

Disenco Energy plc
Management's Discussion and Analysis
For the financial quarter ended 30th September 2009

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 quarter ended 30th September 2009. The financial statements for the quarter ended 30 September 2009 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 2010, and through to anticipated profitability, in the reasonable expectation that the company will generate the required significant amounts of future funding via private equity placements, 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 funding.

Introduction

The following management discussion covers the quarter ended 30th September 2009. The Company's principal activities are the continued development and commercialization of a micro-Combined Heat and Power ("m-CHP") appliance, the continued fundraising activities in North America, the UK and Europe and the negotiation of Memorandum of Understandings with major utilities in the UK, Europe and North America.

About Disenco Energy plc

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.

The Company's business is to develop and commercially exploit an m-CHP appliance that generates heat for central and hot water heating and electricity that can be consumed in individual households and small and medium enterprise businesses. The Company has developed and owns the intellectual property rights to this appliance which not only provides the necessary heat and hot water but electricity for the site and electricity that the site can export for sale back to the power grid. The Company's m-CHP unit is called the "Disenco

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HomePowerPlant" ("HPP"). The HPP, a dishwasher sized unit, while running on any fossil fuel primarily natural gas and/or propane generates mechanical, electrical and thermal energy simultaneously at up to 92% efficiency, allowing it to recover much of the energy normally lost in separate power generation. The HPP produces heat and hot water, is expected to generate on average 50% of the electrical consumption of the home, including 70% at peak times, and will be able to export electricity back to the power grid up to an amount equal to that consumed by the home or SME. It is also expected to save the household up to 4 tonnes of CO2 emissions on an annual basis. The HPP is a complete boiler replacement appliance, which could be installed and used in residential or commercial properties. The power generated by the HPP can be used to operate lighting, consumer electronics, and other electrical appliances, with any excess power generated on site being sold back to the national power grid.

Overall Performance

The group has continued to make progress on the development and commercialization of its micro combined heat and power ("m-CHP") appliance during 2008 and into 2009. The main developments are noted as follows:

Initial production designs of the group's m-CHP appliance were completed in Quarter 3, 2007 allowing production components and associated tooling to be placed on order. The initial m-CHP production engines were assembled and cold bench tested in 2008. An appropriate supplier base has been identified for the purpose of fulfilling initial low volume production demand.

In Quarter 1, 2008, the group signed contracts with Sentec Limited, to commence the development of the electronic controls unit and to develop a grid interface for the stirling engine generator, within the m-CHP appliance. Sentec have made considerable progress during 2008 in designing and building a prototype electronic controls display unit, and in developing a usable grid interface with controllable power electronics. The contracted work with Sentec is proceeding in line with progress on the Phase two commercialization contract.

In December of 2007 Disenco Limited successfully completed 14 months of field trials of its 176b field trial models in the UK under the auspices of the Carbon Trust Field Trial program. The field trials with the Carbon Trust performed to expectation during the trials meeting both the 3 kW electrical and 15 kW thermal output performance expectations. In total the company operated five field trial appliances in 2006/2007. The Company expects to commence field trials in 2010 of its AP0, production intent HPP appliances in anticipation of planned market entry by the end of Quarter 4, 2010.

In January 2008 the Company announced that it has appointed Autocraft Industries UK Limited ("Autocraft") and Malvern Boilers Limited ("Malvern Boilers") to manufacture the initial commercial volumes of the completed HPP appliances. Autocraft will manufacture the stirling engine component of the appliance and Malvern Boilers will manufacture the condensing boiler element, the boiler appliance parts and complete the final assembly with quality certification of the product. Both subcontractors will utilise the latest lean manufacturing techniques to ensure that the Company meets initial demand and product quality for its product.

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Management believes that utility companies are a key route to market for its appliance due to the combination of a radical change to the market for distributed energy, strong government energy saving and CO2 emissions reduction requirements, rising fuel and energy costs and the expected savings that can be achieved by the Company's m-CHP technology from both an ecological as well as a financial aspect.

The group announced in July 2008 that it has signed a Memorandum of Understanding with Endesa, one of the leading utility companies in the Spanish energy market and the number one private-sector multinational electricity utility in Latin America. In accordance with the agreement Disenco's patented technology, after undergoing rigorous testing by Endesa, will be placed into field trialling sites in selected end user domestic and business premises, with the focus of this agreement to explore the deployment of the Disenco technology and HPP products in the markets of Endesa. Under the terms of the Agreement, Endesa has the exclusive rights to use and exploit Disenco's technology in Spain, Chile, Brazil, Argentina, Peru and Colombia. Endesa, with its market skill and expertise, will lead the relationship with the Spanish regional authorities, to meet the legal and regulatory requirements to enable production of the HomePowerPlant units. The Agreement, which has a duration of 12 months subject to extension upon the agreement of both parties, does not necessitate any financial payments, but does oblige the parties to explore funding vehicles for the research and development of Disenco's technologies, including regulatory and governmental initiatives.

The group also announced in September 2008 that it had signed a Memorandum of Understanding with Centrica, one of the world's leading energy providers, serving the energy needs of over 20 million residential and business customers on both sides of the Atlantic. Under the terms of the Memorandum of Understanding, the two companies will collaborate in the development of Disenco's patented technology and HPP product and jointly contribute to the field trialling, marketing, installation and distribution of the appliance to meet customer requirements. It is anticipated that British Gas, Centrica's wholly owned subsidiary, will work with Disenco to bring the product into field trials by late 2009 followed by commercialization before the end of Quarter 2, 2010. The agreement joins together Disenco's low carbon heat and electricity appliance with Centrica's existing residential and business customer base.

The Company has also announced in January 2009 that it has signed an agreement with National Grid LLC, the international electricity and gas utility company, which has over 3 million electricity and gas customers in the North Eastern states of the United States of America. Under the terms of the agreement, National Grid and Disenco will develop a pilot program of at least five units. National Grid will collaborate with Disenco in defining product specifications, selecting appropriate customer sites, and understanding the potential for the group's appliance in the US market, with a view to wider product roll-out. Both companies will work together to support efforts to acquire funding for product development, product demonstration and deployment from external public sources as appropriate, such as grants from state or federal research and development agencies.

The group is also in advanced discussions with a number of other utility companies in the UK, mainland Europe and North America and in addition to this is continuing to have ongoing discussions with other utilities, municipalities and community planning groups throughout the UK and the EU. The Company expects to complete commercial relationships with such companies for the trialling and/or distribution of its m-CHP appliance, during 2010.

Initial product is expected to be available for field trials with its utility company partners by Q3 2010, providing estimated funding requirements are met.

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During 2008, the Company filed a final short form prospectus to qualify the distribution in the Provinces of British Columbia, Alberta and Ontario of up to 16,700,000 units of Disenco Energy plc at a price of C\$0.30 per unit for aggregate gross proceeds of up to C\$5,010,000. Each unit consisted of one C Ordinary Share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one C Share at a price of \$0.50 per C Share for a period of 24 months from the closing of the offering. The Company closed this offering in November 2008, having issued 6,365,000 units from the offering for gross proceeds of C\$1.9 million.

In November 2008 the group signed an agreement with the Hunter Group in Canada, headed by Doug Hunter, an experienced business leader and developer in the energy markets. Under the terms of the Agreement, the Hunter Group is to raise, on a best efforts basis, CDN \$9 million in Disenco for common shares of Disenco, at share prices to be agreed, to own 50% of a new company to be created by the two companies called Disenco North America ("DNA"). The new company will commercialise Disenco's HomePowerPlant (HPP) product to residential and business owners uniquely in North America. The \$9 million was to be raised in 3 tranches over the remaining development of the appliance. In consideration of the services to be provided by the Hunter Group, the Hunter Group shall be entitled to a 50% ownership interest in DNA. If less than CDN\$9 million is raised by the Hunter Group, its ownership interest in DNA shall be calculated on the basis of 50 percent of the total amount raised divided by \$9 million. Mr Hunter was appointed to the main Board of Disenco Energy plc in November 2009, and will undertake the role of CEO of DNA, on creation of that entity. To the date hereof due to funding constraints the Hunter Group has funded approximately CDN \$465,000.

In April 2009 the Company signed an agreement with Qwatee AG Zug of Switzerland for Qwatee to fund the company initially USD\$ 5 million at CDN \$0.15 per share by May 2 2009 and a further USD \$5 million by May 30. To the date hereof Qwatee has not provided any funds.

In April 2009 Disenco also signed an agreement for Challis International Limited to invest C\$2 million in Disenco followed by Challis having the right commencing May 2009 to invest a further C\$9 million in Disenco over the following eighteen month period. To the date hereof Challis has provided funds totalling £369,049.

In June 2009 Disenco received a Research and Development Tax credit totalling £134,547.

The group is continuing to discuss funding initiatives with a number of interested parties, as it seeks to secure funding to complete the development and commercialization of its appliance.

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.

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- 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 KPI's
 - *Complete Phase Two of the commercialization programme, for the design and manufacture of production intent appliances*
Expect to complete Phase Two contract in Quarter 2, 2010.
Signed contract with electronic controls partner, Sentec Limited, in January 2008. Expect to have commercial appliances for field trialling with utility companies by Quarter 3 2009, providing funding objectives are met.
 - *Secure commercial arrangements with major utility companies*
Memorandums of Understanding signed with Endesa, Centrica, and National Grid.
Discussions continuing with a number of other major utility companies. Expect to sign further MOUs in 2009.
 - *Commence manufacture of initial production appliances*
Memorandum of Understanding (MOUs) signed with Autocraft and Malvern Boilers. Production of initial appliances for field trial purposes expected to occur in Quarter 2, 2010, providing funding objectives are achieved.
 - *Commence Field Trials of Commercial Appliance*
Initial discussions undertaken with utility companies and other interested parties during 2008 regarding the form and nature of field trial programme.
Company expects to enter field trials by of Quarter 2, 2010, providing its funding objectives are achieved.
 - *Recruit additional key personnel to support the business through the commercialization programme*
Recruited an Engineering Manager and Administration Assistant in June 2008. Further personnel changes will be dependent on the receipt of further funds to take the Company through to the commercialization of the appliance.

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Summary of Results

Disenco Energy plc generated losses of £234,111 in the 9 months ended 30 September 2009.

	3 months ended 31 March 2009 (Unaudited) £	3 months ended 31 March 2008 (Unaudited) £
Sales	-	-
Net Expenses:-		
Manufacturing overheads	(57,590)	(35,836)
Share based payments	31,012	(65,967)
Amortization of intangible assets	(9,391)	(9,900)
Wages & salaries	(64,986)	(89,252)
Other administrative costs	(85,111)	(133,458)
Total Expenses	(80,601)	(334,413)
Operating Loss	(102,905)	(334,413)
Interest receivable	-	616
Interest payable	(48,045)	(41,766)
Taxation	-	-
Loss for Financial Period per UK GAAP	(234,111)	(375,563)
Canadian GAAP Adjustments	7,185	7,185
Loss for Financial Period per Canadian GAAP	(226,926)	(368,378)

Manufacturing overheads of £57,590 for the 3 month period includes premises related overhead costs of £16,657, employee travel expenses of £5,014 and depreciation on tangible fixed assets of £6,540.

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

Amortization of intangible assets for the 3 month periods relates to the amortization of patents and designs (£2,206 for 3 month period), which are being amortized over 4 years, and amortization of intellectual property rights (£7,185 for 3 month period), which are being amortized over 20 years.

Wages & salaries are the operations and administrative salary costs, and directors' fees and emoluments incurred during the period. All development employee salaries and 70% of the Chief Executive Officer's salary costs are capitalised within development costs

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Director	Fees Earned	Option Based Awards	Pension	All Other Compensation	Total
G B Longpre	£18,540	-	-	-	£18,540
S Bernstein	-	-	-	-	-
T MacKay	-	-	-	-	-
A Dale	£14,000	-	-	-	£14,000
D Hunter	-	-	-	-	-

There have been no significant changes to the option based award issued during the period. There is no set program for issuing option based awards. The compensation program is designed to motivate and reward the company officials to ultimately guide Disenco Energy Plc to commercialization.

There is no direct correlation between the executive officers compensation and the cumulative shareholder returns over the last five years. This is because Disenco is still in a state of development.

The company does not currently have a set equity incentive plan. Option based awards are generally based on milestones the company passes, either in development or financially.

Director	1 January 2009	Granted, exercised / lapsed	31 March 2009	Exercise price C\$	Date from which exercisable	Expiry date	Vesting period
G B Longpre	296,500	-	296,500	0.375	16/10/2006	16/10/2011	2
S Bernstein	500,000	-	500,000	0.500	01/01/2008	01/01/2013	5
T MacKay	500,000	-	500,000	0.500	01/01/2008	01/01/2013	5
A Dale	250,000	-	250,000	0.430	08/05/2007	08/05/2012	4
A Dale	250,000	-	250,000	0.500	03/09/2008	03/09/2013	5
Total	7,296,500	(500,000)	6,796,500				

There have been no executive options vested during the period or significant value earned on them.

Other administrative costs for the 3 month period ended 30th June 2009 include legal, professional, accountancy, corporate finance and other consultancy fees of £8,015. Other administrative costs also included investor relations and public relations costs of £14,187, TSX registration, filing, and transfer agent costs of £4,981, travel & subsistence costs of £5,580, office and IT costs of £8,249, and amortization of debenture loan issue costs of £2,886.

Interest payable for the 3 months ended 31 March 2009 included exchange losses of £5,487 relating to differences on retranslation of the Norwegian Krone denominated loan, on retranslation of the Canadian dollar convertible debentures, and Canadian dollar loan facility balances during the period.

The Canadian GAAP adjustments in 2009 and 2008 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.

Working Capital, Liquidity and Capital Resources

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	31 March 2009 (Unaudited) £	31 December 2008 (Audited) £
Current Assets		
Trade & other receivables	49,267	52,892
Cash & cash equivalents	-	18,280
Total Current Assets	49,267	71,172
Current Liabilities		
Trade & other payables	(868,570)	(620,611)
Debenture loans	(600,998)	(275,000)
Other loans	<u>(1,898,022)</u>	<u>(2,133,558)</u>
Total Current Liabilities	(3,367,590)	(3,029,169)
Net Current Liabilities	(3,318,323)	(2,957,997)

At 31 March 2009, the Company had net current liabilities of £3,318,323 which comprised current assets of £49,267 less current liabilities of £3,367,590.

The Company is continuing to secure short term loans and advances, at no worse than market rate, from directors, related parties, and investors to help fund the on-going development and working capital needs of the business.

Debenture loans at 31 December 2008 and 31 March 2009 includes a convertible debenture for £275,000 at an interest rate of 8% per annum that was repayable on 1 December 2008. This debenture expired, without conversion, on 1 December 2008. The Company is currently in discussions with the debenture holder regarding re-investment of this debenture into a new 1 year debenture or further equity investment, enabling repayment of the full balance and accrued interest.

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Debenture loans also include £325,998 representing the conversion of an outstanding loan balance into a convertible debenture, expiring on 1 December 2009, with interest at 7%, convertible into shares at C\$0.20. This debenture was approved by the TSX and issued by the Company in February 2009.

The convertible debentures have been accounted for in accordance with UK Financial Reporting Standard 25 "Financial Instruments: Disclosure and Presentation" and split between debt and equity based upon the market rate of a similar debenture not carrying conversion options, estimated to be 11%. The unconverted balances on the debentures showing on the Company's balance sheet at 31 March 2009 and 31 December 2008 is lower than the total unconverted balance reported above due to the requirement to account for the convertible debenture by splitting the debt and equity components, and deducting the debenture issue costs from the liability on inception and then amortizing over the period of the debenture.

Certain of the other loan balances were provided by related parties and are outlined in detail within "Related Party Transactions" below.

Other loans at 31 December 2008 included balances outstanding to an external party totalling £690,000 which were consolidated into one loan on 1 January 2008 and added to with further advances totalling £45,000 in 2008. This loan bears interest at 7% per annum. These loan advances commenced in April 2007 with repayment terms being agreed and rolled forward on 30 day intervals. These loans are guaranteed in full by Mr B Longpre, a director of the company. In December 2008, the lender agreed to convert £350,000 of the outstanding balance into a convertible debenture, expiring on 1 December 2009, with interest payable at 7%, convertible into C ordinary shares at C\$0.20. The convertible debenture was issued in February 2009.

Other loans also include advance payments totalling £100,000 from an investor for a proposed investment in the now completed C\$5million share offering. The investor has subsequently advised the Company that he does not wish to conclude the investment for equity and has requested the repayment of the funds in full. The Company is currently in discussions with the investor to agree repayment terms in line with the Company's funding expectations.

The receivables balance at 31 March 2009 includes Value Added Tax refundable to the Company totalling £5,167.

On 26 January 2009 the Company granted a debenture in respect of all amounts outstanding to Mr Gunn secured by a fixed and floating charge, over the group's property and assets, ranking second only in priority to the charge granted to Innovation Bank. Under the terms of the debenture, interest does not accrue after the date of the debenture.

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Long Term Assets

	31 March 2009 (Unaudited) £	31 December 2008 (Audited) £
Intangible Assets		
Development costs	3,885,296	3,758,593
Patents & designs	11,722	13,928
Intellectual property rights	448,041	455,226
Total Intangible Assets – UK GAAP	4,345,059	4,227,747
Canadian GAAP Adjustment	126,959	80,489
Total Intangible Assets – Canadian GAAP	4,472,018	4,308,236
Property, Plant & Equipment	59,308	65,848

The directors have, since the start of 2006, adopted a policy of capitalising 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 funding. The development cost balance is not depreciated at this stage. This will occur once the product is available for sale.

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

	31 December 2008 (Audited) £	Incurred in 2009 (Unaudited) £	31 March 2009 (Unaudited) £
Development Costs			
Prototype Engine	1,330,953	67,760	1,398,713
Gas Appliance	553,814	18,758	572,572
Electrical Controls Unit/Grid Interface	174,807	9,491	184,298
Engineering Consultancy	400,354	-	400,354
Material & Other Support Costs	833,940	9,350	843,290
Wages & Salaries	443,193	21,344	464,537
Gas Appliance Directive Approvals	21,532	-	21,532
Total – Development Costs	3,758,593	126,703	3,885,296

Development costs, within the capitalised cost total, comprise mainly costs incurred with the Company's development partners, Prodrive Automotive Technology Limited (Engine development), Enertek International Limited (Gas Appliance) and Sentec Limited (Electrical Controls Unit/Grid Interface). In late 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. Following the successful completion of bench testing, which is expected to be in Quarter 2, 2009, the first production m-CHP engines should be incorporated into production appliances, for further evaluation as a complete unit.

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

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Material and other support costs comprise all parts and materials consumed in the development of the product, since the commencement of the development expenditure capitalisation policy, and other electrical and technical support received during the same period. Tooling and parts for the first APO engines comprise £200,721 of the material and other support costs total. In Quarter 4, 2008, the Company started ordering long lead time items for the initial appliances to be used in the field trial programme in 2009. At 31 March 2009 the Company had received parts totalling £29,336 for these appliances.

Wages and salary costs comprise salary costs for all employees directly involved in the development of the appliance since the commencement of the capitalisation policy. It also comprises an appropriate percentage of the salary costs of the Chief Operating Officer and Chief Executive Officer (up to 31 March 2008) to reflect the time spent by them 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

	31 March 2009 (Unaudited) £	31 December 2008 (Audited) £
Long-term liabilities:		
Debenture Loans	701,660	710,092
Total – Long term Liabilities	701,660	710,092

The Company completed a convertible debenture in August 2008 for C\$1,375,286 at an interest rate of 8% per annum repayable on 29 August 2010. The debenture can be converted into equity by the holder at a conversion price of C\$0.30 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 share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at an exercise price of C\$0.40 per warrant until the earlier of the maturity date or two years after the conversion date. At the end of 2008 and as at 31 March 2009 the full value of the debenture and accrued interest remain unconverted.

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%.

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Shareholders' Equity

	31 March 2009 (Unaudited) £	31 December 2008 (Audited) £
Shareholders' Equity under UK GAAP:		
Total share capital	8,904,906	8,904,906
Merger reserve	(3,762,559)	(3,762,559)
Other reserves	750,510	757,521
Accumulated deficit	(5,508,473)	(5,274,362)
Total Shareholders' Equity under UK GAAP	384,384	625,506
Adjustments to Canadian GAAP:		
Amortisation of intellectual property	126,959	80,489
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)
Total Shareholders' Equity under Canadian GAAP	511,343	705,995

At the start of the year and at 31 March 2009 the Company's authorized share capital was 200,000,000 C Shares and 60,000,000 S Shares. C shares and S shares rank pari passu in all respects.

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 group has yet to complete the development and commercialization of its appliance, and as a result has no revenue stream at this time. The group is therefore continuing to make operating losses, and will continue to do so until the group's product comes to market. The directors consider that the outlook presents significant challenges in terms of managing its cash and other resources until cash is available from trading profits. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The group is in continued discussions with all of its lenders in relation to repayment terms. It is likely that these discussions will continue until such time as significant funds are received which will enable the group to repay these balances in full or in accordance with an agreed structured repayment plan. The directors are continuing to pursue a number of alternative sources of funding, to enable the group to repay its debt commitments, fund the final development and commercialization of the appliance, and fund the manufacture and subsequent monitoring of its planned field trial programme, but as yet have not secured the full amount of the funding required.

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The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the group's and the company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the group and the company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis.

In the event that the parent company was unable to raise sufficient funds, the carrying value of the group's intangible fixed assets may not be recoverable in full. Further, in the parent company, the investment in the subsidiary and the inter company debtor may not be recoverable in full.

At 31 March 2009, Disenco Energy plc had commitments to future minimum payments under operating leases in respect of its rental office premises as follows:-

	£
31 December 2009	40,727

Off-Balance Sheet Arrangements

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

The Company has loans of £385,000 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 GB 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 quarter ended 31 March 2009. 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 few trade creditors denominated in foreign currency.

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

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

- Loan balance in Disenco Limited of NOK 2,749,607 (Norwegian Kroner). Interest on the Norwegian Krone loan is charged at Norwegian Bank Base Rate plus 2%;
- C\$1,375,286 Convertible Debenture repayable with interest at 8%;
- Loan facility totaling C\$1 million, 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 with Dover International, of which C\$792,645 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%;
- Amounts totalling C\$465,000 received from Hunter Group as detailed within "Related Party Transactions" below.

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 limited to currency risk on the Norwegian Krone loan and Canadian Dollar debentures 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.

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Warrants and Share Options

As at 31 March 2009, the following warrants and options were outstanding:-

	Expiry Date	Amount	Value C\$
Warrants	10 Apr 2009	313,200	156,600
	13 Jul 2009	919,943	689,957
	23 Jul 2009	126,800	95,100
	11 Jul 2010	3,267,000	1,633,500
	2 Sep 2010	2,798,000	1,399,000
	20 Nov 2010	300,000	150,000
Agent Options	11 Jul 2010	326,700	98,010
	2 Sep 2010	279,800	83,940
	20 Nov 2010	30,000	9,000
Options	16 Oct 2009	659,904	329,952
	16 Oct 2011	4,221,500	1,255,563
	15 Mar 2012	96,000	48,960
	8 May 2012	750,000	322,500
	31 Aug 2012	104,000	53,040
	1 Jan 2013	1,400,000	704,000
	3 Sep 2013	2,725,000	1,362,500
	17 Sep 2013	973,000	486,500

Related Party Transactions

Disenco International AS is a company in which G Bretvin and G B Longpre, who are both shareholders of the company, are shareholders. A loan capital balance owed to Disenco International AS in relation to that Company's outstanding balance with SND Innovation Bank of NOK 2,749,607, interest of NOK 114,737, and penalty interest of NOK 231,912 remains outstanding at 31 March 2009.

On 11 May 2007, the Company received a loan of £50,000 from Mr J Gunn, a shareholder and former director of the Company. The loan incurs interest at 6% per annum, payable in full on repayment of the loan, which was agreed to be repaid on the receipt of significant funds from the Company's fundraising programmes. The Company also received two further loans of £50,000 each from Mr J Gunn on 22 October 2007 and 12 February 2008. These loans incur interest at 7% per annum, payable in full on repayment of the loan, which was agreed to be repaid on the receipt of significant funds from the Company's fundraising programmes.

In addition, on 13 July 2007, the Company received a C\$400,000 drawdown from the C\$1 million loan facility agreement that it had with Mr J Gunn. This facility was 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 agreed with the lender will be 5.05%.

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In December 2008, the Company received a formal request from Mr Gunn for immediate repayment of all loans due to him, as outlined above. In 2009 the Company reached agreement with Mr Gunn to repay the total balances outstanding, including accrued interest, in four equal instalments of £99,635 commencing in February 2009 in 6 weekly intervals. The Company granted a debenture in respect of the amounts outstanding secured by a fixed and floating charge, issued on 26 January 2009, over the group's property and assets, ranking second only in priority to the charge granted to Innovation Bank noted under "Working Capital, Liquidity and Capital Resources" above. Since reaching the above agreement, the company has paid the sum of £105,000 GBP against such loans and has agreed with Mr Gunn that the balance of the loans would be settled on receipt of significant funds from the current round of fundraising. The Company is in default with respect to the debenture granted to Mr Gunn but Mr Gunn has held over any legal proceedings.

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 £238,892 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 £38,892 to be repaid, on the receipt of significant funds from the Company's fundraising programmes. The balance remains outstanding at 31 March 2009.

In August to December 2007, the Company received funds totalling C\$777,871 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%. In 2008, Dover International Limited settled outstanding invoices totalling C\$14,774 on behalf of the Company. This payment amount has been added to the loan facility balance outstanding at 31 December 2007. The balance remains outstanding at 31 March 2009.

In November 2008 the group signed an agreement with the Hunter Group in Canada, headed by Doug Hunter, an experienced business leader and developer in the energy markets. Under the terms of the Agreement, the Hunter Group is to raise, on a best efforts basis, CDN \$9 million in Disenco for common shares of Disenco, at share prices to be agreed, to own 50% of a new company to be created by the two companies called Disenco North America ("DNA"). The new company will commercialise Disenco's HomePowerPlant (HPP) product to residential and business owners uniquely in North America. The \$9 million was to be raised in 3 tranches over the remaining development of the appliance. In consideration of the services to be provided by the Hunter Group, the Hunter Group shall be entitled to a 50% ownership interest in DNA. If less than CDN\$9 million is raised by the Hunter Group, its ownership interest in DNA shall be calculated on the basis of 50 percent of the total amount raised divided by \$9 million. Mr Hunter was appointed to the main Board of Disenco Energy plc in November 2009, and will undertake the role of CEO of DNA, on creation of that entity. To the date hereof due to funding constraints the Hunter Group has funded approximately CDN \$465,000. Shares are to be issued to the investors on the closing of the first tranche of investment.

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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 complete the commercialization of the appliance and to develop further products and services;
- (ii) Uncertainty over timing of commercial release, final costing, designs and performance due to stage of commercial development;
- (iii) Future dependence on successful distributor network and strategic relationships;
- (iv) Proprietary rights and protection over intellectual property;
- (v) The need for market penetration and possible resistance to the arrival of new technology;
- (vi) Any significant shortfall of demand in relation to expectation for the Company's products would have an adverse impact on the Company;
- (vii) The Company may experience competition against its products;
- (viii) The Company is reliant to a certain degree on its suppliers regarding terms of trade, pricing and fulfillment requirements;
- (ix) The Company is subject to the complex regulatory environment in the United Kingdom (the "UK") and overseas markets;
- (x) 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 finalise 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, Chief Financial Officer, and Chief Operating Officer as appropriate to permit timely decisions regarding public disclosure.

The Company is, at present, a single site operation, with 8 employees, in which the senior management 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 recognises that two factors must be and are present:

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- i) the Company is assisted by its advisors and consultants in recognising, 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 2007, management completed a review of existing processes and procedures to ensure their effectiveness and 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. 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.

There have been no changes in the Company's internal controls over financial reporting during the period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Implementation of IFRS

Management is aware that from 1 January 2011, all Canadian public companies will be required to report under IFRS rather than Canadian GAAP, and has commenced discussions with its advisors regarding the likely impact of IFRS on the Company's financial statements.

Management plans to continue this process during 2009, and will work towards implementing the required changes, and assessing their impact on financial statement opening balances, at the earliest opportunity.

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Additional Information

Additional information relating to Disenco Energy plc can be found on the Company's website at www.disenco.com and on SEDAR at www.sedar.com

Approved on Behalf of the Board

(Signed) "G. Brian Longpre"
Chairman/Chief Financial Officer

(Signed) "Alan Dale"
Chief Executive Officer

May 29th, 2009

Disenco Energy plc's Management and Board of Directors

G B Longpre
Chairman & interim Chief Financial Officer

A Dale
Chief Executive Officer

S Bernstein
Non-executive Director

T MacKay
Non-executive Director

D Hunter
Non-executive Director

Auditors:
PKF (UK) LLP

Lawyers (UK):
Kimbells LLP
Davenport Lyons LLP

Lawyers (Canada):
MacDonald Tuskey Corporate Securities Lawyers

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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.