

# **DISENCO ENERGY PLC**

**UNAUDITED CONSOLIDATED FINANCIAL INFORMATION**

**THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**Expressed in Pounds Sterling**

**The accompanying financial information for the three and nine months ended 30 September 2008**

**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 2008  
UNAUDITED**

	<b>Three months ended 30 Sept 2008 £</b>	Three months ended 30 Sept 2007 £	<b>Nine months ended 30 Sept 2008 £</b>	Nine months ended 30 Sept 2007 £
<b>TURNOVER</b>	-	4,800	-	14,400
Cost of sales	<b>(70,899)</b>	(21,209)	<b>(174,644)</b>	(125,319)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Gross loss</b>	<b>(70,899)</b>	(16,409)	<b>(174,644)</b>	(110,919)
Administrative expenses	<b>(163,522)</b>	(265,893)	<b>(754,434)</b>	(996,040)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>OPERATING LOSS</b>	<b>(234,421)</b>	(282,302)	<b>(929,078)</b>	(1,106,959)
Interest receivable and similar income	<b>516</b>	1,358	<b>1,441</b>	4,580
Interest payable	<b>(123,205)</b>	(66,837)	<b>(220,377)</b>	(120,278)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(357,110)</b>	(347,781)	<b>(1,148,014)</b>	(1,222,657)
Tax on loss on ordinary activities	-	-	<b>183,345</b>	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LOSS FOR THE PERIOD</b>	<b>(357,110)</b>	(347,781)	<b>(964,669)</b>	(1,222,657)
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<b>LOSS PER SHARE (Note 2)</b>				
<b>Basic</b>	<b>( 0.48) pence</b>	(0.49) pence	<b>(1.33) pence</b>	(1.81) 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 2008**

	Note	As at 30 Sept 2008 (unaudited) £	As at 31 December 2007 (audited) £	As at 30 Sept 2007 (unaudited) £
<b>FIXED ASSETS</b>				
Intangible	3	4,064,280	3,532,777	3,122,512
Tangible	4	22,852	28,146	31,843
		<hr/>	<hr/>	<hr/>
		<b>4,087,132</b>	3,560,923	3,154,355
<b>CURRENT ASSETS</b>				
Debtors		89,929	203,069	93,945
Cash at bank and in hand		113,219	125,135	98,301
		<hr/>	<hr/>	<hr/>
		<b>203,148</b>	328,204	192,246
<b>CREDITORS: amounts falling due within one year</b>		<b>(2,618,173)</b>	(2,799,617)	(2,009,174)
		<hr/>	<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(2,415,025)</b>	(2,471,413)	(1,816,928)
		<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,672,107</b>	1,089,510	1,337,427
		<hr/>	<hr/>	<hr/>
<b>CREDITORS: amounts falling due after more than one year</b>		<b>(662,318)</b>	-	-
		<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>		<b>1,009,789</b>	1,089,510	1,337,427
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	5	7,976,071	7,233,016	7,233,016
Share premium account	7	891,828	943,072	943,072
Merger reserve	7	(3,762,559)	(3,762,559)	(3,762,559)
Warrant reserve	7	93,816	63,020	63,020
Share option reserve	7	619,069	780,976	735,391
Convertible debenture - equity reserve	7	49,079	14,481	7,049
Profit and loss account	7	(4,857,515)	(4,182,496)	(3,881,562)
		<hr/>	<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>	8	<b>1,009,789</b>	1,089,510	1,337,427
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The consolidated financial information was approved and authorised for issue by the board and was signed on its behalf on 13 November 2008 by:

**T Caplin**            Director

**C Mearns**           Director

**DISENCO ENERGY PLC**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008  
UNAUDITED**

	<b>Three months ended 30 Sept 2008</b>	<b>Three months ended 30 Sept 2007</b>	<b>Nine months ended 30 Sept 2008</b>	<b>Nine months ended 30 Sept 2007</b>
	£	£	£	£
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>				
Operating loss	(234,421)	(282,302)	(929,078)	(1,106,959)
Amortisation of intangible assets	9,900	13,174	29,699	39,198
Depreciation of tangible fixed assets	3,706	3,699	10,695	9,501
(Increase)/decrease in debtors	(37,281)	100,211	67,743	238,472
(Decrease)/increase in creditors	(231,799)	(265,423)	(104,945)	(76,181)
Share based payments	9,200	70,405	109,166	300,728
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(480,695)</b>	<b>(360,236)</b>	<b>(816,720)</b>	<b>(595,241)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>CASH FLOW STATEMENT</b>				
Net cash outflow from operating activities	(480,695)	(360,236)	(816,720)	(595,241)
Taxation	-	-	228,742	-
Returns on investments and servicing of finance (note 9)	(179,531)	(40,498)	(178,606)	(63,728)
Capital expenditure (note 9)	(131,305)	(501,319)	(566,603)	(1,490,892)
	<hr/>	<hr/>	<hr/>	<hr/>
	(791,531)	(902,053)	(1,333,187)	(2,149,861)
<b>Financing (note 9)</b>	<b>897,707</b>	<b>910,628</b>	<b>1,321,271</b>	<b>2,216,128</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Increase/(decrease) in cash</b>	<b>106,176</b>	<b>8,575</b>	<b>(11,916)</b>	<b>66,267</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of net cash flow to movement in net debt (note 10)</b>				
Increase/(decrease) in cash in the period	106,176	8,575	(11,916)	66,267
Amortisation of debenture issue costs	(11,175)	-	(31,004)	-
Issue of loans	(50,000)	(500,662)	(202,483)	(1,010,662)
Loan repayments	10,863	-	10,863	374,021
Issue of convertible debenture	(369,053)	-	(640,134)	-
Repayment of debenture	286,265	-	286,265	-
Conversion of convertible debenture into equity	-	-	-	186,060
Issue of shares for settlement of debt	-	-	-	200,000
Exchange rate movements	(61,290)	(41,856)	(62,987)	(65,560)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Change in net debt</b>	<b>(88,214)</b>	<b>(533,943)</b>	<b>(651,396)</b>	<b>(249,874)</b>
<b>Opening net debt</b>	<b>(2,644,474)</b>	<b>(728,379)</b>	<b>(2,081,292)</b>	<b>(1,012,448)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing net debt</b>	<b>(2,732,688)</b>	<b>(1,262,322)</b>	<b>(2,732,688)</b>	<b>(1,262,322)</b>
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## DISENCO ENERGY PLC

### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008

#### 1. ACCOUNTING POLICIES

##### 1.1 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 2008.

##### 1.2 Basis of preparation - going concern basis

The directors have prepared financial projections to take the group through to commercialisation of its product in 2009 and through to anticipated profitability 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.

##### 1.3 Turnover

Turnover in 2007 represented amounts received from the Carbon Trust in respect of a contract for trials undertaken of the company's Home Power Plant.

##### 1.4 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%

##### 1.5 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 2008

#### 1. ACCOUNTING POLICIES (continued)

##### 1.6 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 gains and losses are recognised in the profit and loss account.

##### 1.7 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.

##### 1.8 Operating leases

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

##### 1.9 Grant income

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

##### 1.10 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.

##### 1.11 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 2008

#### 1. ACCOUNTING POLICIES (continued)

##### 1.12 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.

##### 1.13 Changes in Accounting Policies

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated statements, except that: effective 1 January 2008, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535: Capital Disclosures

Section 1535: Capital disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital. The Company has included disclosures recommended by the new Handbook section in note 14 to these interim consolidated financial statements.

#### 2. LOSS PER SHARE

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

	<b>Three months ended 30 Sept 2008 £</b>	Three months ended 30 Sept 2007 £	<b>Nine months ended 30 Sept 2008 £</b>	Nine months ended 30 Sept 2007 £
Loss for the financial period	<b>357,110</b>	347,781	<b>964,669</b>	1,222,657
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of shares for basic loss per share	<b>74,873,808</b>	70,922,887	<b>72,402,166</b>	67,464,312
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**DISENCO ENERGY PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**3. INTANGIBLE FIXED ASSETS**

	Development costs £	Patents & designs £	Intellectual property rights £	Total £
<b>Cost</b>				
At 31 December 2007	3,024,025	92,841	575,000	3,691,866
Additions	561,202	-	-	561,202
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2008	<b>3,585,227</b>	<b>92,841</b>	<b>575,000</b>	<b>4,253,068</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>				
At 31 December 2007	-	68,055	91,034	159,089
Charge for the period	-	8,144	21,555	29,699
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2008	-	<b>76,199</b>	<b>112,589</b>	<b>188,788</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book amount</b>				
At 31 December 2007	3,024,025	24,786	483,966	3,532,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2008	<b>3,585,227</b>	<b>16,642</b>	<b>462,411</b>	<b>4,064,280</b>
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**4. TANGIBLE FIXED ASSETS**

	Fixtures, fittings tools & equipment £
<b>Cost</b>	
At 31 December 2007	63,161
Additions	5,401
	<hr/>
At 30 September 2008	<b>68,562</b>
	<hr/>
<b>Depreciation</b>	
At 31 December 2007	35,015
Charge for the period	10,695
	<hr/>
At 30 September 2008	<b>45,710</b>
	<hr/>
<b>Net book amount</b>	
At 31 December 2007	28,146
	<hr/> <hr/>
At 30 September 2008	<b>22,852</b>
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**DISENCO ENERGY PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**5. SHARE CAPITAL**

<b>Equity share capital</b>	<b>No</b>	<b>Authorised £</b>	<b>Allotted, called up &amp; fully paid</b>	
	<b>No</b>	<b>£</b>	<b>No</b>	<b>£</b>
At 31 December 2007				
S Ordinary shares of £0.10 each	<b>60,000,000</b>	<b>6,000,000</b>	<b>559,350</b>	<b>55,935</b>
C Ordinary shares of C\$0.24 each	<b>200,000,000</b>	<b>22,583,693</b>	<b>70,586,512</b>	<b>7,177,081</b>
	<b>260,000,000</b>	<b>28,583,693</b>	<b>71,145,862</b>	<b>7,233,016</b>
Movements in period				
S Ordinary shares of £0.10 each	-	-	-	-
C Ordinary shares of C\$0.24 each	-	-	<b>6,065,000</b>	<b>743,055</b>
	-	-	<b>6,065,000</b>	<b>743,055</b>
At 30 September 2008				
S Ordinary shares of £0.10 each	<b>60,000,000</b>	<b>6,000,000</b>	<b>559,350</b>	<b>55,935</b>
C Ordinary shares of C\$0.24 each	<b>200,000,000</b>	<b>22,583,693</b>	<b>76,651,512</b>	<b>7,920,136</b>
	<b>260,000,000</b>	<b>28,583,693</b>	<b>77,210,862</b>	<b>7,976,071</b>

On 11 July 2008 and 2 September 2008, the Company issued 3,267,000 and 2,798,000 units respectively in relation to the closing of the first and second tranches of the Company's C\$5 million share offering. Each unit comprised one "C" share at C\$0.30 per share and one warrant which entitles the holder to acquire one additional share at a price of C\$0.50 per share until the date that is 24 months from the relevant closing date of offering.

**DISENCO ENERGY PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**5. SHARE CAPITAL (continued)**

**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 2008 the following options were outstanding:

	Number of shares under option	Weighted average subscription price per share C\$	Exercise period expires
Executive share options	6,810,835	0.318	16/10/2011
Executive share options	750,000	0.430	08/05/2012
Service Providers	1,700,000	0.409	16/10/2011
Service Providers	659,904	0.500	16/10/2009
Service Providers	96,000	0.510	15/03/2012
Service Providers	104,000	0.510	31/08/2012
IPO fundraisers (Agent Options)	617,045	0.500	21/02/2009
<hr/>			
Options outstanding at 31 December 2007	10,737,784	0.365	
<b>Issued during the period:</b>			
Executive share options	1,000,000	0.500	01/01/2013
Executive share options	2,725,000	0.500	03/09/2013
Service Providers	400,000	0.510	01/01/2013
Service Providers	973,000	0.500	17/09/2013
Fundraisers (Agent Options)	326,700	0.300	11/07/2010
Fundraisers (Agent Options)	279,800	0.300	02/09/2010
<b>Cancelled during the period:</b>			
Service Providers	(1,200,000)	0.371	
Executive share options	(3,089,335)	0.375	
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Options outstanding at 30 September 2008	12,152,949	0.416	

On 1 January 2008 1,000,000 options were granted under the company's executive share option scheme. The options are exercisable at any time up to 1 January 2013 at a price of C\$0.50 per share.

On 1 January 2008 400,000 options were granted to a service provider. The options are exercisable at any time up to 1 January 2013 at a price of C\$0.51 per share.

On 13 June 2008 a director agreed to cancel 128,500 options in order to ensure that there is a sufficient pool of options available to reward and motivate employees for their contribution towards the success and goals of the company.

In February 2008 and August 2008, the Company cancelled agreements with two service providers, resulting in the cancellation of 1,200,000 share options.

## DISENCO ENERGY PLC

### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008

#### 5. SHARE CAPITAL (continued)

On 11 July 2008 and 2 September 2008, the Company issued agents' options of 326,700 and 279,800 respectively in relation to the closing of the first and second tranches of the Company's C\$5 million share offering. Each agent's options entitles the agent to acquire one unit at a price of C\$0.30 per unit at any time until 24 months after the closing of the offering. Each unit is comprised of one "C" share and one warrant. Each warrant entitles the holder to acquire an additional "C" share at a price of C\$0.50 per share until the date that is 24 months after the closing of the offering.

In August 2008, 2,960,835 options were cancelled as a result of the resignations of Mr Ambler and Mr Bretvin as directors of the Board in May 2008.

On 3 September 2008 2,725,000 options were granted under the Company's executive share option plan. The options are exercisable at any time up to 3 September 2013 at a price of C\$0.50 per share.

On 18 September 2008 973,000 options were granted to a service provider. The options are exercisable at any time up to 17 September 2013 at a price of C\$0.50 per share.

#### 6. SHARE BASED PAYMENTS

Share based payments recorded through the profit and loss account in the three and nine months ended 30 September 2008 totalled £74,553 and £174,519 respectively. Offset against this charge in the quarter is a credit of £65,353 relating to the cancellation of share options not yet vested, for which a charge had been previously recorded through the profit and loss account.

Share based payments in the three month period include £58,983 (£114,784 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.

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 between 3.22% and 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.

This also includes £15,570 (£59,735 for nine month period) in relation to options issued to investor relations and public relations service providers for services provided. 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 £49,373 charged through the share premium account in the three and nine month period. These related to warrants issued to subscribers and agents' options issued to finders in connection with the share offerings outlined in note 5. The charge to the share premium account was calculated at fair value using the Black-Scholes method, as described above.

**DISENCO ENERGY PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**7. RESERVES**

	Share Premium £	Merger Reserve £	Warrant Reserve £	Share Option Reserve £	Convertible Debenture Equity Reserve £	Profit & Loss Account £	Total £
Balance at 31 December 2007	943,072	(3,762,559)	63,020	780,976	14,481	(4,182,496)	(6,143,506)
Premium on shares issued	185,764	-	-	-	-	-	185,764
Expenses of share issues:							
Cash	(187,635)	-	-	-	-	-	(187,635)
Issue of warrants	(30,796)	-	30,796	-	-	-	-
Issue of share options	(18,577)	-	-	193,096	-	-	174,519
Issue of Convertible Debenture	-	-	-	-	41,647	-	41,647
Expiry of Convertible Debenture	-	-	-	-	(7,049)	-	(7,049)
Conversion of special warrants into equity	-	-	-	-	-	-	-
Conversion of convertible debenture into equity	-	-	-	-	-	-	-
Cancellation of share options	-	-	-	(355,003)	-	289,650	(65,353)
Loss for the period	-	-	-	-	-	(964,669)	(964,669)
Balance at 30 September 2008	<b>891,828</b>	<b>(3,762,559)</b>	<b>93,816</b>	<b>619,069</b>	<b>49,079</b>	<b>(4,857,515)</b>	<b>(6,966,282)</b>

**8. SHAREHOLDERS' FUNDS**

	Three months ended 30 Sept 2008 £	Three months ended 30 Sept 2007 £	Nine months ended 30 Sept 2008 £	Nine months ended 30 Sept 2007 £
Loss for the period	(357,110)	(347,781)	(964,669)	(1,222,657)
Other movements:				
New shares issued	928,819	436,592	928,819	2,113,988
Share issue costs	(187,635)	(26,626)	(187,635)	(202,606)
Issue of share options	74,553	70,405	174,519	300,728
Cancellation of share options not vested	(65,353)	-	(65,353)	-
Issue of Convertible Debenture	41,647	-	41,647	-
Expiry of Convertible Debenture	(7,049)	-	(7,049)	-
Conversion of convertible debenture into equity	-	-	-	94,165
Opening shareholders' funds	581,917	1,204,837	1,089,510	253,809
Closing shareholders' funds	<b>1,009,789</b>	<b>1,337,427</b>	<b>1,009,789</b>	<b>1,337,427</b>

**DISENCO ENERGY PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**9. GROSS CASH FLOWS**

	Three months ended 30 Sept 2008 £	Three months ended 30 Sept 2007 £	Nine months ended 30 Sept 2008 £	Nine months ended 30 Sept 2007 £
<b>Returns on investments and servicing of finance</b>				
Interest received	516	1,358	1,441	4,580
Interest paid	(180,047)	-	(180,047)	(2,387)
Exchange rate (losses)/gains	-	(41,856)	-	(65,921)
	<u>(179,531)</u>	<u>(40,498)</u>	<u>(178,606)</u>	<u>(63,728)</u>
<b>Capital expenditure</b>				
Payments to acquire intangible fixed assets	(125,904)	(492,854)	(561,202)	(1,478,433)
Payments to acquire tangible fixed assets	(5,401)	(8,465)	(5,401)	(12,459)
	<u>(131,305)</u>	<u>(501,319)</u>	<u>(566,603)</u>	<u>(1,490,892)</u>
<b>Financing</b>				
Issue of share capital	928,819	409,966	928,819	1,755,467
Expenses paid in connection with the issue of shares	(187,635)	-	(187,635)	(175,980)
Issue of convertible debenture	432,254	-	703,335	-
Expenses paid on issue of convertible debenture	(21,554)	-	(21,554)	-
Repayment of convertible debenture	(293,314)	-	(293,314)	-
Issue of loans	50,000	500,662	202,483	1,010,662
Loan repayments	(10,863)	-	(10,863)	(374,021)
	<u>897,707</u>	<u>910,628</u>	<u>1,321,271</u>	<u>2,216,128</u>

**10. ANALYSIS OF CHANGES IN NET DEBT**

	At 31 December 2007 £	Cash flows £	Other changes £	Exchange rate differences £	At 30 September 2008 £
Cash at bank and in hand	125,135	(11,916)	-	-	113,219
Debt due within 1 year	(2,206,427)	(161,904)	226,461	(41,719)	(2,183,589)
Debt due after 1 year	-	(410,700)	(230,350)	(21,268)	(662,318)
	<u>(2,081,292)</u>	<u>(584,520)</u>	<u>(3,889)</u>	<u>(62,987)</u>	<u>(2,732,688)</u>

## DISENCO ENERGY PLC

### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008

#### 11. TRANSACTIONS WITH RELATED PARTIES

The group owes £279,627 to Disenco International AS, a company in which G Bretvin and G B Longpre are both directors and shareholders. Further details regarding this balance are disclosed in Note 13 (c).

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

The group owes C\$12,500 to J Gunn, a director and shareholder of the company, in relation to expenses incurred on the company's behalf.

The group also owes an additional £50,000 to J Gunn in relation to a loan granted on 30 April 2007. The loan incurs interest at 6% payable on date of repayment, which is on receipt of significant funds from the current round of fundraising.

The group also owes J Gunn £100,000 in respect of £50,000 loans granted on 22 October 2007 and 8 February 2008. These loans incur interest at 7% payable at the date of repayment, which is due on receipt of significant funds from the current round of fundraising.

In July 2007, the company received a \$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 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%.

In the period from August 2007 to September 2008 the company received funds totalling C\$792,645 as 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%.

Throughout 2007 the company was granted several loans from Warburg International. These were consolidated on 1 January 2008 into one loan of £690,000. The company has also received additional advances of £25,000 on 1 February 2008 and £20,000 on 31 March 2008. B Longpre, a director of the company, is a guarantor on these loan amounts. The loans bear interest at a rate of 7% per annum. The Company repaid loan interest of £30,000 in September 2008. Total interest accrued and unpaid on these loans at 30 September 2008 is £25,792.

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.

#### 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 to currency risk on the Norwegian Krone loan and Canadian Dollar loans and debentures. The group does not undertake any forward currency purchases to hedge against this risk.

## DISENCO ENERGY PLC

### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008

#### 13. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP

The interim financial statements of the company for the three and nine months ended 30 September 2008 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)
	<hr/>
	285,582
	<hr/>
Issuance of capital stock	(5,593,500)
	<hr/>
Allocated to deficit	(5,307,918)
	<hr/>

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 2008

#### 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 £314,744 is owed to Disenco International AS ("DIAS"), a company in which G B Longpre, a director of the company, and G Bretvin, a former director of the company, are shareholders, of which £261,020 (2,749,607 NOK) represents the repayment of amounts owing by DIAS to SND Innovation Bank, for which the company has given a guarantee and is secured by a fixed charge over certain of the group's intangible fixed assets dated 24 March 2005. 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 March 2008. Discussions are currently continuing between DIAS and the bank regarding further agreed payment extensions. The interest on the debt is calculated at Norwegian Bank base rate plus 2%. In September 2008 the Company paid 509,342 NOK towards the payment of the outstanding balance, which comprised 376,607 NOK, being all outstanding interest as at 1 June 2008, 109,491 NOK, being a contribution towards the outstanding capital balance and 23,254 NOK, being a contribution towards outstanding penalty interest. Interest of 45,207 NOK and penalty interest of 150,804 NOK remain outstanding at 30 September 2008.

##### 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.

**DISENCO ENERGY PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**13. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)**

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

	<b>As at 30 September 2008 £</b>	<b>As at 30 September 2007 £</b>
<b>Total assets per UK GAAP</b>	<b>4,290,280</b>	3,346,601
Adjustments to Canadian GAAP		
Intellectual property amortisation	<b>73,304</b>	44,564
	<hr/>	<hr/>
<b>Total assets per Canadian GAAP</b>	<b>4,363,584</b>	3,391,165
	<hr/>	<hr/>
<b>Total liabilities per UK GAAP</b>	<b>3,280,491</b>	2,009,174
Adjustments to Canadian GAAP	-	-
	<hr/>	<hr/>
<b>Total liabilities per Canadian GAAP</b>	<b>3,280,491</b>	2,009,174
	<hr/>	<hr/>
<b>Total equity per UK GAAP</b>	<b>1,009,789</b>	1,337,427
Adjustments to Canadian GAAP		
Intellectual property amortisation	<b>73,304</b>	44,564
Merger reserve	<b>3,762,559</b>	3,762,559
Pre-acquisition losses	<b>1,545,359</b>	1,545,359
Excess of consideration over assets acquired allocated to deficit	<b>(5,307,918)</b>	(5,307,918)
	<hr/>	<hr/>
<b>Total equity per Canadian GAAP</b>	<b>1,083,093</b>	1,381,991
	<hr/>	<hr/>
<b>Total liabilities and equity per Canadian GAAP</b>	<b>4,363,584</b>	3,391,165
	<hr/>	<hr/>

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

**Statement of Operations**

	<b>Three months ended 30 Sept 2008 £</b>	<b>Three months ended 30 Sept 2007 £</b>	<b>Nine months ended 30 Sept 2008 £</b>	<b>Nine months ended 30 Sept 2007 £</b>
Net loss per UK GAAP	<b>(357,110)</b>	(347,781)	<b>(964,669)</b>	(1,222,657)
Add:				
Net loss under merger accounting	<b>357,110</b>	347,781	<b>964,669</b>	1,222,657
Net loss under the purchase method of accounting	<b>(357,110)</b>	(347,781)	<b>(964,669)</b>	(1,222,657)
Amortisation of intellectual property rights	<b>7,185</b>	7,185	<b>21,555</b>	21,554
	<hr/>	<hr/>	<hr/>	<hr/>
Net loss per Canadian GAAP	<b>(349,925)</b>	(340,596)	<b>(943,114)</b>	(1,201,103)
	<hr/>	<hr/>	<hr/>	<hr/>

**DISENCO ENERGY PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008**

**13. SIGNIFICANT DIFFERENCES FROM CANADIAN GAAP (continued)**

**iii Statement of Cash Flows under Canadian GAAP**

	Three months ended 30 Sept 2008 £	Three months ended 30 Sept 2007 £	Nine months ended 30 Sept 2008 £	Nine months ended 30 Sept 2007 £
<b>Net loss per Canadian GAAP</b>	<b>(349,925)</b>	(340,596)	<b>(943,114)</b>	(1,201,103)
Add:				
Depreciation of fixed assets	3,706	3,699	10,695	9,501
Depreciation of patents and designs	2,715	5,989	8,144	17,644
Share based payments	9,200	70,405	109,166	300,728
	<b>(334,304)</b>	(260,503)	<b>(815,109)</b>	(873,230)
<b>Changes in non-cash working capital:</b>				
Accounts receivable/payable	<b>(325,922)</b>	(108,197)	<b>(180,217)</b>	246,295
<b>Cash provided by operating activities</b>	<b>(660,226)</b>	(368,700)	<b>(995,326)</b>	(626,935)
<b>Taxation</b>				
Receipt of 2006 R&D tax credit	-	-	45,397	-
Receipt of 2007 R&D tax credit	-	-	183,345	-
<b>Cash received from taxation</b>	-	-	<b>228,742</b>	-
<b>Investing activities</b>				
Purchase of fixed assets	<b>(131,305)</b>	(501,319)	<b>(566,603)</b>	(1,490,892)
<b>Cash used in investing activities</b>	<b>(131,305)</b>	(501,319)	<b>(566,603)</b>	(1,490,892)
<b>Financing activities</b>				
Proceeds from share issue	741,184	409,966	741,184	1,579,487
Issue of loans	50,000	500,662	202,483	1,010,662
Loan repayment	(10,863)	-	(10,863)	(374,021)
Proceeds from convertible debenture	410,700	-	681,781	-
Repayment of convertible debenture	(293,314)	-	(293,314)	-
	<b>897,707</b>	910,628	<b>1,321,271</b>	2,216,128
<b>(Decrease)/increase in cash during the period</b>	<b>106,176</b>	8,575	<b>(11,916)</b>	66,267
Opening cash	7,043	89,726	125,135	32,034
<b>Ending cash</b>	<b>113,219</b>	98,301	<b>113,219</b>	98,301

## DISENCO ENERGY PLC

### NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008

#### 14. Capital Management Policy

The Company's capital management objective is to raise the funds necessary to complete the research and development and commercialisation activities required to take its product to market and to maximise the long term investment returns to its equity-linked stakeholders within the context of relevant opportunities and risks associated with the Company's operating segment. Achieving these objectives requires management to consider the underlying nature of its research and development activities, the availability of capital, the cost of various capital alternatives and other factors. Establishing and adjusting capital requirements is a continuous management process.

The Company has needed to raise capital in order to continue the development and commercialisation of its appliance. The Company attempts, where possible, to fund these activities by issuing share capital rather than using other capital sources that requires fixed repayments of principal or interest. All forms of financing, including debt, however, are considered to enable the Company to continue its progress towards its commercial objectives.

The Company's capital under management includes:

	<b>30 September 2008</b>	31 December 2007
	£	£
Convertible Debentures	<b>926,216</b>	513,244
Shareholders' Equity:		
Called up share capital	<b>7,976,071</b>	7,233,016
Share premium account	<b>891,828</b>	943,072
Equity component of convertible debentures	<b>49,079</b>	14,481

The increase in the convertible debenture balance relates mainly to the issue of a new 2 year debenture on 29 August 2008. This debenture, which closed at a value of C\$1,375,286, is convertible at any time during the 2 year period into units at a price of C\$0.30 per unit. Each unit comprises one "C" share and one half of one share purchase warrant. Each warrant entitles the holder to purchase one additional "C" share at an exercise price of C\$0.40 until the earlier of the expiration of the debenture or two years after the conversion of the debenture. Interest is charged on the debenture at 8% per annum. The unconverted balance (C\$766,800) on the debenture which was due to be repaid on 31 August 2008 was repaid in full and subsequently re-invested into this new debenture, and is included in the C\$1,375,286 closing value.

The increase in the convertible debentures also relates to the amortisation of issue costs over the life of the debenture and associated foreign currency gains and losses.

The company is subject to certain covenant provisions related to its convertible debentures and is in compliance with all such covenants for the nine month period ended 30 September 2008.