected dividend rate of £nil.

1,200,000 options granted to Sir R Needham, a director of the company, were cancelled during the period as a result of his resignation from the Board of Directors on 9 July 2007.

The share based payments total also includes £27,924 (£67,680 for nine month period) in relation to options issued to investor relations and public relations service providers for services provided since the completion of the TSX Venture Exchange listing. The fair value of these share based payments is equal to the market value of the services received.

In addition to the share based payments that were charged through the profit and loss account, there were also share based payments totalling £89,932 charged through the share premium account in the nine month period. These related to options and warrants issued to finders in connection with the TSX Venture Exchange listing, warrants issued in relation to the C\$433,200 converted into equity from the convertible debenture and warrants issued in relation to a North American private placement, all of which are documented in note 5. The charge to the share premium account was calculated at fair value using the Black-Scholes method, as described above.

7. RESERVES

	Share Premium £	Merger Reserve £	Warrant Reserve £	Share Option Reserve £	Convertible Debenture Equity Reserve £	Profit & Loss Account £	Total £
Balance at 31 December 2006	-	(3,762,559)	347,280	502,074	12,436	(2,753,228)	(5,653,997)
Premium on shares issued	1,026,119	-	-	-	-	-	1,026,119
Expenses of share issues:							
Cash	(202,606)	-	-	-	-	-	(202,606)
Issue of warrants	(63,020)	-	63,020	-	-	-	-
Issue of share options	(26,912)	-	-	327,640	-	-	300,728
Conversion of special warrants into equity	109,939	-	(347,280)	-	-	-	(237,341)
Conversion of convertible debenture into equity	99,552	-	-	-	(5,387)	-	94,165
Cancellation of share options	-	-	-	(94,323)	-	94,323	-
Loss for the period	-	-	-	-	-	(1,222,657)	(1,222,657)
Balance at 30 Sept 2007	943,072	(3,762,559)	63,020	735,391	7,049	(3,881,562)	(5,895,589)

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

8. SHAREHOLDERS' FUNDS

	Three months ended 30 Sept 2007 £	Three months ended 30 Sept 2006 £	Nine months ended 30 Sept 2007 £	Nine months ended 30 Sept 2006 £
Loss for the period	(347,781)	(376,204)	(1,222,657)	(784,846)
Other movements:				
New shares issued	436,592	113,696	2,113,988	5,907,806
Share issue costs	(26,626)	-	(202,606)	-
Transfer to profit and loss account in merger	-	-	-	(3,762,559)
Credit to profit and loss arising on share options	70,405	40,095	300,728	40,095
Conversion of convertible debenture into equity	-	12,436	94,165	12,436
Other reserves	-	(402,920)	-	(909,707)
Opening shareholders' funds	1,204,837	310,282	253,809	-
	<u>1,337,427</u>	<u>503,225</u>	<u>1,337,427</u>	<u>503,225</u>
Closing shareholders' funds	<u>1,337,427</u>	<u>503,225</u>	<u>1,337,427</u>	<u>503,225</u>

9. GROSS CASH FLOWS

	Three months ended 30 Sept 2007 £	Three months ended 30 Sept 2006 £	Nine months ended 30 Sept 2007 £	Nine months ended 30 Sept 2006 £
Returns on investments and servicing of finance				
Interest received	1,358	8,203	4,580	9,808
Interest paid	-	(3,082)	(2,387)	(16,242)
Exchange rate (losses)/gains	(41,856)	-	(65,921)	-
	<u>(40,498)</u>	<u>5,121</u>	<u>(63,728)</u>	<u>(6,434)</u>
Capital expenditure				
Payments to acquire intangible fixed assets	(492,854)	(211,186)	(1,478,433)	(591,484)
Payments to acquire tangible fixed assets	(8,465)	3,223	(12,459)	(4,990)
	<u>(501,319)</u>	<u>(207,963)</u>	<u>(1,490,892)</u>	<u>(596,474)</u>
Financing				
Issue of share capital	409,966	-	1,755,467	204,788
Expenses paid in connection with the issue of shares	-	(51,737)	(175,980)	(55,915)
Issue of convertible debenture	-	443,793	-	443,793
Issue of special warrants	-	343,046	-	343,046
Issue of loans	500,662	-	1,010,662	-
Loan repayments	-	-	(374,021)	-
	<u>910,628</u>	<u>735,102</u>	<u>2,216,128</u>	<u>935,712</u>

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

10. ANALYSIS OF CHANGES IN NET DEBT

	At 31 December 2006 £	Cash flows £	Other changes £	Exchange rate differences £	At 30 Sept 2007 £
Cash at bank and in hand	32,034	66,267	-	-	98,301
Debt due within 1 year	(576,928)	(636,641)	(110,456)	(36,598)	(1,360,623)
Debt due after 1 year	(467,554)	-	496,516	(28,962)	-
	-----	-----	-----	-----	-----
Total	(1,012,448)	(570,374)	386,060	(65,560)	(1,262,322)
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11. TRANSACTIONS WITH RELATED PARTIES

The group owes £319,487 to Disenco International AS, a company in which G Bretvin and G B Longpre are both directors and shareholders.

The group owed £32,400 to Dover International Limited, a company in which G B Longpre is a director and shareholder, in relation to expenses incurred on the company's behalf. The group also owed an additional £150,000 to Dover International Limited in relation to a loan they provided. The loan was interest free and was to be repaid on the exercise of the special warrants issued by the company on 18 May 2006.

The group also owed £5,793 to G B Longpre for expenses settled on the company's behalf and owed £50,000 in respect of a loan granted on 4 December 2006. The loan incurs interest at 6%, payable on date of repayment, which was within 5 days of receipt of the proceeds from the listing on the TSX Venture Exchange.

On 3 March 2007, Mr Longpre agreed to a share for debt settlement for £200,000 of the company's outstanding loans to himself and Dover International. This was accepted by the TSX Venture Exchange and relevant securities commissions in May 2007. The remaining outstanding balance of £38,892 will be repaid on receipt of significant funds from the current round of UK fundraising.

The group owes £5,315 to J Gunn, a director and shareholder of the company, in relation to expenses incurred on the company's behalf and owes £50,000 in respect of a loan granted on 30 April 2007. The loan incurs interest at 6%, payable on date of repayment, which is within 5 working days of closure of current North American private placement.

In July 2007 the company received a C\$400,000 payment as first drawdown instalment from the C\$1,000,000 loan facility agreement that it has with Mr J Gunn. This facility is repayable at any time from one year of date of commencement of the facility, which was 12 October 2006, following receipt of 7 days notice in writing from the lender. Interest on the loan is charged at 1% above the rate obtained for an equivalent value 12 month Canadian dollar deposit, which the company has agreed with the lender will be 5.05%.

In August and September 2007 the company received funds totalling C\$323,584 as first drawdown instalment from the C\$1,000,000 loan facility agreement that it has with Dover International Limited. This facility is repayable at any time from one year of date of commencement of the facility, which was 12 October 2006, following receipt of seven days notice in writing from the lender. Interest on the loan is charged at 1% above the rate obtained for an equivalent value 12 month Canadian dollar deposit, which the company has agreed with the lender will be 5.05%.

No disclosure has been made within these financial statements of any transactions with group companies in accordance with the exemptions allowed by Financial Reporting Standard No.8.

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

12. FINANCIAL INSTRUMENTS

The group finances working capital through issue of equity and through borrowings at prevailing market interest rates. The group does not use hedge accounting.

The group's financial instruments comprise cash resources raised through the issue of equity, directors and other loans, the issue of a convertible debenture and various other items, such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

It is, and has throughout the period under review, been the group's policy that no trading in financial instruments shall be undertaken.

The group's exposure to the price risk of financial instruments is limited. The only potential exposure relates to currency risk on the Norwegian Kroner loan, Canadian Dollar debenture and Canadian dollar loan facilities. The group does not undertake any forward currency purchases to hedge against this risk.

13. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP

The interim financial statements of the company for the three and nine months ended 30 September 2007 have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") which, as applied in the financial statements, conforms in all material respects to those accounting principles generally accepted under Canadian Generally Accepted Accounting Principles ("CDN GAAP"), except as described below:

a) Basis of consolidation

On 13 March 2006, Disenco Energy plc acquired the whole of the share capital of Disenco Limited in exchange for 5,593,500 ordinary shares of £1 each, being the directors' estimate of the fair value of the consideration given.

Under UK GAAP, the combination of Disenco Energy plc and Disenco Limited has been accounted for under the merger accounting rules.

Under Canadian GAAP, the acquisition has been accounted for using the purchase method.

Accordingly, the directors have considered the value of the assets acquired and their fair value at the date of acquisition and believe that there is no material difference between the fair value of the assets and their book value. Accordingly, the purchase price has been allocated as follows:

	£
Intellectual property rights	535,707
Patents and designs	33,093
Fixtures, fittings, tools and equipment	20,512
Net current liabilities	(153,730)
Long term liabilities	(150,000)
	285,582
Issuance of capital stock	(5,593,500)
Allocated to deficit	(5,307,918)

In accordance with CICA section 3840, the transaction was a non-monetary transaction between related parties with no amount to independently substantiate the exchange amount, and accordingly no gain is recognised.

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

13. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

b) Patents and Intellectual property rights

Under UK GAAP Intangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition, less amortisation. Amortisation is provided to write off the cost of intangible fixed assets over their expected useful economic lives.

Under Canadian GAAP, an intangible asset that is acquired either individually or with a group of other assets should be initially recognized and measured at cost. An intangible asset is not written down or written off in the period of acquisition, unless it becomes impaired during this period.

When an intangible asset has a finite useful life, but the precise length of that life is not known, the intangible asset is amortised over the best estimate of its useful life. When an intangible asset has an infinite useful life, the intangible is tested annually for impairment.

For Canadian GAAP purposes, intellectual property is recorded at cost and tested for impairment on an annual basis. No amortisation is taken. For UK GAAP amortisation is provided to write off the cost of intellectual property rights over their expected useful economic lives.

c) Related party transactions

Under Canadian GAAP separate disclosure is required for transactions incurred with related parties. Such disclosure includes a description of the terms of the transaction as well as a description of the relationship. Debt totalling £319,487 is owed to Disenco International AS, a company in which G Bretvin and G B Longpre, who are both directors of the company, are shareholders. The debt is paid in equal instalments of £75,000. The company reached an agreement with Innovation Bank in Norway, who underwrite the loan, to delay the payment of £75,000 due on 1 June 2007 to 1 December 2007. The interest on the debt is calculated at Norwegian Bank base rate plus 2%. Interest of £9,230 has been accrued relating to the eleven months ended 31 December 2006. Interest of £17,263 has been accrued for the nine months ending 30 September 2007. This includes penalty interest of £2,846 for negotiated delayed repayment of capital. All interest incurred and accrued prior to 1 June 2006 was repaid during 2006.

d) Loss per share

Loss per share is calculated based on the weighted average number of common shares outstanding during the year. The company uses treasury stock methods for calculating diluted earnings per share. However, diluted loss per share has not been presented as the potential exercise of options and warrants outstanding would have the effect of reducing the loss per share. Therefore, basic and diluted loss per share are the same.

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13. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

i Reconciliation of total assets, liabilities and stockholders' equity:

	As at 30 Sept 2007 £	As at 30 Sept 2006 £
Total assets per UK GAAP	3,346,601	2,022,381
Adjustments to Canadian GAAP		
Intellectual property amortisation	44,564	15,815
	<hr/>	<hr/>
Total assets per Canadian GAAP	3,391,165	2,038,196
	<hr/>	<hr/>
Total liabilities per UK GAAP	2,009,174	1,519,156
Adjustments to Canadian GAAP	-	-
	<hr/>	<hr/>
Total liabilities per Canadian GAAP	2,009,174	1,519,156
	<hr/>	<hr/>
Total equity per UK GAAP	1,337,427	503,225
Adjustments to Canadian GAAP		
Intellectual property amortisation	44,564	15,815
Merger reserve	3,762,559	3,762,559
Pre-acquisition losses	1,545,359	1,545,359
Excess of consideration over assets acquired allocated to deficit	(5,307,918)	(5,307,918)
	<hr/>	<hr/>
Total equity per Canadian GAAP	1,381,991	519,040
	<hr/>	<hr/>
Total liabilities and equity per Canadian GAAP	3,391,165	2,038,196
	<hr/>	<hr/>

ii Reconciliation of net loss reported in Canadian GAAP and UK GAAP

Statement of Operations

	Three months ended 30 Sept 2007 £	Three months ended 30 Sept 2006 £	Nine months ended 30 Sept 2007 £	Nine months ended 30 Sept 2006 £
Net loss per UK GAAP	(347,781)	(376,204)	(1,222,657)	(784,846)
Add:				
Net loss under merger accounting	347,781	376,204	1,222,657	784,846
Net loss under the purchase method of accounting	(347,781)	(376,204)	(1,222,657)	(552,114)
Amortisation of intellectual property rights	7,185	7,189	21,554	15,815
	<hr/>	<hr/>	<hr/>	<hr/>
Net loss per Canadian GAAP	(340,596)	(369,015)	(1,201,103)	(536,299)
	<hr/>	<hr/>	<hr/>	<hr/>

DISENCO ENERGY PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007

13. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)

iii Statement of Cash Flows under Canadian GAAP

	Three months ended 30 Sept 2007 £	Three months ended 30 Sept 2006 £	Nine months ended 30 Sept 2007 £	Nine months ended 30 Sept 2006 £
Net loss per Canadian GAAP	(340,596)	(369,015)	(1,201,103)	(536,299)
Add:				
Depreciation of fixed assets	3,699	2,502	9,501	5,334
Depreciation of patents and designs	5,989	4,960	17,644	9,675
Share based payments	70,405	265,402	300,728	265,402
	(260,503)	(96,151)	(873,230)	(255,888)
Changes in non-cash working capital:				
Accounts receivable/payable	(108,197)	(354,874)	246,295	(176,148)
Cash provided by operating activities	(368,700)	(451,025)	(626,935)	(432,036)
Investing activities				
Purchase of fixed assets	(501,319)	(207,963)	(1,490,892)	(596,474)
Cash acquired on acquisition	-	-	-	192,732
Cash used in investing activities	(501,319)	(207,963)	(1,490,892)	(403,742)
Financing activities				
Proceeds from share issue	409,966	(51,737)	1,579,487	148,873
Issue of convertible debenture	-	443,793	-	443,793
Issue of special warrants	-	343,046	-	343,046
Issue of loans	500,662	-	1,010,662	-
Loan repayment	-	-	(374,021)	-
	910,628	735,102	2,216,128	935,712
Increase in cash during the period	8,575	76,114	66,267	99,934
Opening cash	89,726	23,820	32,034	-
Ending cash	98,301	99,934	98,301	99,934