



**30 September 2011**

**PowerHouse Energy Group plc**

("PowerHouse", the "Group" or the "Company")

**INTERIM RESULTS**

PowerHouse Energy Group plc, (AIM: PHE) an alternative energy business specialising in the sale of waste-to-energy systems, announces its unaudited results for the six months ended 30 June 2011.

**Highlights**

- Reverse takeover completed and trading commenced on AIM market
- Key operational milestone achieved via the production of syngas at Pyromex plant in Munich, Germany enabling PowerHouse to advance sales already under contract and to advance new prospective sales opportunities
- Option over remaining 70% interest in Pyromex Holding, AG announced which, when exercised, will enable the development of PowerHouse's strategic plan and is expected to lead to an increased sales pipeline
- Cash and cash equivalents balance 30 June 2011: US\$2.95 million (30 June 2010: US\$0.03 million)

Ross Lyndon-James, Executive Chairman of the PowerHouse Energy Group plc, commented:

"PowerHouse has made significant progress since its recent admission to AIM, including entering into an option to acquire the 70% of Pyromex AG it doesn't own and achieving its key operational milestone production of syngas in Germany. I believe we now have the foundations for a scaling up of PowerHouse's operations and future financial success. The Company looks forward to the rest of 2011 and beyond with confidence."

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### **About PowerHouse Energy Group Plc**

- PowerHouse Energy Group Plc is a leading provider of economically proven, on-site, clean energy systems that use traditional and renewable forms of fuel to generate electric and thermal energy in an environmentally responsible way
- PowerHouse offers a complete turnkey waste/biomass to energy equipment solution by either direct sale or energy supply under long term power purchase agreements
- PowerHouse's shares trade on the Alternative Investment Market under the ticker (PHE) [www.powerhouseenergy.net](http://www.powerhouseenergy.net)

### **Chairman's Statement**

I am pleased to report that during the first half of 2011 PowerHouse made good progress towards achieving its strategic goals.

On 29 June 2011, PowerHouse shares were admitted to trading on the AIM market of the London Stock Exchange following the completion of the reverse takeover of PowerHouse Energy Group plc (formerly Bidtimes plc). The admission followed an £11.0 million (US\$17.9 million) pre-reverse takeover capital raise by PowerHouse Energy, Inc., a wholly-owned subsidiary of the Company. The reverse takeover represented a necessary development in the corporate restructuring of PowerHouse to provide a strong and substantial platform to commercialise significant opportunities we are working on in the fast growing, alternative energy markets.

Post period-end, a significant milestone was reached as the 25 ton per day Pyromex waste-to-energy plant produced syngas from municipal solid waste in Munich, Germany on 27 July 2011. The Pyromex plant is located at a commercial waste transfer station close to Munich International Airport, and is the result of a twelve year, multi-million dollar development programme by Pyromex Holding, AG ("Pyromex"). The plant is scheduled to be commissioned for commercial operations by the end of the fourth quarter of 2011.

Plans are proceeding for the plant to be fitted with a reciprocating engine-generator unit to supply 1.3MW of electrical power to the main electricity grid at an attractive tariff price, demonstrating the commercial value of the Pyromex waste-to-energy system.

The completion of this first commercial operating plant will facilitate the commencement of secured sales contracts as well as advancing several new prospective sales to close in the near future.

Contracted sales include:

- 25 tpd UHTG unit only to Linc Energy to process coal;



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- 5 tpd waste-to-energy turnkey system to PHE Australia Pty Limited (a joint venture, of PowerHouse) to process municipal solid waste;
- 25 tpd UHTG unit only to PowerHouse Energy Australia Pty Limited also to process municipal solid waste; and
- 5 tpd waste-to-energy turnkey system to PHE New Zealand Pty Limited to process municipal solid waste.

PowerHouse has also announced it has entered into an option to acquire the remaining 70 per cent interest in Pyromex. The terms of the option provide for a payment of £2.5 million (\$4.0 million) to be made in cash over the 18 months following exercise and a maximum further payment of £30.5 million (\$48.9 million) dependent on the achievement of certain market capitalisation or profit targets of the enlarged Group.

PowerHouse is pleased to have secured the right to acquire the remaining shares in Pyromex that it does not already own. The Company believes that obtaining full control of Pyromex and consolidation of its global operations will provide significant business opportunities in new markets, add considerable IP asset value and enable PowerHouse to increase Pyromex sales for the greater benefit of its shareholders.

The interim results for the six months ended 30 June 2011 reflect, due to the accounting rules relating to reverse takeovers, the trading results of PowerHouse Energy, Inc and two days trading of the Company from the date of acquisition on 29 June 2011. The comparable results for the six months ended 30 June 2010 and the year ended 31 December 2010 relate solely to PowerHouse Energy, Inc.

During the six months to 30 June 2011, post-tax income was US\$4.12 million (30 June 2010: post-tax loss US\$0.81 million). The post-tax income is derived after including the fair value gain of US\$6.21 million that was recognised following the step acquisition of Pyromex. Administrative expenses in the period were US\$1.75 million (US\$0.81 million).

Cash and cash equivalents on 30 June 2011 amounted to US\$2.95 million (30 June 2010: US\$0.03 million).

On 1 August 2011, Julian Moore resigned as Interim Finance Director of the Company and Mark Johnston was appointed to the Board as Finance Director. Julian successfully completed his role as Interim Finance Director seeing the Company through its reverse listing onto the London AIM market. The Board would like to thank Julian for his efforts during the reverse takeover process and welcomes Mark to the Board.

Despite the volatility of the global financial markets, the demand for clean sources of waste management and power production confirms the alternative energy markets as valuable growth industries. It is an exciting time for PowerHouse as the Munich plant progresses towards commercial operations, which is expected to enable a significant number of new sales contracts to be finalised.

**Ross Lyndon-James**

Chairman

30 September 2011



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## Statement of Comprehensive Income

		(unaudited) Six months ended 30 June 2011 US\$	(unaudited) Six months ended 30 June 2010 US\$	(unaudited) Year ended 31 December 2010 US\$
<b>Revenue</b>		-	296,457	299,712
Cost of sales		<b>(13,319)</b>	(308,218)	(439,529)
<b>Gross loss</b>		<b>(13,319)</b>	(11,761)	(139,817)
Administrative expenses		<b>(1,748,270)</b>	(812,177)	(1,911,402)
<b>Operating loss</b>		<b>(1,761,589)</b>	(823,938)	(2,051,219)
Finance income		-	5,734	11,761
Other income		-	9,569	12,324
Fair value gain on step acquisition		<b>6,209,876</b>	-	-
Finance costs		<b>(292,307)</b>	(5,480)	(138,028)
Impairment of non-current assets		<b>(35,000)</b>	-	(219,000)
<b>Profit / (Loss) before taxation</b>		<b>4,120,980</b>	(814,115)	(2,384,162)
Income tax expense	<b>5</b>	-	-	-
<b>Profit / (Loss) after taxation</b>		<b>4,120,980</b>	(814,115)	(2,384,162)
Other comprehensive income		-	-	-
<b>Total comprehensive income / (expense)</b>		<b>4,120,980</b>	(814,115)	(2,384,162)
<b>Total comprehensive income / (expense) attributable to:</b>				
Owners of the Company		<b>4,120,980</b>	(814,115)	(2,384,162)
Earnings per share (US cents)	<b>6</b>	<b>0.03</b>	(0.01)	(0.02)
Diluted earnings per share (US cents)	<b>6</b>	<b>0.02</b>	(0.01)	(0.02)

The notes numbered 1 to 7 are an integral part of the interim financial information.



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## Statement of Changes in Equity

	Common stock US\$	Share capital US\$	Share premium US\$	Deferred shares US\$	Reverse takeover reserve US\$	Non- control- ling interests US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2010 (unaudited)	1,819,645	-	-	-	-	-	(3,132,506)	(1,312,861)
Net earnings	-	-	-	-	-	-	(814,115)	(814,115)
Balance at 30 June 2010 (unaudited)	1,819,645	-	-	-	-	-	(3,946,621)	(2,126,976)
<i>Transactions with equity participants:</i>								
- Issue of common stock	4,590,620	-	-	-	-	-	-	4,590,620
- Costs related to issue of common stock	(191,900)	-	-	-	-	-	-	(191,900)
<i>Total comprehensive expense:</i>								
- Net earnings	-	-	-	-	-	-	(1,570,047)	(1,570,047)
Balance at 31 December 2010 (unaudited)	6,218,365	-	-	-	-	-	(5,516,668)	701,697
<i>Transactions with equity participants:</i>								
- Issue of common stock	10,199,941	-	-	-	-	-	-	10,199,941
- Costs related to issue of common stock	(1,486,802)	-	-	-	-	-	-	(1,486,802)
- Common stock issued for services received	206,250	-	-	-	-	-	-	206,250
- Equity issued for acquisition	-	-	-	-	2,019,736	-	-	2,019,736
- Equity reclassification arising from reverse takeover	(15,137,754)	4,541,163	73,500,858	1,876,192	(64,780,459)	-	-	-
- Shares issued for services received	-	2,670	45,384	-	-	-	-	48,054
- Acquisition of Pyromex	-	-	-	-	-	23,951,661	-	23,951,661
<i>Total comprehensive income:</i>								
- Net earnings	-	-	-	-	-	-	4,120,980	4,120,980
<b>Balance at 30 June 2011 (unaudited)</b>	<b>-</b>	<b>4,543,833</b>	<b>73,546,242</b>	<b>1,876,192</b>	<b>(62,760,723)</b>	<b>23,951,661</b>	<b>(1,395,688)</b>	<b>39,761,517</b>

The notes numbered 1 to 7 are an integral part of the interim financial information



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## Statement of Financial Position

		(unaudited) As at 30 June 2011 US\$	(unaudited) As at 30 June 2010 US\$	(unaudited) As at 31 December 2010 US\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	1.2	4,068,329	-	-
Intangible assets		31,247,927	466,667	454,167
Property, plant and equipment		7,916,033	56,231	42,753
Other non-current assets		-	3,013,000	4,005,121
<b>Total non-current assets</b>		<b>43,232,289</b>	3,535,898	4,502,041
<b>Current Assets</b>				
Inventory		719,279	-	-
Trade and other receivables		237,265	79,259	467,866
Cash and cash equivalents		2,948,543	25,189	197,170
<b>Total current assets</b>		<b>3,905,087</b>	104,448	665,036
<b>Total assets</b>		<b>47,137,376</b>	3,640,346	5,167,077
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred taxation		(3,822,980)	-	-
Loans	2	(420,045)	-	-
Trade and other payables		(608,692)	-	-
<b>Total non-current liabilities</b>		<b>(4,851,717)</b>	-	-
<b>Current liabilities</b>				
Trade and other payables		(2,458,142)	(1,120,465)	(1,484,948)
Loans	2	(66,000)	(4,646,857)	(2,980,432)
<b>Total current liabilities</b>		<b>(2,524,142)</b>	(5,767,322)	(4,465,380)
<b>Total liabilities</b>		<b>(7,375,859)</b>	(5,767,322)	(4,465,380)
<b>Net assets</b>		<b>39,761,517</b>	(2,126,976)	701,697
<b>EQUITY</b>				
Common stock		-	1,819,645	6,218,365
Share capital		4,543,833	-	-
Share premium		73,546,242	-	-
Deferred shares		1,876,192	-	-
Reverse takeover reserve		(62,760,723)	-	-
Non-controlling interests		23,951,661	-	-
Accumulated losses		(1,395,688)	(3,946,621)	(5,516,668)
<b>Total equity</b>		<b>39,761,517</b>	(2,126,976)	701,697

The notes numbered 1 to 7 are an integral part of the interim financial information



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## Statement of Cash Flows

	<b>(unaudited) Six months ended 30 June 2011 US\$</b>	(unaudited) Six months ended 30 June 2010 US\$	(unaudited) Year ended 31 December 2010 US\$
<b>Cash flows from operating activities</b>			
Profit / (Loss) after taxation	<b>4,120,980</b>	(814,115)	(2,384,162)
Adjustments for:			
- Common stock and shares issued for services	<b>254,304</b>	-	-
- Depreciation and amortisation	<b>100,212</b>	25,978	51,955
- Finance income	-	(5,734)	(11,761)
- Fair value gain on step acquisition	<b>(6,209,876)</b>	-	-
- Finance costs	<b>292,307</b>	5,480	138,028
- Impairment of non-current assets	<b>35,000</b>	-	219,000
Changes in working capital:			
- (Increase) / Decrease in trade and other receivables	<b>(230,611)</b>	205,884	278,490
- (Decrease) / Increase in trade and other payables	<b>(182,306)</b>	116,024	480,509
<b>Net cash used in operations</b>	<b>(1,819,990)</b>	(466,483)	(1,227,941)
<b>Cash flows from investing activities</b>			
Purchase of other non-current assets	<b>(85,000)</b>	(2,013,000)	(3,224,122)
Purchase of intangible assets	<b>(490,840)</b>	-	-
Reverse acquisition	<b>1.2 (779,243)</b>	-	(461,213)
<b>Net cash flows used in investing activities</b>	<b>(1,355,083)</b>	(2,013,000)	(3,685,335)
<b>Cash flows from financing activities</b>			
Common stock purchase advance received	-	2,522,997	-
Common stock issue (net of issue costs)	<b>8,713,139</b>	-	4,398,720
Finance income	-	5,734	11,761
Finance costs	<b>(292,307)</b>	(5,480)	(138,028)
Loans (repaid) / received	<b>(2,494,386)</b>	(4,799)	851,773
<b>Net cash flows from financing activities</b>	<b>5,926,446</b>	2,518,452	5,124,226
<b>Net increase in cash and cash equivalents</b>	<b>2,751,373</b>	38,969	210,950
Cash and cash equivalents at beginning of period	<b>197,170</b>	(13,780)	(13,780)
<b>Cash and cash equivalents at end of period</b>	<b>2,948,543</b>	<b>25,189</b>	<b>197,170</b>

Due to the reverse acquisition, the statement of cash flows for the year ended 31 December 2010 has been restated. Refer to note 1.2 for further information. The notes numbered 1 to 7 are an integral part of the interim financial information



## **Notes (forming part of the interim financial information)**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

#### **1.1. Basis of preparation**

This interim consolidated financial information is for the six months ended 30 June 2011 and has been prepared in accordance with International Accounting Standard 34 "Interim Financial Statements". The accounting policies applied are consistent with International Financial Reporting Standards ("IFRS") adopted for use by the European Union. The accounting policies and methods of computation used in the interim consolidated financial information are consistent with those expected to be applied for the year ended 31 December 2011.

The Group's date of transition to IFRS is 1 January 2007, being the beginning of the period for which historical IFRS financial information was prepared for the Prospectus issued pursuant to the proposed acquisition of PowerHouse Energy, Inc. by PowerHouse Energy Group plc. This interim consolidated financial information is the first prepared by the Group in accordance with accounting standards as adopted for use in the EU and as such take account of the requirements and options in IFRS 1 "First-time adoption of International Financial Reporting Standards" as they relate to the comparative financial information.

The consolidated information presented for the year ended 31 December 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and has not been audited. The information presented in this interim financial information relate to the accounts of PowerHouse Energy, Inc. Note 1.2 provides additional information in this regard.

PowerHouse Energy Group plc's (previously Bidtimes plc) audited statutory company accounts for the year ended 31 December 2010 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim financial information for the six months ended 30 June 2011 is not necessarily indicative of the results to be expected for the full year ended 31 December 2011.

#### **1.2. Consolidation and goodwill**

On 29 June 2011, PowerHouse Energy Group plc acquired 100 per cent of the common stock holding of PowerHouse Energy, Inc. by issuing 273,766,453 PowerHouse Energy Group plc shares to the common stockholders of PowerHouse Energy, Inc.



Applying the requirements of IFRS3 (2008) "Business combinations" this acquisition has been treated as a reverse acquisition and therefore these results are the continuation of the legal subsidiary's results. Accordingly the Group's results for the six months ended 30 June 2011 constitute the six months trading by PowerHouse Energy, Inc. and three days trading of PowerHouse Energy Group plc. Comparative figures relate to the results of PowerHouse Energy, Inc.

A reverse takeover reserve has been created to account for the fair value of the consideration for the reverse acquisition and to account for the change in the equity structure from that of PowerHouse Energy, Inc. to that of the legal holding company, PowerHouse Energy Group plc.

Cash flows related to funds provided to PowerHouse Energy, Inc. to PowerHouse Energy Group plc, prior to the reverse acquisition by way of loans have been presented in the statement of cash flows in the line item called 'Reverse acquisition'. To ensure consistency for all periods presented, the cash flows for 31 December 2010 have been restated from those disclosed in the prospectus issued to shareholders relating to the reverse acquisition. The restatement of the cash outflow relating to the loan of US\$461,213 was reclassified from 'cash used in operations' to 'cash used in investing activities' and has also been included in the line item called 'Reverse acquisition'.

**Fair values attributable to PowerHouse Energy Group plc's assets and liabilities acquired:**

Property, plant and equipment	3,453
Trade and other payables	(811,589)
Loan payable to PowerHouse, Inc.	(1,410,888)
Cash and cash equivalents	170,431
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Net liabilities acquired	(2,048,593)
Fair value of equity issued for reverse acquisition	2,019,736
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Goodwill recognised	<u>4,068,329</u>

In August 2010, PowerHouse acquired a 30 per cent shareholding in Pyromex Holding AG ("Pyromex"). In January 2011, PowerHouse purchased a call option for US\$50,000 to acquire up to an additional 21 per cent of Pyromex's shareholding. The call option consisted of two tranches; the first tranche of 1.8 per cent shareholding was exercisable before 30 June 2011 (subsequently extended to 31 August 2011) and the second tranche, which was conditional upon the exercise of the first tranche, was exercisable on or before 30 June 2012. This call option was conditional upon the successful completion of the reverse acquisition and listing on the AIM market.

Management have assessed the above call option and the potential voting rights attributable to the additional 21 per cent of Pyromex it could have acquired and have determined control existed from the date of the AIM listing, 29 June 2011.



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On 3 August 2011, the call option above was superseded by a call option to acquire the remaining 70 per cent of Pyromex exercisable on or before 31 December 2011. Additional information has been included in note 7.

Since the Pyromex acquisition has been achieved in stages, (30 per cent voting rights acquired in August 2010 and a potential 21 per cent voting rights acquired on 29 June 2011) the group re-measured its previously held equity interest in Pyromex at its fair value and recognised the resulting gain of US\$6,209,876 in comprehensive income for the period.

**Fair values attributable to Pyromex Holding AG's assets and liabilities acquired:**

Intangible assets	30,389,655
Property, plant and equipment	7,883,306
Inventory	719,278
Trade and other payables	(952,601)
Deferred taxation	(3,822,980)
	<hr/>
Net assets acquired	34,216,658
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Attributable to:	
- Non-controlling interests	23,951,661
- Owners of the Company	10,264,997
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Carrying value of investment - 31 December 2010	4,005,121
Purchase of call option	50,000
Fair value gain recognised	6,209,876
	<hr/>
	10,264,997
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**1.3. Judgements and estimates**

Impairments require management's estimates and judgments.

The Company's management performs a review, at least annually, its investments for impairment. It evaluates a wide range of assumptions and circumstances for this evaluation including recent information such as the progress of a project, the current value of underlying technology and whether an asset continues to be operational.

The initial accounting for the Pyromex acquisition has been based on preliminary values and accordingly, the Group has reported, in this interim financial information, its provisional estimates for the asset and liabilities recognised. In the event these estimates require adjustment, the Group will retrospectively adjust the provisional amounts recognised at the acquisition date, 29 June 2011, to reflect new information obtained about facts and circumstances that existed as of that date.

**1.4. Going concern**

This interim financial information has been prepared assuming the Group will continue as a going concern. In assessing whether the going concern assumption is appropriate the Board takes into account available information for the foreseeable future, in particular for



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the twelve months from the date of approval of this financial interim information. Based on cash flow forecasts, which include strategic objectives, management believe that it is reasonable to continue with the going concern assumption.

## **1.5. Risks relating to the Group**

### **1.5.1. Reliance on the Pyromex licence**

Currently PowerHouse's prospects are materially reliant on its exploitation of the Pyromex technology pursuant to the Pyromex licence. As is normal in licence agreements, the granted rights can be withdrawn by termination of the licence for non-payment, material breach which is not remedied or on the insolvency of PowerHouse. However, in the event the acquisition of the remaining 70 per cent of Pyromex can be concluded, this risk will no longer exist.

### **1.5.2. Reliance on intellectual property**

The Group will rely on intellectual property laws and third party non-disclosure agreements to protect its intellectual property rights. Despite precautions which may be taken by the Group to protect its products, unauthorised parties may attempt to copy, or obtain and use its products. To the extent that intellectual property rights protect the Group, litigation may be necessary to protect such rights and could result in substantial costs to, and diversification of effort by the Group with no guarantee of success. The failure or inability of the Group to protect its proprietary information, and the expense of doing so, could have a material adverse effect on its operating results and financial condition.

### **1.5.3. Technical risk**

The Pyromex waste-to-energy gasification technology has been in development for over 12 years. The process has involved extensive research and development and addresses various technical issues.

Although the Board believes that all major technical issues have been addressed, there can be no guarantee that further, as yet unforeseen, issues will not arise, leading to delays and incurring additional costs and expenses over and above those anticipated or allowed for by the Board, which could adversely affect the Group's on-going technical development, growth and business performance.

In addition, although PowerHouse has undertaken frequent testing of waste-to-energy systems of varying capacities, the Pyromex technology is at an early stage of commercialisation, with such testing taking place over short periods of time and long term commercial viability of any such system has yet to be fully assessed. Technical problems and delays may be encountered during periods of long-term use that were previously unforeseen and there can be no assurance that the Pyromex technology will be commercially successful.



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#### **1.5.4. Requirement for further funds**

The resources of the Group may not be sufficient for the future working capital requirements or allow the Group to exploit new or existing opportunities. It may therefore be necessary for the Group to raise further funds in the future, which may be by way of issue of further ordinary shares on a non pre-emptive basis. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Group or at all. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, incur financial penalties and reduce or terminate its operations.

#### **1.5.5. Exchange rate risks**

The functional currency of the Group is US Dollars. However certain financial resources are held in British Pounds and it is also anticipated the Group's revenues may be denominated in various other currencies. Changes in currency exchange rates may negatively affect revenues, expenses, monetary assets and liabilities.

#### **1.6. Functional and presentational currency**

This interim financial information is presented in US dollars which is the Group's functional currency. The principal rates used for translation are:

	<b>30 June 2011 Closing</b>	<b>30 June 2011 Average</b>
British Pounds	1.602	1.616
Swiss Franc	1.201	1.104
Euro	1.439	1.403

#### **1.7. Seasonality**

The Group's business is not subject to any consistent seasonal fluctuations.

#### **1.8. Operating segments**

This interim financial information relates to all operational expenses incurred in the United States. As the company is not yet generating revenue, there is no further operating segmental information to present.



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## 2. LOANS

	Notes	(unaudited) As at 30 June 2011 US\$	(unaudited) As at 30 June 2010 US\$	(unaudited) As at 31 December 2010 US\$
Preferred stock	2.1	-	275,000	275,000
Accrued dividends on preferred stock	2.1	<b>66,000</b>	-	24,750
EnviroEnergy Resources Limited	2.2	-	3,930,682	526,216
Credal Trust Management	2.3	-	-	1,793,166
Management loans	2.4	<b>357,722</b>	351,591	284,215
Citi bank business loan		<b>62,323</b>	89,584	77,085
<b>Total loans</b>		<b>486,045</b>	4,646,857	2,980,432
Classified as:				
- Current		<b>66,000</b>	4,646,857	2,980,432
- Non-current		<b>420,045</b>	-	-

### 2.1. PREFERRED STOCK

On 31 March 2010, an outstanding convertible loan of US\$275,000 was converted into 45,298 Series A preferred stock ("Series A"). Each stock of Series A was convertible into one common stock. Series A was to be automatically converted to common stock upon the earlier of:

- the holder of Series A receiving total dividends equal to the amount invested; or
- a public listing.

Series A was entitled to certain preferences including a right to receive a minimum annual dividend of US\$3,000 for each US\$25,000 invested. On 27 June 2011, the Series A holders exchanged their stock holding in PowerHouse Energy, Inc. for shares in PowerHouse Energy Group plc.

The accrued dividends on the preferred stock will be repaid in equal tranches on 31 August 2011 and 31 March 2012.

### 2.2. ENVIROENERGY RESOURCES LIMITED

The balance due to EnviroEnergy Resources Limited at 30 June 2010 of US\$3,930,682 had been advanced under an agreement to purchase common stock in the PowerHouse Energy, Inc. As all amounts due under the agreement had not been received by 30 June 2010 PowerHouse Energy, Inc. was not required to issue the stock, and as such the balance was recorded as a loan liability.

Subsequently, the required payments were received from EnviroEnergy Resources Limited and PowerHouse Energy, Inc. issued 2,593,841 common stock valued at US\$3,995,020.

### 2.2. ENVIROENERGY RESOURCES LIMITED (continued)

EnviroEnergy Resources Limited also loaned a total US\$526,216 during 2010 to PowerHouse Energy, Inc. for the purpose of raising funds and business development activity. In addition, EnviroEnergy Resources Limited incurred expenses on behalf of the



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company amounting to \$1,409,798. The loan together with the reimbursement of these costs was settled by 31 March 2011 by the issue of common stock in Powerhouse Energy, Inc. and cash payments of \$1,150,000.

### 2.3. CREDAL TRUST MANAGEMENT

On 29 July 2010 PowerHouse Energy, Inc. entered into a loan agreement with Credal Trust Management for US\$1,700,000 originally repayable on 30 November 2010. The loan was secured against PowerHouse Energy, Inc's shareholding in Pyromex Holding AG and bore interest at a rate of 10% per annum. The loan was repaid on 15 March 2011 along with interest and penalties. The total amount repaid amounted to US\$2,035,892 and the security over the shareholding in Pyromex AG was released.

### 2.4. MANAGEMENT LOANS

Loans from management incur interest at 5% per annum. The loans are repayable as PowerHouse Energy, Inc. generates gross profits or, if earlier, within 30 days of termination of management's employment contract.

## 3. MOVEMENT IN SHARE CAPITAL (COMPANY)

	0.5 p Ordinary shares	1.0 p Ordinary shares	4.5 p Deferred shares	4.0 p Deferred shares
Balance at 1 January 2010	97,373,523	-	17,373,523	-
Balance at 30 June 2010	97,373,523	-	17,373,523	-
Balance at 31 December 2010	97,373,523	-	17,373,523	-
Allotment of shares	7	-	-	-
Consolidation and subdivision of ten 0.5p ordinary shares into one 1.0p ordinary share and one 4p deferred share	(97,373,530)	9,737,353	-	9,737,353
Consideration shares to acquire 100% of PowerHouse Energy, Inc.	-	273,766,453	-	-
Issue of shares for services received	-	166,667	-	-
<b>Balance at 30 June 2011</b>	<b>-</b>	<b>283,670,473</b>	<b>17,373,523</b>	<b>9,737,353</b>

The deferred shares have no voting rights and do not carry any entitlement to attend general meetings of the Company. They will carry only a right to participate in any return of capital once an amount of £100 has been paid in respect of each ordinary share. The Company will be authorised at any time to affect a transfer of the deferred shares without reference to the holders thereof and for no consideration.

## 4. OPTIONS AND WARRANTS

Warrant holders hold 9,737,353 warrant instruments to subscribe ordinary shares at an exercise price of £0.18 (US\$0.29) per share convertible on or before 29 June 2013.



Kailing Wang holds 833,333 options over ordinary shares at an exercise price of US\$0.30 per share exercisable at any time up to 10 June 2013.

John Carter Brookhart holds 833,333 options over ordinary shares at an exercise price of US\$0.30 per share exercisable at any time up to 10 June 2013.

Andrew Forbes holds 833,333 options over ordinary shares at an exercise price of US\$0.30 per share exercisable at any time up to 10 June 2013.

Linc Energy Limited holds options to acquire ordinary shares as follows:

- 3,333,333 ordinary shares in up to 29 June 2012 at US\$0.30 per share; and
- up to a value of US\$6,000,000, exercisable at any time in the 30 month period following Admission (29 June 2011) at a price equal to a 20 per cent discount to the previous 60 day volume weighted price of an ordinary share.

Hill Grove Investments Proprietary Limited holds an option to acquire ordinary shares up to a value of US\$3,000,000, exercisable at any time in the 30 month period following 29 June 2011 at a price equal to a 20 per cent discount to the previous 60 day volume weighted price of an ordinary share.

## 5. INCOME TAX EXPENSES

There is no tax charge due to the tax losses arising in the period.

## 6. EARNINGS PER SHARE

	<b>(unaudited)</b> <b>As at</b> <b>30 June</b> <b>2011</b>	(unaudited) As at 30 June 2010	(unaudited) As at 31 December 2010
Total comprehensive income (expense) (US\$)	<b>4,120,980</b>	(814,115)	(2,384,162)
Weighted average number of shares	6.1 <b>190,956,619</b>	98,495,966	117,474,385
Weighted average number of dilutive potential shares	6.2 <b>4,322,980</b>	-	-
Earnings per share (US cents)	<b>0.02</b>	(0.01)	(0.02)
Diluted earnings per share (US cents)	<b>0.02</b>	(0.01)	(0.02)

### 6.1. WEIGHTED AVERAGE NUMBER OF SHARES

The reverse acquisition has had the effect of converting 7,869,114 common stock and 45,298 preferred stock instruments in PowerHouse Energy, Inc. into 273,766,453 ordinary shares in PowerHouse Energy plc. This has, effectively, resulted in the increasing the number of equity instruments held by the existing stockholders of PowerHouse Energy, Inc. for no additional consideration. Therefore, the weighted average number of shares before the reverse acquisition has been adjusted proportionately to reflect the number of ordinary shares that would have been outstanding if the reverse acquisition had occurred on 1 January 2010.



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## 6.2. WEIGHTED AVERAGE NUMBER OF DILUTIVE POTENTIAL SHARES

For the purpose of calculating diluted earnings per share, the Group has assumed the exercise of outstanding dilutive options and warrants. The assumed proceeds from these instruments has been treated as received from the issue of ordinary shares at an average market price of £0.165 (US\$0.26) per ordinary share. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at £0.165 (US\$0.26) has been treated as an issue of ordinary shares for no consideration.

A total of 15,570,685 options and warrants are not dilutive as their exercise prices are above the average market price of £0.165 (US\$0.26) per share.

## 7. POST BALANCE SHEET EVENTS

On 13 July 2011, PowerHouse Energy Group plc granted 2,956,929 options over ordinary shares to Driftwood Capital Pty Limited (as trustee for Driftwood Capital Unit Trust) exercisable as follows:

- 535,500 after 1 October 2013 at an exercise price of US\$0.12 per share; and
- 2,421,429 after 1 April 2014 at an exercise price of US\$0.21 per share.

On 29 July 2011, PowerHouse Energy Group plc committed to grant Mark Johnston options over 6,000,000 ordinary shares at an exercise price of £0.175 (US\$0.28) per share, at the earliest opportunity, exercisable as follows:

- 50 per cent of the total grant to vest immediately;
- 5 per cent of the total grant to vest on each of the first, second and third anniversaries of grant; and
- 35 per cent of the total grant will vest according performance criteria as determined by the Remuneration Committee.

On 29 July 2011, PowerHouse Energy Group plc granted 2,789,265 options over ordinary shares to James Greenstreet at an exercise price of £0.175 (US\$0.28) per share, exercisable at any time up to 29 July 2021 as follows:

- 25 per cent of the total grant to vest immediately;
- 5 per cent of the total grant on each of the three years on the first, second and third anniversaries of Admission; and
- 60 per cent of the total grant to vest as follows:
  - 10 per cent if the Company's market capitalisation is £100 million (US\$160 million) or more at any time;
  - 20 per cent if the Company's market capitalisation is £200 million (US\$300 million) or more at any time; and
  - 30 per cent if the Company's market capitalisation is £300 million (US\$480 million) or more at any time

On 3 August 2011, the PowerHouse Energy Group plc announced it had entered into an option to acquire the remaining 70 per cent interest in Pyromex Holding, AG ("Pyromex") for payment of £2.5 million (US\$4.0 million) in cash over the 18 months following completion and a maximum potential further payment of £30.5 million (US\$48.8 million) dependent on the achievement of certain market capitalisation or profit targets of the Group.





## **8. AVAILABILITY OF THE INTERIM RESULTS**

A copy of this announcement will be available at the Company's registered office (16 Great Queen Street, London WC2B 5DG) 14 days from the date of this announcement and on its website – [www.powerhouseenergy.net](http://www.powerhouseenergy.net).