

Helius Energy plc

Preliminary Announcement for the year ended 30 September 2008

Helius Energy (“Helius” or “the Group”) today announces its financial results for the year ended 30 September 2008.

Key financial highlights

- £30.7 million profit for the year, attributable to equity holders
- Raised additional funding of £2.0 million for short-term working capital
- Sold first 65MWe project to RWE Innogy UK for a cash consideration of £28.1 million plus a carried interest of 13% of an adjusted operating profit for the first 24 years of operation, fair valued at £14.3 million
- Repaid convertible debt facilities;
- Net cash of £24.0 million at 30 September 2008.

Key operational highlights

- Corporate overheads and development costs for the Group and its first two projects are in line with budget, with a reduction in year on year administration costs
- Secured Governmental planning approval (under Section 36) for its first 65MWe project at Stallingborough
- Successfully negotiated long term feedstock and construction contracts for the Stallingborough project
- Agreed terms and signed lease for an 18 acre site at Bristol Avonmouth for a 100MWe power plant
- Signed heads of terms with the Combination of Rothes Distillers (“CoRD”) for a 7.2MWe project
- Since the balance sheet date, Helius secured planning for 7.2MWe CoRD project in January 2009.

Alex Worrall, Chairman, said:

“Helius Energy has met and exceeded the milestones set at its admission to AIM, some two years ago, and these results lay a solid foundation for growth. The successful sale of the Stallingborough project contributed significantly to the £30.7 million after tax profit for the year and the resultant cash receipt provides sufficient cash resources to continue to develop, and ultimately own and operate a portfolio of biomass power plants using environmentally sustainable biomass feed-stocks.”

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NOTES TO EDITORS:

Helius Energy was established to install and operate biomass fired renewable electricity generation plants. These will help meet the growing need for reliable power from renewable fuels that help to overcome the issues of climate change associated with fossil fuels like coal and oil. The management team has over 50 years collective experience in the energy, manufacturing, biomass and agribusiness sectors, with extensive knowledge of renewable energy markets, biomass energy technologies and related economics.

CHAIRMAN'S REPORT

Helius is now well positioned and resourced to build upon the success of the Stallingborough project at Immingham. Having eliminated debt there remains sufficient funding to undertake the multiple developments planned for the next three years.

I am delighted to report that the year ended 30 September 2008 proved to be an important and successful one in the development of Helius Energy plc. The Company has met and exceeded the milestones set at its admission to AIM, some two years ago, and laid a solid foundation for growth. The successful sale of the Stallingborough project contributed significantly to the £30.7 million after tax profit for the year to 30 September 2008 (2007 loss: £3.2 million) and the resultant sale proceeds of £28.1 million provides sufficient cash resources to continue to develop, and ultimately own and operate a portfolio of biomass power plants using environmentally sustainable biomass feed-stocks.

In addition to the cash receipt the Group has retained an interest in the future profits of the project which is currently valued at £14.3 million and carried as a non-current asset in the balance sheet. This valuation is based on the assumption that RWE will complete the construction of the plant together with its successful commissioning and future operation. Whilst the outcome of these factors are uncertain and are outside the control of the Group, all parties are committed to the successful delivery of a fully operational plant at the Stallingborough site.

During the past twelve months Helius:

- Secured Governmental planning approval (under Section 36) for its first 65MWe project at Stallingborough, Humberside;
- Raised additional funding of £2.0 million for short-term working capital;
- Successfully negotiated long term feedstock and construction contracts for the Stallingborough project;
- Secured the sale of the first 65MWe project to RWE Innogy UK for a sales consideration of £28.1 million plus a carried interest of 13% of an adjusted operating profit for the first 24 years of operation fair valued at £14.3 million;
- Repaid convertible debt facilities;
- Agreed terms and signed lease for an 18 acre site at Bristol Avonmouth for a 100MWe power plant;
- Identified additional sites for development; and
- Achieved a £30.7 million profit for the year, attributable to equity holders.

The Group is now well positioned and resourced to build upon the success of the Stallingborough project. Having eliminated debt there remains sufficient funding to undertake the multiple developments planned for the next three years.

Finally I would like to thank all my fellow directors and all the Company employees, consultants and shareholders whose combined efforts have enabled the success of the first two years of operation. I personally recognise the considerable time, money and effort along with personal sacrifices that have been expended in bringing the strategy as originally articulated in the admission document to a successful outcome. Having proved that the theory works in practice, it is now up to our team of stakeholders to replicate that initial success over multiple sites.

Alex Worrall
Chairman

BUSINESS REVIEW

Helius is in a strong position with respect to its current and pipeline projects, with good potential for future growth. The first GreenSwitch™ project in Rothes is currently progressing through the planning system.

Our Business

Helius was established to develop, install and operate biomass fired renewable electricity generation plants to address the need created by the increasing importance that has been given to climate change internationally. Helius' projects are designed to mitigate climate change by helping to cut greenhouse gas emissions quickly.

All three main UK political parties have made public commitments to put climate change at the top of their agenda.

The Energy White Paper published in May 2007 reinforced the Government's commitment to renewable energy which improved the incentives to biomass generators within the UK. We are pleased that this has now passed into law and we await the secondary legislation.

Helius has focused its activities during the period on project development and consenting of its flagship 65MWe site at Stallingborough, and, its 7.2MWe site planned for Rothes in Morayshire.

Helius possesses a significant combination of knowledge of renewable energy markets, biomass energy technologies, biomass fuel sources, project development, implementation and operation of power generation plants. Since inception, we have invested our funds and resources specifically to ensure that we fully understand and can adequately mitigate risks in our chosen business arena.

The Group has identified sites for project development within the UK all of which have readily available sustainable fuel sources, with excellent transportation, logistics and related infrastructure. In the UK, the Group is focused on identifying sites for the development of small 5–8MWe power plants and larger 60–100MWe power plants.

The Group is focused on delivering short-term revenues, profitability and operating cash in return for shareholders from its initial three projects. This will also give the Group the liquidity it requires to develop a portfolio of generating assets in the UK with the potential of generating in excess of 300MWe by 2012.

Our year

The year 2007 saw the publication of the Energy White Paper in May which underlined the Government's commitment to renewable energy, which has now passed into law. We also saw dramatic volatility in fossil fuels which further strengthens the case for renewable energy as a major component in a secure, balanced national portfolio of energy assets.

From a business perspective, the Group delivered the key milestones identified in our prospectus when we floated on AIM in January 2007.

Key highlights for 2008 are as follows:

- corporate overheads and development costs for the Group and its first two projects are in line with budget with a reduction in year on year administration costs;
- delivered profits of £30.0 million following the completion of the agreement with RWE;
- generated £28.7 million of net cash from both the RWE transaction and the secondary placing in August 2008;
- signed heads of terms with the Combination of Rothes Distillers for a 7.2MWe project;
- submitted planning application for 7.2MWe project; and
- net cash of £24.0 million at 30 September 2008.

BUSINESS REVIEW CONTINUED

Heliuss Energy plc's success and future growth is built around its people. We have secured the appointment of Paul Brighton as our Planning Director in 2008. We continued to strengthen our technical capability and engineering team under Adrian Bowles, our Technical Director, with the recruitment of quality engineering staff.

Heliuss will continue to move forward on the basis of mitigating risks through the utilisation of currently available technology in order to deliver power projects with the potential to stabilise or reduce carbon emissions substantially, while delivering shareholder value. To this end, Heliuss has made important strides in 2008 with the support and advice of its Board, staff and other advisors. Further strengthening of our team will ensure that we can deliver in excess of 300MWe of projects by 2012.

Development costs

During the year the Group incurred development costs of £3.4 million which are treated as assets in the course of construction in the Group financial statements. All development costs during the year were in line with budget.

The Group plans to increase development spend as it progresses its portfolio of projects. The Group has made significant efforts to contain the cost of project development so as to ensure maximum value can be delivered from its cash resources. The management is targeting a >20% reduction in average development costs per MWe over the coming financial year.

Cash position

Net cash held by the Group at the 30 September 2008 was £24 million.

The development fees received from the sale of the Stallingborough project, provide the required liquidity to complete the consenting process for a further 300MWe of biomass power generation within the UK, and, the Board anticipates, that it will provide the necessary working capital to sustain the Group to the point of power generation activities.

The Group is focused on ensuring expenditure is focused on project development and that administration costs are strictly controlled.

Forward View

Looking ahead, the Group will focus its strategic and operational activities on the following key areas in order to enhance shareholder value:

- consenting and development of three or more biomass power plants;
- development of a biomass origination and supply capability to underpin 300MWe of UK generation capacity;
- consenting and development of at least one co-located biomass power plant;
- further development of in-house resources to allow projects to be delivered quickly and efficiently and to enable Heliuss to maintain its position within the market;
- potential acquisition of biomass plant that gives potential for delivering revenues and operating cash flow within the Group; and
- reduce shareholding in African operations allowing new investors to come in and bring cash to finance further development in Africa.

Furthermore, the Group will fully review its Board structure and resourcing to ensure it is best placed to deliver these plans in an efficient and cost effective manner.

BUSINESS REVIEW CONTINUED

Large Biomass power plants

The Group has secured an 18 acre site at Avonmouth for the development of a 100MWe biomass power plant. Initial consultation is ongoing with the local authorities and the Group expects to submit the S36 planning application in Q1 2009.

The Group is continually reviewing other suitable UK sites for large biomass power projects. It is anticipated that the Group will secure a further site for another 100MWe biomass plant during the first half of 2009, with a S36 planning application being made before the end of 2009.

The Group will seek to identify a third 60–100MWe site in early 2010 subject to project finance and feedstock.

Finally, the Group is also considering opportunities outside the UK where the political and economic climate supports the development of biomass power generation. Such opportunities will be stringently reviewed and only progressed in conjunction with capable feedstock, technology and financing partners to mitigate risk.

Biomass origination

The Group is actively engaged in the securing of biomass from sustainable sources to ensure long term supply to its portfolio.

The Group is focusing its efforts on establishing an origination and supply capability by the end of 2009 which will support at least two 100MWe projects. This will offer the potential for short-term cash and trading into the UK biomass market.

Small Co-located power plant

The group continues to work on the development of its smaller co-located biomass power plants. The flagship project for this plant size is the proposed plant in Rothes, Morayshire.

The Group expects to secure further projects of this size during the next 24 months and begin the consenting and project development process in due course.

In addition, in developing the technology for the Rothes project, the Group has developed a process that allows the effluents and spent grains to be taken from distilling, ethanol and food production and processed into biomass fuel, organic fertilizer and lactic acid. This process has been patented in Europe, India, China and the USA and it is the Group's intention to exploit this within these markets.

The Group is actively considering identifying a partner to work with in this area of its business in order to accelerate the pace of development, and, reduce the reliance on Helius cash to finance.

Summary

The Group is focused on delivering short-term revenues, profitability and operating cash in return for shareholdings in its initial three projects. This will also give the Group the liquidity it requires to develop a portfolio of generating assets in the UK with the potential of generating in excess of 300MWe by 2012. The intention would be to have some form of earn out or stake in all of these projects such that Helius Energy has an interest in a portfolio of biomass generating assets.

John Seed
Managing Director

Alan Lyons
Finance Director

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Note	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Revenue		—	25,478
Cost of sales		—	(6,735)
Gross profit		—	18,743
Other administrative expenses		(1,924,693)	(1,962,421)
Share-based payment costs		(325,960)	(338,383)
Impairment of intangible fixed assets		—	(900,000)
Total administrative expenses		(2,250,653)	(3,200,804)
Sale of Helius Alpha	4	33,593,672	—
Operating profit/(loss)		31,343,019	(3,182,061)
Finance income		43,752	75,588
Finance expenses		(712,987)	(136,524)
Profit/(loss) before tax		30,673,784	(3,242,997)
Tax expense		—	—
Profit/(loss) for the year attributable to equity holders of the parent company		30,673,784	(3,242,997)
Basic profit/(loss) per share attributable to equity holders of the parent company (pence)	3	42.54	(4.90)
Diluted profit/(loss) per share attributable to equity holders of the parent company (pence)	3	38.22	(4.90)

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2008

	Note	30 September 2008 £	30 September 2007 £
Non-current assets			
Property, plant and equipment		651,304	1,278,676
Loans and receivables	4	14,254,000	—
Total non-current assets		14,905,304	1,278,676
Current assets			
Trade and other receivables		2,013,262	126,645
Cash and cash equivalents	2	23,949,171	2,223,812
Total current assets		25,962,433	2,350,457
Total assets		40,867,737	3,629,133
Non-current liabilities			
Loans and borrowings		(76,489)	(1,552,713)
Total non-current liabilities		(76,489)	(1,552,713)
Current liabilities			
Trade and other payables		(6,533,939)	(515,679)
Total current liabilities		(6,533,939)	(515,679)
Total liabilities		(6,610,428)	(2,068,392)
Total net assets		34,257,309	1,560,741
Total capital and reserves attributable to equity holders			
of the parent company			
Share capital		854,274	712,524
Share premium reserve		4,768,205	3,157,418
Merger reserve		1,850,225	1,850,225
Convertible debt reserve		—	55,713
Retained earnings		26,784,605	(4,215,139)
Total equity		34,257,309	1,560,741

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Note		
Operating activities		
Profit/(loss) for the year	30,673,784	(3,242,997)
Impairment of intangibles	—	900,000
Depreciation	14,372	6,958
Finance income	(43,752)	(75,588)
Finance expense	712,987	136,524
Share option costs	325,960	338,383
Profit on sale of subsidiary	(33,593,672)	—
Loss before changes in working capital and provisions	(1,910,321)	(1,936,720)
(Increase)/decrease in trade and other receivables	(491,617)	33,274
Increase/(decrease) in trade and other payables	1,215,851	(30,405)
Net cash generated/(used) in operating activities	(1,186,087)	(1,933,851)
Investing activities		
Purchase of property, plant and equipment	(3,385,519)	(1,282,725)
Cash on sale of subsidiary	26,745,600	—
Interest received	43,752	75,588
Net cash received from/(used in) investing activities	23,403,833	(1,207,137)
Financing activities		
Interest paid and finance expenses	(571,413)	(78,098)
Share issue	2,009,000	3,779,334
Purchase of ordinary shares for cancellation	(256,463)	—
Loan stock issued net of fees	826,489	1,650,000
Loan repayment	(2,500,000)	—
Net cash from financing activities	(492,387)	5,351,236
Net increase in cash and cash equivalents	21,725,359	2,210,248
Cash and cash equivalents at the beginning of the period	2,223,812	13,564
Cash and cash equivalents at the end of the year	23,949,171	2,223,812

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Convertible debt reserve £	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total £
2007						
Changes in equity						
At 1 October 2006	—	530,000	—	410,833	(1,310,525)	(369,692)
Loss for the year	—	—	—	—	(3,242,997)	(3,242,997)
Total recognised income and expense for the year	—	—	—	—	(3,242,997)	(3,242,997)
Issue of share capital	—	182,524	3,157,418	—	—	3,339,942
Share-based payments	—	—	—	—	338,383	338,383
Issue of convertible debt option, net of issue costs	55,713	—	—	—	—	55,713
Acquisition in year	—	—	—	1,439,392	—	1,439,392
At 30 September 2007	55,713	712,524	3,157,418	1,850,225	(4,215,139)	1,560,741
2008						
Changes in equity						
At 1 October 2007	55,713	712,524	3,157,418	1,850,225	(4,215,139)	1,560,741
Profit for the year	—	—	—	—	30,673,784	30,673,784
Total recognised income and expense for the year	—	—	—	—	30,673,784	30,673,784
Issue of share capital	—	148,898	1,860,102	—	—	2,009,000
Share buyback	—	(7,148)	(249,315)	—	—	(256,463)
Share-based payments	—	—	—	—	325,960	325,960
Issue of convertible debt option, net of issue costs	26,959	—	—	—	—	26,959
Cancellation of convertible debt reserve	(82,672)	—	—	—	—	(82,672)
At 30 September 2008	—	854,274	4,768,205	1,850,225	26,784,605	34,257,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

1. Basis of preparation

The financial information set out above is derived from but does not constitute the Group's statutory accounts for the years ended 30 September 2008 or 2007. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The statutory accounts for 2008 will be delivered to the Registrar of Companies following the company's Annual General Meeting.

The financial information for the year ended 30 September 2008 has been extracted from the Group's audited consolidated statutory accounts upon which the auditors issued an unqualified opinion. The report did not contain a statement under section 237(2) or (3) of the Companies Act 1985 and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

The financial information for the year ended 30 September 2007 has been extracted from the Group's audited consolidated statutory accounts which have been filed with the Registrar of Companies. The auditors' report for the 2007 accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Their report for 30 September 2007 included reference to the material uncertainty in respect of going concern to which the auditors drew attention by way of emphasis without qualifying their report.

2. Cash and cash equivalents

Cash and cash equivalents (which are presented on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

3. Earnings per share

The calculation of the earnings per share is based on the following data:

	Year ended 30 September 2008	Year ended 30 September 2007
	£	£
Profit/(loss)		
Profit/(loss) used in calculating basic and diluted profit/(loss) per share for the year	30,673,784	(3,242,997)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	72,102,817	66,122,199
Effect of employee share options	8,134,604	—
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	80,237,421	66,122,199

There are 8,134,604 potentially dilutive options over the ordinary shares at 30 September 2008 (2007: 7,606,772 options).

There was a potentially dilutive convertible debt issued with a gross capital value of £1,750,000 at 30 September 2007. In 2007, the above instruments were potentially dilutive but were not included in the calculation of diluted earnings per share because they were antidilutive for the period as their conversion to ordinary shares would decrease the loss per share.

4. Loans and receivables

Analysis of sale

During the year, Helius Energy plc has disposed of Helius Energy Alpha Ltd (Alpha) to RWE Innology (UK) Ltd. Alpha contains the rights to planning permission and IP associated with the construction of a 65MWe biomass powered energy generation plant at a site in Stallingborough in the north of England. The transaction was structured as follows:

Cash received	£26,745,600
Retention	£ 1,395,000
Total sale proceeds	£28,140,600
less deal costs, bonuses, related costs and cost of investment	(£8,800,928)
Earn out agreement at fair value	£14,254,000
Profit on disposal of subsidiary	£33,593,672

The retention balance of £1,395,000, being 5% of the sale proceeds on the sale of the Stallingborough project to RWE, is held in Escrow until 26 September 2009. Subject to no claims being made by RWE during the period 26 September 2008 – 25 September 2009, the full retention amount will be called for by Helius Energy plc. In the event of any claims agreed or adjudged payable to RWE prior to 26 September 2009, the retention amount less the claims value will be called for and paid to Helius Energy plc. The amount of any claim by RWE which is unsettled as at 25 September 2009 may (subject to counsel's opinion) be retained in Escrow for such further period as is necessary to agree, settle or otherwise determine such claim.

The profit on the disposal of the subsidiary is included in operating activities in the consolidated income statement as the forming of a project and subsequent sale is considered to be an element of the principal activity of the Group.

Earn out agreement valuation

The asset is valued at £14,254,000 and this has been calculated based on the net present value of Helius receiving 13% of the after tax profits from the biomass power plant for the first 24 years of commercial operation. The asset will subsequently be carried at amortised cost.

The forecasts used to value the earn out have been prepared by management and their advisers. The forecast profitability is based on pre-negotiated contracts for the following:

- the cost of the plant build;
- the plant fuel supply;
- the operations of the plant; and
- an independent report on forecast energy prices for the 24 year period.

While there is a probability that not all of these contracts will be utilised by RWE Innogy, the expectation is that any contracts not utilised will be on the basis of cost or efficiency savings which will ultimately enhance the profitability of the plant.

The forecasts also include various conservative assumptions and judgements made by Management in the following areas:

- plant build – the fair value calculated is ultimately based on the assumption that the plant will be built by RWE. This assumption is outside the control of Helius Energy plc.
- plant availability – this has been estimated at 2% less than guarantee levels associated with the plant. Any increase or decrease in the efficiency of the plant will affect the overall profitability and the net present value of the cash flows receivable;
- finance costs – a 6% interest rate has been assumed based on a gearing level of 90% which reflects the borrowing required for the build cost. Any change in LIBOR would affect this rate and the level of finance cost incurred;
- operating and management costs – these relate to management fees that could be incurred by RWE and have been included at a >10% contingency level. These costs are under the control of RWE and any movement in the assumptions of these costs will impact the profitability of the project; and
- discount rate – a rate of 9% has been used as this is the figure which is defined in the SPA with RWE.

Management consider that the judgement areas and assumptions utilised have been included at conservative and prudent levels. Management will continue to monitor the expected cash flows from the project and will review the valuation of the earn out on an ongoing basis.

Deferred income

Included in the deductions for deal costs etc is a balance of £553,760 which relates to a contract to provide services to the project for a period of six months following the date of sale. This amount is included in trade and other payables as deferred consideration and will be released to the income statement over the period to which the service contract relates.