

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

The following management's discussion and analysis ("MD&A") of the financial and operational results of Disenco Energy plc and its subsidiary (the "Group") should be read in conjunction with Disenco Energy's unaudited consolidated financial statements for the three and nine months ended 30 September 2007. The interim financial statements for the three and nine months ended 30 September 2007 have been prepared by the Company and are the responsibility of the Company's management.

References to the "Company" include Disenco Energy plc and its subsidiary, Disenco Limited, where relevant. All figures are reported in pounds sterling ("£") unless otherwise stated.

The financial statements are prepared in accordance with UK GAAP, with a reconciliation included within the statements to reconcile to Canadian GAAP. All balances within this MD&A are stated in accordance with UK GAAP and reconciled to Canadian GAAP, where appropriate.

The Company was incorporated on 9 January 2006 as Silbury 311 Limited and changed its name on 17 March 2006 to Disenco Energy plc. The Company was listed on the TSX Venture Exchange on 21 February 2007.

The directors have prepared financial projections to take the group through to commercialization of its product in 2008 in the reasonable expectation that the company will generate the required amounts of future funding via private equity placements and director and other loans. The directors 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 and MD&A do not include any adjustments that would result from a failure to secure the required equity funding.

## **Introduction**

The following management discussion covers the three month and nine month periods ended 30 September 2007. The Company's principal activities at that time were the continued development and commercialization of an m-CHP product (Micro-Combined Heat and Power), the monitoring of field trials and continued fundraising activities in North America and Europe.

## **About Disenco Energy plc**

At the start of the year the Company's authorized share capital was 83,333,333 C Shares and 60,000,000 S Shares. As a result of a special resolution passed at the Annual General Meeting on 14 May 2007, the authorized share capital was increased to 200,000,000 C shares with the S shares being retained at 60,000,000. C shares and S shares rank pari passu in all respects.

The head office of the Company and Group is located at Unit J, Sheffield Business Park, Europa Link, Sheffield, South Yorkshire, England, UK, S9 1XU.

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

The Company's business is to develop and commercially exploit an m-CHP unit that generates heat and electricity for central and hot water heating used in individual households and small businesses. The Company has developed and owns the intellectual property rights to this unit known as a micro-combined heat and power unit. The Company's m-CHP unit is called the "Disenco HomePowerPlant". The m-CHP generates mechanical, electrical and thermal energy simultaneously allowing it to recover much of the energy normally lost in separate power generation. The recovered energy can be used for heating purposes and is expected to eliminate the need for a separate boiler. The heat generated by these small units can be used to heat the house and water and could be adapted to cool the house as well. The power generated by these units can be used for lighting, consumer electronics, other electrical appliances, and can be sold into the national power grid.

**Overall Performance**

Both of the field trials with The Carbon Trust continue to perform to expectation and have now been operating for 13 and 10 months respectively. In total the company has now placed five field trial appliances and will not be placing any more field trials of the 176b development engine. Further evaluation of the product during 2007 will be with production intent components only.

In February 2007, phase one of a commercialization and engineering review was completed by Prodrive, the Company's engine design partner. The main outcome of this review was a clear recommendation to proceed to initial production. Consequently the Company has now entered into phase two of the commercialization programme with its engineering partners, including Prodrive and Enertek, that should, providing the necessary funds are available, result in full production release in Quarter 2, 2008.

Initial production designs have now been completed allowing production components and associated tooling to be placed on order. The Company expects initial m-CHP production engines to be assembled and bench tested during Quarter 4, 2007. An appropriate supplier base has now been identified for the purpose of fulfilling initial low volume production demand. Following the successful completion of bench testing, the first production m-CHP engines should be incorporated into production appliances.

It is the Company's intention to recruit additional personnel, as increased funding becomes available, to provide appropriate support and skills base to assist the Company through the planned commercialization phase.

During the previous quarter, equity based funds of C\$869,942 were received as a result of a Private Placement initiative in North America. The Private Placement was closed in July 2007 and 1,839,885 shares were issued to subscribers. The Company is continuing to pursue investment opportunities in North America, but at this stage has not closed any additional funding from that market, other than that disclosed. A further equity fundraising programme based in London, UK commenced during the previous quarter. This remains in progress, and has therefore yet to be concluded. In addition to the dual equity initiatives noted, the Company benefited from a number of short term loans from directors and investors, in the 3 month period, totaling £500,662, covering its short term working capital requirements, thereby maintaining the Company's progress towards the commercialization of the Disenco HomePowerPlant.

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

**Result of Operations**

Key Performance Indicators (KPI)

- Financial

- Funding to meet General Business KPIs

The overriding KPI for the business is the generation and maintenance of a steady and sufficient cash flow profile to enable the General Business KPIs to be achieved. This is being achieved through the continued financial support of the Company's backers and a number of structured loans and debentures. Cash flow and cash resources are monitored on a daily basis, to ensure the Company meets its continuing liabilities.

It is the Company's expectation that it will develop and utilize appropriate Financial KPIs as the Company moves closer to having a commercialized product and an appropriate revenue stream for its business.

- General Business KPIs

- Complete Phase one engineering appliance review  
Achieved in February 2007

- Commence Phase two of the commercialization programme, for the design and manufacture of production intent appliances  
Commenced Phase two in March 2007  
Electronic Controls partner identified in July 2007

- Complete Field Trials with the Carbon Trust  
Scheduled for December 2007 – On schedule

- Recruit additional key personnel to support the business through the commercialization programme  
Planned, but currently on hold pending receipt of appropriate funding

- Produce first production intent engines  
Build and bench test scheduled for August 2007 – Re-scheduled for November 2007 as a result of delays in receipt of significant funds from fundraising activities.  
Planned to be completed in September 2007 – Now estimated to be completed by end of December 2007, as a result of delays in receipt of significant funds from fundraising activities.

- Commence manufacture of initial production appliances  
Planned commencement in Quarter 4 2007 – Now estimated to be commenced in early 2008

Neither Disenco Energy plc nor its subsidiary Disenco Limited has any product related revenue streams at this stage of the company's development.

The consolidated results of Disenco Energy plc's operations are noted below.

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

**Summary of Results**

Disenco Energy plc generated losses of £347,781 and £1,222,657 in the 3 and 9 months ended 30 September 2007 respectively.

	3 months ended 30 September 2007 (Unaudited) £	3 months ended 30 September 2006 (Unaudited) £	9 months ended 30 September 2007 (Unaudited) £	9 months ended 30 September 2006 (Unaudited) £
Sales	4,800	-	14,400	-
Net Expenses:-				
Cost of Sales	(21,209)	(46,857)	(125,319)	(109,824)
Share based payments	(70,405)	(265,402)	(300,728)	(265,402)
Amortisation of intangible assets	(13,174)	(12,149)	(39,198)	(34,385)
Wages & salaries	(83,511)	(87,059)	(291,337)	(206,992)
Other administrative costs	(98,803)	(76,041)	(364,777)	(276,792)
Government Grants received	-	106,183	-	114,983
Total Expenses	(287,102)	(381,325)	(1,121,359)	(778,412)
<b>Operating Loss</b>	<b>(282,302)</b>	<b>(381,325)</b>	<b>(1,106,959)</b>	<b>(778,412)</b>
Interest receivable	1,358	8,203	4,580	9,808
Interest payable	(66,837)	(3,082)	(120,278)	(16,242)
<b>Loss for Financial Period per UK GAAP</b>	<b>(347,781)</b>	<b>(376,204)</b>	<b>(1,222,657)</b>	<b>(784,846)</b>
Canadian GAAP Adjustments	7,185	7,189	21,554	248,547
<b>Loss for Financial Period per Canadian GAAP</b>	<b>(340,596)</b>	<b>(369,015)</b>	<b>(1,201,103)</b>	<b>(536,299)</b>

Sales revenue is income received for data collected from two field trials under contract with the Carbon Trust.

Cost of sales of £125,319 for the 9 month period and £21,209 for the 3 month period includes premises related overhead costs of £74,867 (£25,084 for 3 month period), insurance charges of £23,452 (£9,709 for the 3 month period) and depreciation on tangible fixed assets of £9,501 (£3,699 for 3 month period).

Share based payments represents the fair value of options issued to advisors, investment relations contractors, and company executives.

Amortization of intangible assets for the 9 month and 3 month periods ended 30 September 2007 relates to the amortization of patents and designs (£17,644 for 9 month period; £5,989 for 3 month period), which are being amortized over 4 years and amortization of intellectual property rights (£21,554 for 9 month period; £7,185 for 3 month period), which are being amortized over 20 years.

Wages & salaries are the administrative salary costs and directors' fees and emoluments incurred as expenses during 2007. This includes a £30,000 loss of office payment made to a director during Quarter 1, 2007. All production salaries and 30% of the CEO salary costs are capitalized within development costs as noted below. The average number of employees increased from 7 to

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

12 over the same 9 month period in 2006, as a result of the commencement of the acceleration of the development and commercialization programme with our external partners in late 2006.

Other administrative costs for the 9 month and 3 month periods ended 30 September 2007 include legal, professional, accountancy and other consultancy fees of £170,000 (£42,000 for 3 month period), investor relations and public relations costs of £34,000 (£23,000 for 3 month period), TSX registration and filing costs of £26,000 (£nil for 3 month period), travel & subsistence costs of £62,000 (£20,000 for 3 month period), staff recruitment costs of £25,000 (£nil for 3 month period) and office costs of £41,000 (£14,000 for 3 month period). The increase on the same 9 month period in the prior year is mainly as a result of the increased costs associated with the Company's listing on the TSX Venture Exchange.

Government Grants received in 2006 related to funds received from the South Yorkshire Inward Investment Scheme, which pays out grant funds based on achievement of cost and employee number milestones. The funds received were part of the European Commission's Structural Funds Scheme ERDF Objective 1 programme.

Interest payable includes £67,159 of exchange losses in the 9 month period (£43,096 in the 3 month period) relating to losses on retranslation of the Norwegian Kroner loan, the Canadian dollar convertible debenture, and Canadian dollar loan facility balances at the quarter end exchange rate.

The Canadian GAAP adjustments in 2007 relate to a reduction in loss due to write-back of amortization of intellectual property rights in the period. Under UK GAAP, the entity is required to amortize the cost of acquired intellectual property rights over the asset's estimated useful life. Under Canadian GAAP the asset is to be reviewed annually and only written down if it is considered to be impaired in value. In 2006, the Canadian GAAP adjustment also included the adjustment to account for the business combination under the purchase method of accounting. Under UK GAAP reporting, the combined loss is reported under merger accounting which takes the loss of both entities for the full year. Under purchase accounting the loss for Disenco Limited is included in the profit and loss account only from date of acquisition (13 March 2006), with £232,732 of losses incurred up to that date in 2006 accounted as pre-acquisition reserves.

**Working Capital, Liquidity and Capital Resources**

	30 September 2007 (Unaudited) £	30 June 2007 (Unaudited) £	31 March 2007 (Unaudited) £	31 December 2006 (Audited) £
Current Assets				
Trade & other receivables	93,945	194,156	104,191	332,417
Cash & cash equivalents	98,301	89,726	304,294	32,034
<b>Total Current Assets</b>	<b>192,246</b>	<b>283,882</b>	<b>408,485</b>	<b>364,451</b>
Current Liabilities				
Trade & other payables	(648,551)	(930,849)	(619,906)	(778,322)
Debenture Loan	(235,456)	-	-	-
Other Loans	(1,125,167)	(594,670)	(407,580)	(576,928)
<b>Total Current Liabilities</b>	<b>(2,009,174)</b>	<b>(1,525,519)</b>	<b>(1,027,486)</b>	<b>(1,355,250)</b>
<b>Net Current Liabilities</b>	<b>(1,816,928)</b>	<b>(1,241,637)</b>	<b>(619,001)</b>	<b>(990,799)</b>

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

At 30 September 2007, the Company had net current liabilities of £1,816,928 which comprised current assets of £192,246 less current liabilities of £2,009,174.

The Company received funds totalling £408,000 in the previous quarter ended 30 June 2007 from a private placement in Canada. This private placement was closed and shares issued shortly after in July 2007. The net funds received were included within "Trade and other payables" at 30 June 2007, but were removed from other payables in the third quarter following the issue of shares to investors.

The debenture loan is a convertible debenture of C\$1million, repayable with interest at C\$1.2million on 31 August 2008. This was disclosed as a long term liability in previous quarters but is now disclosed within current liabilities as it is due for repayment within one year. A full description of the terms and the accounting treatment for the debenture is included within Long Term Liabilities below.

During the quarter the Company was able to secure short term loans and advances, at no worse than market rate, from directors, related parties, and investors totalling £500,662 to help fund the on-going development and working capital needs of the business.

A director requested in February 2007 that £200,000 of the balance outstanding to him and related parties be converted into equity, with the remaining balance of £39,000 agreed to be repaid on the receipt of significant funds from the Company's fundraising programmes. This shares for debt request was accepted by the TSX Venture Exchange and the relevant securities commissions in April 2007 and 1,120,343 shares were subsequently issued as settlement of the debt.

Other Loans includes an outstanding balance to Disenco International AS, for amounts outstanding in relation to the acquisition of Intellectual Property by Disenco Limited, noted in Long Term Assets below. This loan is disclosed as being due for payment in full within one year, because the final instalment is due for payment on 1 June 2008. The final instalment of £75,000 was previously disclosed as a long term liability in the 31 December 2006 and 31 March 2007 balance sheets. The total amount owing to that entity at 30 September 2007 is £293,929 plus interest owing of £25,558. The Company agreed with the lender, during the period, that the £75,000, which was due to be paid on 1 June 2007, could be deferred until 1 December 2007. The loan is secured against the value of the intellectual property acquired.

The receivables balance at 30 September 2007 includes Value Added Tax refundable to the Company totalling £23,796. The VAT refund balance of £83,884 for the quarter ending 31 August 2007 was paid to the Company in September 2007, prior to the quarter end.

The receivables balance at 31 December 2006 related mainly to funds due in relation to the special warrant proceeds, which were received in full in January 2007.

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

**Long Term Assets**

	30 September 2007 (Unaudited) £	30 June 2007 (Unaudited) £	31 March 2007 (Unaudited) £	31 December 2006 (Audited) £
Intangible Assets				
Development costs	2,600,586	2,107,732	1,636,189	1,123,808
Patents & designs	30,775	36,764	41,064	46,764
Intellectual property rights	491,151	498,336	505,521	512,705
<b>Total Intangible Assets – UK GAAP</b>	<b>3,122,512</b>	<b>2,642,832</b>	<b>2,182,774</b>	<b>1,683,277</b>
Canadian GAAP Adjustment	44,564	37,379	30,194	23,010
<b>Total Intangible Assets – Canadian GAAP</b>	<b>3,167,076</b>	<b>2,680,211</b>	<b>2,212,968</b>	<b>1,706,287</b>
<b>Property, Plant &amp; Equipment</b>	<b>31,843</b>	<b>27,077</b>	<b>29,283</b>	<b>28,885</b>

The directors have, since the start of 2006, adopted a policy of capitalizing development expenditure incurred, as they believe that the product will be both technically feasible and commercially viable. Further funding will be required to take the product to the final stage of technical development and to bring it to market. The directors are confident that this funding will be secured, however this cannot be considered a certainty. This and other intangible asset balances do not include any write-offs or adjustments that would result from a failure to secure the required equity funding. The development cost balance is not depreciated at this stage. This will occur once the product is commercialized and available for sale in its market.

The development cost balance comprises the following total cost breakdown:-

	31 December 2006 (Audited) £	Incurred in Q1&Q2 2007 (Unaudited) £	Incurred in Q3 2007 (Unaudited) £	30 September 2007 (Unaudited) £
Development costs				
Prototype Engine	196,740	544,120	350,016	1,090,876
Gas Appliance	242,914	125,389	34,232	402,535
Engineering Consultancy	283,124	33,726	12,747	329,597
Material & Other Support Costs	275,534	191,710	45,569	512,813
Wages & Salaries	110,961	86,297	50,290	247,548
Gas Appliance Directive Approvals	<u>14,535</u>	<u>2,682</u>	-	<u>17,217</u>
<b>Total – Development Costs</b>	<b>1,123,808</b>	<b>983,924</b>	<b>492,854</b>	<b>2,600,586</b>

Development costs, within the capitalized cost total, comprise mainly costs incurred with the Company's development partners, Prodrive (Engine development) and Enertek International Limited (Gas Appliance). The high cost of development of the Prototype engine in 2007 reflects the commencement of Phase 2 of the Prodrive development and commercialization contract in March 2007. In Quarter 3, 2007 the Company ordered all of the parts and components required to build its first APO prototype engines, which it anticipates will move the Company significantly forward by having an engine, within its appliance, which has been manufactured entirely from production tooled components. The first APO engines are scheduled to be built and tested in Quarter 4 of this year. Tooling and parts for the first APO engines comprise £94,350 of the prototype engine development costs in the quarter.

**Disenco Energy plc**  
**Management’s Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

Engineering consultancy costs are essentially costs incurred with CHP Engineering AS, a Norwegian entity, who have assisted in the development of the product since prior to the inception of Disenco Energy plc.

Material and other support costs comprise all parts and materials consumed in the development of the product, since the commencement of the development expenditure capitalization policy, and other electrical and technical support received during the same period.

Wages and salary costs comprise salary costs for all production-related employees employed by the Company since the commencement of the capitalization policy. It also comprises an appropriate percentage of the salary costs of the Chief Executive Officer to reflect the time spent by him in the development of the product.

Other intangible asset balances included in the long-term assets table are patent & design costs, and intellectual property rights. The intellectual property rights balance relates to the sum paid by Disenco Limited, a subsidiary of Disenco Energy plc, for the initial acquisition of the intellectual property from Disenco International AS, a Norwegian company in which the Disenco Energy plc Group has no investment. The depreciation rates applied against these assets and the required Canadian GAAP adjustment are noted within the Summary of Results above.

**Long Term Liabilities**

	30 September 2007 (Unaudited)	30 June 2007 (Unaudited)	31 March 2007 (Unaudited) £	31 December 2006 (Audited) £
Long-term liabilities:				
Debenture Loans	-	223,435	345,897	392,554
Other Loans	-	-	75,000	75,000
<b>Total – Long term Liabilities</b>	-	<b>223,435</b>	<b>420,897</b>	<b>467,554</b>

The debenture loan is a convertible debenture of C\$1million, repayable with interest at C\$1.2million on 31 August 2008. The debenture can be converted into equity by the holder at a conversion price of C\$0.50 per unit at any stage during the term of the debenture. Each unit comprises one share of the Company’s C ordinary shares and one half of one non-transferable share purchase warrant entitling the holder to purchase one additional share at an exercise price of C\$0.50 per warrant.

The convertible debenture has been accounted for in accordance with UK Financial Reporting Standard 25 “Financial Instruments: Disclosure and Presentation” and split between debt and equity based up on the market rate of a similar debenture not carrying conversion options, estimated to be 11%.

On 28 March 2007 C\$120,000 of the debenture was converted into equity at the request of the debenture holder. On 10 April 2007, a further C\$313,200 was converted into equity at the request of the debenture holder.

The balance outstanding on the debenture (£235,456) is now disclosed within current liabilities as it is due for repayment within one year. The variance in the value of the liability between 30 June

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

2007 and 30 September 2007 is due to the movement in the £ pound/C\$ Canadian Dollar exchange rate on those dates.

The other loan balance, due to Disenco International AS, is described in Working Capital, Liquidity and Capital Resources above.

**Shareholders' Equity**

	30 September 2007 (Unaudited) £	30 June 2007 (Unaudited) £	31 March 2007 (Unaudited) £	31 December 2006 (Audited) £
<b>Shareholders' Equity under UK GAAP:</b>				
Total share capital	8,176,088	7,775,355	7,415,523	5,907,806
Merger reserve	(3,762,559)	(3,762,559)	(3,762,559)	(3,762,559)
Other reserves	805,460	820,145	706,504	861,790
Accumulated Deficit	(3,881,562)	(3,628,104)	(3,187,309)	(2,753,228)
<b>Total Shareholders' Equity under UK GAAP</b>	<b>1,337,427</b>	<b>1,204,837</b>	<b>1,172,159</b>	<b>253,809</b>
<b>Adjustments to Canadian GAAP:</b>				
Amortisation of Intellectual Property	44,564	37,379	30,194	23,010
Merger reserve	3,762,559	3,762,559	3,762,559	3,762,559
Pre-acquisition losses	1,545,359	1,545,359	1,545,359	1,545,359
Excess of consideration over assets acquired allocated to deficit	(5,307,918)	(5,307,918)	(5,307,918)	(5,307,918)
<b>Total Shareholders' Equity under Canadian GAAP</b>	<b>1,381,991</b>	<b>1,242,216</b>	<b>1,202,353</b>	<b>276,819</b>

Total share capital represents shares at nominal value plus any applicable share premium. In the quarter ended 30 September 2007, the share premium on shares issued was £224,328 which was offset by expenses incurred of £35,860.

During the quarter the Company issued the following shares:-

- 1,839,885 relating to the closure of a North American Private Placement;
- 55,000 relating to investors who invested in the Company in 2006, but had not received their share certificates.

The Canadian GAAP adjustments relate to the amortization of intellectual property, and the adjustments required in accounting for the business combination as an acquisition using the purchase method of accounting instead of merger accounting, under which the UK GAAP financial statements are prepared. The excess of consideration over assets acquired is calculated by comparing the value of the capital stock that was issued as consideration (£5,593,500) against the fair value of the assets and liabilities acquired (£285,582).

**Capital Resources**

The Company completed its listing on the TSX Venture Exchange on 21 February 2007. The net funding received of C\$2.9m (including special warrant proceeds), after deduction of all associated fees and commissions, proved to be sufficient to meet the original objectives stated in the prospectus. These were as follows:

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

- Complete, test and install up to five field trial units;
- Obtain Gas Appliance Directive approval for five field trial units;
- Complete appointment of Executive Team;
- Commence commercialization by entering into contracts with designated engineering groups to provide a commercial pre-production proto-type of the Disenco m-CHP;

The directors have prepared financial projections to take the Company through to commercialization of its product in early 2008 in the reasonable expectation that the Company will generate future funding via private equity placements and director and other loans. The directors believe that sufficient funds can be raised to meet the net costs for the foreseeable future and to take the Company through to profitability. While the directors have estimated the future costs of the company and group, and are taking reasonable steps to ensure that the required funding is received, there can be no certainty in relation to these matters.

At 30 September 2007, Disenco Energy plc had commitments to future minimum payments under operating leases in respect of its rental office premises as follows:-

	£
31 December 2007	52,000
31 December 2008	56,000
31 December 2009	56,000

**Off-Balance Sheet Arrangements**

The Company has not entered into any significant off-balance sheet transactions or arrangements.

The Company has loans of £205,000 with an external party, which incurs interest at 7% per annum. These loans, which are included within current liabilities, have been guaranteed personally by Mr. Longpre, a director of the Company.

**Critical Accounting Estimates**

The Company's significant accounting policies are detailed in Note 1 of the unaudited financial statements for the three and nine months ended 30 September 2007. Details are provided in Note 13 of the financial statements of all significant differences to Canadian GAAP.

**Financial Instruments**

The Company has no trading revenues at this stage of development, and so finances its working capital requirements through loan or equity funding.

The company has trade creditors on normal payment terms. The Company has very few trade creditors denominated in foreign currency.

The Company has no credit facility with its bank, Royal Bank of Scotland. During the period all development was funded through the issue of equity, director and other loans.

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

All borrowings are denominated in pounds sterling, except for the following:-

- Loan balance in Disenco Limited of NOK 2,859,097 (Norwegian Kroner). Interest on the Norwegian Kroner loan is charged at Norwegian Bank Base Rate plus 2% ;
- C\$1 million (Canadian Dollars) Convertible Debenture repayable at C\$1.2 million, of which C\$433,200 has already been converted into equity;
- Loan facility totaling C\$1 million (Canadian dollars) with Mr J Gunn, a director of the Company, of which C\$400,000 has been drawn down by the Company. 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%;
- Loan facility totaling C\$1 million (Canadian dollars) with Dover International, a Company in which Mr Longpre, a director of the Company, is a director and shareholder, of which C\$323,584 has been drawn down by the Company. 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%.

All other loans undertaken were granted at fixed interest rates, at broadly prevailing market rates, so the Company has limited exposure to credit and liquidity risks.

The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through issue of equity and through borrowings at prevailing market interest rates. The company does not use hedge accounting.

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

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or loss.

**Warrants and Share Options**

As at 30 September 2007, the following warrants and options were outstanding:-

	Expiry Date	Amount	Value C\$
Warrants	9 Feb 2009	335,230	251,423
	21 Feb 2009	2,750,000	2,062,500
	28 Mar 2009	120,000	60,000
	10 Apr 2009	313,200	156,600
	13 July 2009	919,943	689,957
	23 July 2009	126,800	95,100
Options	21 Feb 2009	617,045	308,522
	16 Oct 2009	659,904	329,952
	16 Oct 2011	8,510,835	2,859,063
	15 Mar 2012	96,000	48,960
	8 May 2012	750,000	322,500
	31 August 2012	104,000	53,040

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

**Related Party Transactions**

During 2006 and early 2007 the Company obtained loan financing from certain directors and related companies. All of these loans were repaid on receipt of the funds from the TSX Venture Exchange Listing in February 2007, except for a balance of £239,000 due to Mr Longpre (and related parties), a director of the Company. £200,000 of this outstanding balance was converted into equity in April 2007, with the remaining balance of £39,000 to be repaid, as noted under Working Capital, Liquidity, and Capital Resources above.

On 11 May 2007, the Company received a loan of £50,000 from Mr J Gunn, a director of the Company. The loan incurs interest at 6% per annum, payable in full on repayment of the loan, which has been agreed to be repaid on the receipt of significant funds from the Company's fundraising programmes.

On 13 July 2007, the Company received a C\$400k drawdown from the C\$1 million loan facility agreement that it has with Mr J Gunn. This facility is repayable 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 drawdown from the C\$1 million loan facility agreement that it has with Dover International Limited, a Company in which Mr Longpre, is a director and shareholder. This facility is repayable 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%.

**Business Risk and Uncertainties**

The Company's technology is of a disruptive nature, which means that its technology will significantly change the market in which it will eventually operate. The directors believe that its technology has significant benefits for both the environment and its target market, leading to enhanced shareholder value. It should be noted that in considering the risks the directors believe that there is significant established momentum supporting the introduction of this type of technology from both an environmental and regulatory standpoint. However the very nature of the technology means that there are risks associated with bringing it to market.

Risk factors considered by the Company include without limitation:

- (i) additional financing will be required to develop the Company's products and services;
- (ii) the need for market penetration and possible resistance to the arrival of new technology;
- (iii) any significant shortfall of demand in relation to expectation for the Company's products would have an adverse impact on the Company;
- (iv) the Company is experiencing competition for its products;
- (v) the Company is reliant to a certain degree on its suppliers regarding terms of trade, pricing and fulfillment requirements;

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

- (vi) the Company is subject to the complex regulatory environment in the United Kingdom (the "UK") and overseas markets;
- (vii) the Company is currently dependent upon its senior management, board of directors and consultants;

**Nature and Continuance of Operations**

The principal planned activity of the company is to finalize the development of the m-CHP unit and complete the commercialization of the product. To this end additional financing will be required and will be the single most restrictive factor in the short term rate of growth of the company.

**Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

The Company is, at present, a single site operation, with 12 employees, in which the Chief Executive Officer and Chief Financial Officer are involved in all aspects of the business. Processes and procedures for collating information for disclosure are therefore limited to that which can reasonably be achieved with the resources available. Management however believes that controls over disclosure of information are adequate for a business of this size and provide reasonable assurance that material items requiring disclosure are identified and reported in a timely manner. In reaching this conclusion, the Company recognizes that two factors must be and are present:

- i) the Company is assisted by its advisors and consultants in recognizing, interpreting, understanding and complying with the various securities regulations disclosure requirements; and
- ii) an active Board and Management with open lines of communication.

It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

**Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2006, the Company was a small unlisted entity, with a maximum of 12 employees, 8 of who were involved in the operational side of the business. Internal controls over financial

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

reporting have historically been limited to that which can reasonably be achieved with the resources available due to the limited scope for segregation of duties and minimal requirement for public reporting. Management however does believe that the controls in place were appropriate for a business of this size, and that they provided reasonable assurance over risk of material error.

Since the end of 2006, the Company has listed on the TSX Venture Exchange. Management realizes that, as a result of this, and the increasing complexity of its business, there needs to be a greater focus on internal controls throughout the business, and as a result, a new full time Chief Financial Officer commenced employment in January 2007, replacing the original part-time position.

Management has completed a review of existing processes and procedures to ensure their effectiveness and have designed additional procedures to enhance the internal controls over financial reporting and address some of the perceived limitations brought about by limited segregation of duties. In addition to establishing new internal controls and undertaking a broader review of internal controls over financial reporting, a project was initiated to replace the existing, predominantly manual, accounting system which had become outdated. The lack of functionality of the existing system contributed to weaknesses related to segregation of duties and continuity of processing. The cross-over to the new computerized system was completed in March 2007. Management and the Board of Directors work to mitigate the risk of a material mis-statement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material mis-statement.

**Additional Information**

Additional information relating to Disenco Energy plc can be found on the Company's website at [www.disenco.com](http://www.disenco.com) and on SEDAR at [www.sedar.com](http://www.sedar.com)

Approved on Behalf of the Board

(Signed) "Simon W S Ambler"

Simon W S Ambler  
Chief Executive Officer  
8 November 2007

(Signed) "Colin Mearns"

Colin Mearns  
Chief Financial Officer

**Disenco Energy plc's Management and Board of Directors**

A Caplin  
Chairman

S Ambler  
Chief Executive Officer

**Disenco Energy plc**  
**Management's Discussion and Analysis**  
**For the financial quarter ended 30 September 2007**

C Mearns  
Chief Financial Officer

G B Longpre  
Director of Corporate & Investor Relations

Sir R F Needham (resigned 9 July 2007)  
Non-executive Director

J W Gunn  
Non-executive Director

G Bretvin  
Non-executive Director

S Bernstein (appointed 14 May 2007)  
Non-executive Director

T MacKay (appointed 6 July 2007)  
Non-executive Director

Auditors:  
PKF (UK) LLP

Lawyers (UK):  
Kimbells LLP

Lawyers (Canada):  
Clark Wilson LLP

***Forward Looking Statements***

*This disclosure contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond Disenco Energy plc's control, including: the impact of general economic conditions where Disenco Energy plc operates, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof and obtaining required approvals of regulatory authorities. Disenco Energy plc's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that Disenco Energy plc will derive there from.*