



**9 October 2012**

**PowerHouse Energy Group plc**

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

**Interim results for the six months ended 30 June 2012**

PowerHouse Energy Group plc, (AIM: PHE) announces its unaudited results for the six months ended 30 June 2012.

**Chairman's Statement**

These Interim Results are being announced immediately following the announcement of the results for the year ended 31 December 2011 and represent the first six months of trading of 2012 - a very difficult time for the company. The 2011 Annual Results includes a detailed Chairman's Report and I ask that you review that statement to avoid repetition in this statement.

As you are aware, trading in the company's ordinary share were suspended on 12 April 2012 pending clarification of the company's financial position. I am pleased to advise that following the publication of the 2011 Annual Results and this announcement of the Interim Results, the company expects that the suspension of trading will be lifted and trading its shares will resume.

On 8 May 2012, the company announced that the option to acquire the remaining 70% interest in Pyromex had lapsed. Due to the expiry of the option, Pyromex is no longer accounted for as a subsidiary of the group. These results show the impact of the "loss of control" of Pyromex.

In the last four months since my appointment, we have made every effort to reorganise the company and to begin building in a direction of success. Certain of the Directors and the former directors released all claims to accrued salaries and fees, and we have worked closely with our creditors to reduce and resolve nearly all outstanding debts. We were also able to settle the lawsuit that been pending against the company on satisfactory terms.

As we prepare to launch into the final few months of 2012, we are poised with secure funding, developing strategic relationships, a more agile management structure, specific projects under evaluation and an environment which is in even greater need of the Pyromex Waste-to-Energy solutions.

The Board and I look forward to continuing to work through the challenges which face the company with optimism for the future of PowerHouse Energy Group.

**Keith Allaun**

Chairman

9 October 2012

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## Statement of Comprehensive Income

	(unaudited) Six months ended 30 June 2012 US\$	(unaudited) Six months ended 30 June 2011 US\$	(Audited) Year ended 31 December 2011 US\$
<b>Revenue</b>	<b>15,805</b>	-	62,379
Cost of sales	-	(13,319)	(73,416)
<b>Gross profit / (loss)</b>	<b>15,805</b>	(13,319)	(11,037)
Administrative expenses	<b>(1,511,949)</b>	(1,748,270)	(7,790,179)
<b>Operating loss</b>	<b>(1,496,144)</b>	(1,761,589)	(7,801,216)
Finance income	<b>4</b>	-	848
Other income	-	-	-
(Loss of control) / Fair value gain on step acquisition	<b>(1,309,296)</b>	6,209,876	6,209,876
Equity accounted loss	<b>(129,600)</b>	-	-
Finance costs	<b>(7,862)</b>	(292,307)	(310,231)
Impairment of non-current assets	-	(35,000)	(33,387,720)
<b>(Loss) / Profit before taxation</b>	<b>(2,942,899)</b>	4,120,980	(35,288,443)
Income tax benefit	<b>10,942</b>	-	3,028,883
<b>(Loss) / Profit after taxation</b>	<b>(2,931,957)</b>	4,120,980	(32,259,560)
Foreign exchange arising on consolidation	<b>56,321</b>	-	(3,621,791)
Foreign exchange included in profit and loss arising from loss of control	<b>1,095,440</b>		
<b>Total comprehensive (expense)/ income</b>	<b>(1,780,196)</b>	4,120,980	(35,881,351)
<b>Total comprehensive (expense)/ income attributable to:</b>			
Owners of the Company	<b>(1,224,542)</b>	4,120,980	(13,588,143)
Non-controlling interests	<b>(555,654)</b>	-	(22,293,208)
Earnings per share (US\$)	<b>3</b>	<b>(0.01)</b>	0.03
Diluted earnings per share (US\$)	<b>3</b>	<b>(0.01)</b>	0.02

The notes numbered 1 to 6 are an integral part of the interim financial information.

## Statement of Changes in Equity

	Shares and stock US\$	Accumulated losses US\$	Other reserves US\$	Non-control- ling interests US\$	Total US\$
Balance at 1 January 2011 (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	64,780,459	-	(64,780,459)	-	-
- Shares issued for services received	48,054	-	-	-	48,054
- Acquisition of Pyromex	-	-	-	23,951,661	23,951,661
<i>Total comprehensive income:</i>					
- Profit after taxation	-	4,120,980	-	-	4,120,980
Balance at 30 June 2011 (unaudited)	79,966,267	(1,395,688)	(62,760,723)	23,951,661	39,761,517
<i>Transactions with equity participants:</i>					
- Costs related to issue of common stock	(35,000)	-	-	-	(35,000)
- Shares issued for services received	119,438	-	-	-	119,438
- Exercise of warrants	188	-	-	-	188
<i>Total comprehensive income:</i>					
- Loss after taxation	-	(16,695,218)	-	(19,685,322)	(36,380,540)
- Foreign exchange arising on consolidation	-	-	(1,020,946)	(2,600,845)	(3,621,791)
<b>Balance at 31 December 2011 (audited)</b>	<b>80,050,893</b>	<b>(18,090,906)</b>	<b>(63,781,669)</b>	<b>1,665,494</b>	<b>(156,188)</b>
<i>Transactions with equity participants:</i>					
- Exercise of warrants	67,876	-	-	-	67,876
- Pyromex, loss of control	-	-	-	(1,109,840)	(1,109,840)
<i>Total comprehensive income:</i>					
- Loss after taxation	-	(2,331,486)	-	(600,471)	(2,931,957)
- Foreign exchange included in profit and loss arising from loss of control	-	-	1,095,441	-	1,095,441
- Foreign exchange arising on consolidation	-	-	11,504	44,817	56,321
<b>Balance at 30 June 2011 (unaudited)</b>	<b>80,118,769</b>	<b>(20,422,392)</b>	<b>(62,674,724)</b>	<b>-</b>	<b>(2,978,347)</b>

The notes numbered 1 to 6 are an integral part of the interim financial information.

## Statement of Financial Position

	(unaudited) As at 30 June 2012 US\$	(unaudited) As at 30 June 2011 US\$	(audited) As at 31 December 2011 US\$
Note			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	-	31,247,927	2,062,838
Property, plant and equipment	<b>2,910</b>	7,916,033	1,825,636
Investment in associate	<b>346,046</b>	-	-
<b>Total non-current assets</b>	<b>348,946</b>	43,232,289	3,888,474
<b>Current Assets</b>			
Inventory	-	719,279	637,601
Trade and other receivables	<b>28,118</b>	237,265	278,384
Cash and cash equivalents	<b>68,317</b>	2,948,543	382,455
<b>Total current assets</b>	<b>96,435</b>	3,905,087	1,298,440
<b>Total assets</b>	<b>445,381</b>	47,137,376	5,186,914
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred taxation	-	(3,822,980)	(372,277)
Loans	<b>4 (207,022)</b>	(420,045)	(376,973)
Trade and other payables	<b>5 (582,750)</b>	(608,692)	(777,000)
<b>Total non-current liabilities</b>	<b>(789,772)</b>	(4,851,717)	(1,526,250)
<b>Current liabilities</b>			
Loans	<b>4 (366,906)</b>	(66,000)	(57,996)
Trade and other payables	<b>5 (2,267,050)</b>	(2,458,142)	(3,758,856)
<b>Total current liabilities</b>	<b>(2,633,956)</b>	(2,524,142)	(3,816,852)
<b>Total liabilities</b>	<b>(3,423,728)</b>	(7,375,859)	(5,343,102)
<b>Net assets</b>	<b>(2,978,347)</b>	39,761,517	(156,188)
<b>EQUITY</b>			
Shares and stock	<b>80,118,769</b>	79,957,267	80,050,893
Other reserves	<b>(62,674,724)</b>	(62,760,723)	(63,781,669)
Non-controlling interests	-	23,951,661	1,665,494
Accumulated losses	<b>(20,422,392)</b>	(1,395,688)	(18,090,906)
<b>Total equity</b>	<b>(2,978,347)</b>	39,761,517	(156,188)

The notes numbered 1 to 6 are an integral part of the interim financial information.

## Statement of Cash Flows

	<b>(unaudited)</b> <b>Six months</b> <b>ended</b> <b>Note</b> <b>30 June</b> <b>2012</b> <b>US\$</b>	(unaudited) Six months ended 30 June 2011 US\$	(audited) Year ended 31 December 2011 US\$
<b>Cash flows from operating activities</b>			
(Loss)/Profit before taxation	<b>(2,942,899)</b>	4,120,980	(35,288,443)
Adjustments for:			
- Finance income	<b>(4)</b>	-	(848)
- Finance costs	<b>7,862</b>	292,307	310,231
- Loss of control / (fair value gain on step acquisition)	<b>1,309,296</b>	(6,209,876)	(6,209,876)
- Equity accounted loss	<b>129,600</b>	-	-
- Impairment of non-current assets	-	35,000	33,387,720
- Depreciation and amortisation	<b>123,467</b>	100,212	1,824,241
- Common stock and shares issued for services	-	254,304	373,742
- Foreign exchange revaluations	<b>(18,330)</b>	-	140,581
Changes in working capital:			
- Decrease / (Increase) in trade and other receivables	<b>202,097</b>	(230,611)	(178,542)
- Increase / (Decrease) in trade and other payables	<b>685,174</b>	(182,306)	1,588,261
- Taxation paid	<b>(800)</b>	-	(800)
<b>Net cash used in operations</b>	<b>(504,535)</b>	(1,819,990)	(4,053,733)
<b>Cash flows from investing activities</b>			
Purchase of other non-current assets	<b>1,356</b>	(85,000)	(85,000)
Purchase of intangible assets	-	(490,840)	(494,429)
Loss of control / reverse acquisition	<b>1.2 (11,010)</b>	(779,243)	(949,660)
<b>Net cash flows used in investing activities</b>	<b>(9,654)</b>	(1,355,083)	(1,529,089)
<b>Cash flows from financing activities</b>			
Common stock purchase advance received	-	-	-
Share/stock issues (net of issue costs)	<b>67,876</b>	8,713,139	8,678,326
Finance income	<b>4</b>	-	848
Finance costs	<b>(7,862)</b>	(292,307)	(310,231)
Loans (repaid) / received	<b>138,959</b>	(2,494,386)	(2,596,592)
<b>Net cash flows from financing activities</b>	<b>198,977</b>	5,926,446	5,772,351
<b>Net increase in cash and cash equivalents</b>	<b>(315,212)</b>	38,969	189,529
Cash and cash equivalents at beginning of period	<b>382,455</b>	197,170	197,170
Foreign exchange on cash balances	<b>1,074</b>	-	(4,244)
<b>Cash and cash equivalents at end of period</b>	<b>68,317</b>	2,948,543	382,455

The notes numbered 1 to 6 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 2012 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 ending 31 December 2012.

The financial information set out above does not constitute the company's statutory accounts for the year ended 31 December 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was qualified and contained a disclaimer of opinion and contained statements under section 498(2) or (3) of the Companies Act 2006.

**1.2. Consolidation**

**Pyromex loss of control**

	<b>US\$</b>
Intangible assets	2,005,446
Property, plant and equipment	1,869,045
Inventory	656,418
Trade and other receivables	55,642
Cash	11,012
Trade and other payables	(2,424,114)
Intercompany payables	(216,527)
Deferred taxation	(371,437)
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Net assets disposed	1,585,485
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Attributable to:	
- Non-controlling interests	1,109,839
- Owners of the Company – recognised as investment in associate	475,646
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Investment in associate consists of:	
- Initial amount recognised after loss of control	475,646
- Equity accounted losses	(129,600)
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	346,046
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**1.3. Judgements and estimates**

The accounting for the Pyromex acquisition has been based on estimated values due to lack of access to its records accordingly, the Group has reported, in this interim financial information, its estimates for profit and loss, and balance sheet items related to Pyromex.

#### 1.4. Going concern

The directors have considered all available information about the future events when considering going concern. The directors have reviewed cash flow forecasts for twelve months following the date of these accounts. The cash flow forecasts assume no further funding of Powerhouse Energy, Inc. and Pyromex. The £380,000 convertible loan obtained from Hill Grove Investments Pty Limited, secured prior to these accounts being signed, together with the \$250,000 convertible loan advanced by Linc Energy Limited on 19 June 2012 is considered sufficient to settle outstanding creditors of the company and maintain the company's reduced overhead and other limited unforeseen events for at least the next twelve months. In addition, the company is in receipt of a letter of intention of financial support from Hill Grove Investments Pty Limited to ensure the company continues to meet its obligations as they fall due and to ensure it operates as a going concern for a period of at least 12 months. Based on this, the Directors continue to adopt the going concern basis of accounting for the preparation of these interim accounts.

#### 1.5. 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 2012 Closing</b>	<b>30 June 2012 Average</b>
British Pounds	\$1.554	\$1.577
Swiss Franc	\$1.043	\$1.077

## 2. MOVEMENT IN SHARE CAPITAL (COMPANY)

	<b>1.0 p Ordinary shares</b>	<b>4.5 p Deferred shares</b>	<b>4.0 p Deferred shares</b>
Balance at 31 January 2012	284,271,197	17,373,523	9,737,353
Exercise of warrants	243,229	-	-
<b>Balance at 30 June 2012</b>	<b>283,514,426</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.

## 3. EARNINGS PER SHARE

	<b>(unaudited) As at 30 June 2012</b>	(unaudited) As at 30 June 2011	(audited) As at 31 December 2011
Total comprehensive income (expense) (US\$)	<b>(2,331,486)</b>	4,120,980	(2,384,162)
Weighted average number of shares	<b>284,499,626</b>	190,956,619	117,474,385
Weighted average number of dilutive potential shares	-	4,322,980	-



Earnings per share (US\$)	<b>(0.01)</b>	0.02	(0.02)
Diluted earnings per share (US\$)	<b>(0.01)</b>	0.02	(0.02)

#### 4. LOANS

		<b>(unaudited)</b> <b>As at</b> <b>30 June</b> <b>2012</b> <b>US\$</b>	(unaudited) As at 30 June 2011 US\$	(audited) As at 31 December 2011 US\$
Accrued dividends on preferred stock	4.1	<b>33,000</b>	66,000	33,000
Management loans	4.2	<b>352,322</b>	357,722	349,885
Citi bank business loan	4.3	<b>39,580</b>	62,323	52,084
Aspermont loan	4.4	<b>149,026</b>	-	-
Total loans		<b>573,928</b>	486,045	2,980,432
Classified as:				
- Current		<b>207,022</b>	66,000	57,996
- Non-current		<b>366,906</b>	420,045	376,973

##### 4.1. Accrued dividends on preferred stock

The accrued dividends on the preferred stock became due on 31 March 2012.

##### 4.2. 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. Subsequent to balance sheet date these loans have been settled through a Mutual release agreement.

##### 4.3. Citi bank business loan

Loan from Citi bank incurs interest at the prime rate as published by The Wall Street Journal plus 3% and is repayable in equal monthly installments of \$2,083.

##### 4.4. Aspermont loan

On 18 April 2012 Aspermont Ltd, Dilato Holdings Pty Ltd and Tesla Nominees Pty Ltd collectively provided a facility of £100,000 to the group. The facility is repayable on demand and incurs interest at 1 per cent. per month. The group is currently in productive negotiations to revise the terms of the loan.

##### 4.5. Hill Grove Loan

On 19 June 2012 the group entered into a convertible loan agreement with Linc Energy Limited under which Linc agreed to advance \$250,000 to the Group. The loan is unsecured, repayable on 18 June 2014 and carries interest of 15 per cent. per annum. Linc has the option at any time to convert the loan in part or whole at a conversion price of 1p per share. On 8 October 2012, the group was advised that all rights under this agreement have been assigned to Hill Grove Investments Pty Limited.

On 8 October 2012, the group entered into a further convertible loan agreement with Hill Grove Investments Pty Limited under which Hill Grove has agreed to advance £380,000 to the group. The loan is unsecured, repayable on 5 October 2014 and carries interest of 15 per cent. per annum. Hill Grove has the option at any time to convert the loan in part or whole at a conversion price of 1p per share.

## 5. Trade and other payables

	<b>(unaudited)</b> <b>As at</b> <b>30 June</b>	(unaudited) As at 30 June	(audited) As at 31 December
Trade creditors	<b>263,474</b>	1,592,549	856,924
Salary and wage accruals	<b>1,203,186</b>	821,619	1,445,926
RenewMe	<b>1,036,000</b>	-	1,036,000
Customer deposits	<b>153,202</b>	337,293	939,236
Other accruals	<b>193,938</b>	315,373	257,770
<b>Total trade and other payables</b>	<b>2,849,800</b>	3,066,834	4,535,856
Classified as:			
- Current	<b>2,267,050</b>	2,458,142	3,758,856
- Non-current	<b>582,750</b>	608,692	777,000

### 5.1. Salary and wage accruals

The difference between salaries and wages paid and the amounts due under service agreements has been accrued. Certain of the US employees filed a lawsuit in the US District Court (Nevada) against Powerhouse Energy, Inc. and Powerhouse Energy Group plc for accrued salaries and amounts due to the end of their service contracts to the value of \$1,961,938, plus interest, damages and legal costs. After the lawsuit was filed an agreement was reached with the employees whereby in exchange for a cash settlement of \$25,000, 520,000 shares in the company and settlement of their legal fees incurred (approximately \$12,000) the case would be withdrawn and the company and its subsidiary released from all obligations to the employees. The case was withdrawn on 1 October 2012. Post balance sheet salary and wage accruals were cleared to nil.

### 5.2. RenewMe

RenewMe Limited had been granted exclusive rights by Pyromex to use, own, assemble and install and operate Pyromex systems in territories also Licensed to Powerhouse Energy, Inc. The group entered into a settlement agreement with RenewMe whereby the parties agreed to change the respective exclusive rights pertaining to the Pyromex technology. Under the settlement agreement the group has the obligation to pay five instalments of Euro 200,000 annually beginning 30 June 2011. All amounts due under the contract have been recognised as a liability on the balance sheet for 30 June 2012. The Directors are currently in productive negotiations with RenewMe regarding the existing licensing agreement.

## 6. 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). A copy of the interim results will not be sent to shareholders.