

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

- ☒ Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **September 30, 2006**.
- ☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission file number: **001-14791**

SOLAR ENERGY LIMITED

(Exact name of small business issuer as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

76-0418364

(I.R.S. Employer
Identification No.)

145-925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2

(Address of principal executive office) (Zip Code)

(604) 669-4771

(Issuer's telephone number)

Check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒

No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐

No ☒

The number of outstanding shares of the registrant's common stock, \$0.0001 par value (the only class of voting stock), as of November 17, 2006, was 19,873,309.

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS	3
Unaudited Consolidated Balance Sheets as of September 30, 2006	4
Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2006 and 2005.....	5
Unaudited Consolidated Statements of Cash Flows for nine months ended September 30, 2006 and 2005	6
Notes to Unaudited Consolidated Financial Statements.....	8
ITEM 2. MANAGEMENT'S PLAN OF OPERATION	18
ITEM 3. CONTROLS AND PROCEDURES	23

PART II

ITEM 1. LEGAL PROCEEDINGS	24
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES	24
ITEM 3. DEFAULTS UPON SENIOR SECURITIES.....	25
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS	25
ITEM 5. OTHER INFORMATION	25
ITEM 6. EXHIBITS.....	25
SIGNATURES.....	26
INDEX TO EXHIBITS.....	27

PART I

ITEM 1. FINANCIAL STATEMENTS

As used herein the terms “Company,” “we,” “our,” and “us” refer to Solar Energy Limited, a Delaware corporation and our subsidiaries, unless otherwise indicated. In the opinion of management, the accompanying unaudited consolidated financial statements included in this Form 10-QSB reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

Solar Energy Limited
(A Development Stage Company)

Interim Consolidated Balance Sheets

	September 30, 2006	December 31, 2005
	(Unaudited)	(Restated)
Assets		
Current Assets		
Cash	\$ 454,589	\$ 188,129
Other Receivables	1,913	-
Prepaid Expenses	-	174,274
	<hr/>	<hr/>
Total Current Assets	456,502	362,403
	<hr/>	<hr/>
Property and Equipment (Note 3)	22,341	13,575
	<hr/>	<hr/>
Other Assets		
Deposits	30,120	30,120
	<hr/>	<hr/>
Total Other Assets	30,120	30,120
	<hr/>	<hr/>
Total Assets	<u>\$ 508,963</u>	<u>\$ 406,098</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable	\$ 101,639	\$ 75,580
Accrued Liabilities	181,384	179,677
Notes Payable – Related Party (Note 5)	69,255	65,486
Deferred Revenue (Notes 1 and 8)	250,000	250,000
	<hr/>	<hr/>
Total Current Liabilities	602,278	570,743
	<hr/>	<hr/>
Debenture Payable (Note 6)	100,712	-
	<hr/>	<hr/>
Provision for Loss on Contract (Note 1)	967,500	967,500
	<hr/>	<hr/>
Commitments (Note 8)	-	-
Stockholders' Equity		
Common Stock 50,000,000 Shares Authorized at \$0.0001 Par Value 19,873,309 and 14,926,275 Shares Issued and Outstanding, Respectively	1,987	1,493
Additional Paid In Capital	10,753,442	9,352,380
Obligation to Issue Shares	-	20,000
Deficit Accumulated During the Development Stage	(11,916,956)	(10,506,018)
	<hr/>	<hr/>
Total Stockholders' Equity	(1,161,527)	(1,132,145)
	<hr/>	<hr/>
Total Liabilities and Stockholders' Equity	<u>\$ 508,963</u>	<u>\$ 406,098</u>

The accompanying notes are an integral part of these consolidated interim financial statements

Solar Energy Limited
(A Development Stage Company)

Interim Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	January 5, 1994 (inception) to September 30, 2006
		(Restated)		(Restated)	(Restated)
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consulting	87,274	311,410	421,826	419,361	1,231,310
General and Administrative	134,659	125,732	412,948	292,336	2,619,582
Research and Development	51,785	-	148,212	-	2,408,447
Salaries	165,613	-	471,165	-	574,226
Total Operating Expenses	439,931	437,142	1,454,151	711,697	6,833,565
Operating Income (Loss)	(439,931)	(437,142)	(1,454,151)	(711,697)	(6,833,565)
Other Income (Expenses)					
Minority interest	-	-	-	-	123,856
Other income	(21,000)	20,000	41,000	40,000	201,000
Gain (Loss) on Investments	-	-	-	-	17,200
Loss on Sale of Assets	-	-	-	-	(2,575)
Interest Income (Expense)	2,131	403	2,213	503	(58,817)
Financing Costs	-	-	-	-	(963,500)
Impairment of Patents	-	-	-	-	(39,648)
Impairment of Goodwill	-	(3,500,000)	-	(3,500,000)	(3,514,118)
Provision for Loss on Contract	-	-	-	-	(967,500)
Gain (Loss) on Sale of Subsidiary	-	-	-	-	120,711
Total Other Income (Expenses)	(18,869)	(3,479,597)	43,213	(3,459,497)	(5,083,391)
Net Income (Loss) Before Taxes	(458,200)	(3,479,597)	(1,410,938)	(4,171,194)	(11,916,956)
Income Taxes	-	-	-	-	-
Net Income (Loss)	<u>\$ (458,200)</u>	<u>\$ (3,916,739)</u>	<u>\$ (1,410,938)</u>	<u>\$ (4,171,194)</u>	<u>\$ (11,916,956)</u>
Basic Net Loss Per Share	<u>\$ (0.02)</u>	<u>\$ (0.45)</u>	<u>\$ (0.08)</u>	<u>\$ (0.31)</u>	
Weighted Average Common Shares Outstanding	<u>19,855,377</u>	<u>8,719,351</u>	<u>17,604,226</u>	<u>13,291,482</u>	

The accompanying notes are an integral part of these consolidated interim financial statements

Solar Energy Limited
(A Development Stage Company)

Interim Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	January 5, 1994 (inception) to September 30, 2006
		(Restated)	(Restated)
Cash Flow from Operating Activities			
Net Income (Loss)	\$ (1,410,938)	\$ (4,171,194)	\$ (11,916,956)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations			
(Net of Acquisition/Sale)			
Amortization/Depreciation	3,132	445	203,938
Bad debt	-	-	225,000
Stock Issued for Services	-	433,500	706,851
Stock Issued for R&D Expenses	-	-	439,900
Loss on Sale of Assets	-	-	2,575
Gain on Investments	-	-	(17,199)
Gain on Sale of Subsidiary	-	-	(120,711)
Impairment of Patents	-	-	39,648
Financing Costs	-	-	963,500
Impairment of Goodwill	-	3,500,000	3,514,118
Provision for Loss on Contract	-	-	967,500
Minority interest	-	-	(123,856)
Increase (Decrease) in:			
Deposits	-	(25,000)	(25,283)
Prepaid Expenses	174,274	(304,608)	191,665
Accounts Receivable	(1,913)	-	(1,874)
Accounts Payable	26,059	72,482	149,837
Accrued Expenses	2,419	27,083	233,145
Deferred Revenue	-	250,000	250,000
Net Cash Used In Operating Activities	(1,206,967)	(217,292)	(4,318,202)
Cash Flows From (Used In) Investing Activities			
Cash Acquired from Sale of Subsidiary	-	-	180,000
Cash Acquired (Sold) from Sale of Subsidiary	-	-	247,512
Cash Paid to Subsidiary	-	-	(107,568)
Cash Paid to RECO and Sunspring	-	-	(2,076)
Cash Paid for Patent Costs	-	-	(106,318)
Cash Paid for Property and Equipment	(11,898)	(2,418)	(86,189)
Cash Paid for Deposits	-	-	(4,837)
Cash Received on Sale of Assets	-	-	23,000
Cash Paid for Note Receivable	-	-	(295,000)
Cash Paid for Mining & Mineral Rights	-	50,000	-
Net Cash Used In Investing Activities	(11,898)	47,582	(151,476)

The accompanying notes are an integral part of these interim consolidated interim financial statements

Solar Energy Limited
(A Development Stage Company)

Interim Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	January 5, 1994 (inception) to September 30, 2006
		(Restated)	(Restated)
Cash Flows from Financing Activities			
Issued Stock for Cash	1,401,556	301,000	3,647,469
Cash Received for Notes Payable	3,769	15,726	520,877
Debenture Payable	100,000	-	100,000
Subscription Proceeds	(20,000)	58,000	-
Cash Received from Advances by Shareholders	-	-	2,044,099
Cash Paid on Debt Financing	-	-	(1,388,178)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,485,325	374,726	4,924,267
INCREASE IN CASH	266,460	205,016	454,589
CASH, BEGINNING OF PERIOD	188,129	32	-
CASH, END OF PERIOD	\$ 454,589	\$ 205,048	\$ 454,589

SUPPLEMENTARY DISCLOSURE:

Interest paid	\$ -	\$ -	\$ 17,195
Income taxes paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these interim consolidated interim financial statements

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 1 - Summary of Significant Accounting Policies

a. Organization

Solar Energy Limited (the "Company") was incorporated as Taurus Enterprises, Inc. under the laws of the State of Delaware on January 5, 1994. The Company was organized primarily for the purpose of operating a used automobile brokerage firm. The Company did not become operational and abandoned its attempts to establish the brokerage operation.

In August of 1996 its shareholders decided to reactivate the Company, merge the Company with Salvage World, Inc., a private company, change the name to "Salvage World, Inc." and reincorporate in the state of Nevada.

On December 17, 1997 the Company merged with Solar Energy Limited ("Solar") a Delaware corporation organized on July 24, 1997 and changed the name to "Solar Energy Limited." The surviving corporation is a Delaware corporation and the authorized shares were changed to 50,000,000 par value \$0.0001. Solar's headquarters are located in Los Alamos, New Mexico.

On January 1, 1998 the Company issued the initial 170,400 shares of stock and on October 21, 1998 an additional 530,000 shares were issued for the acquisition of 100% of Hydro-Air Technologies, Inc. ("Hydro") a New Mexico corporation organized June 18, 1997. Hydro owns various rights to patented intellectual property called Hydro-Air Renewable Power System ("HARPS"), and has developed a prototype system to generate electricity from the evaporation of water. Hydro's headquarters are located in Los Alamos, New Mexico. This business combination was accounted using the purchase method. Operations of Hydro have been included in the consolidated statement of operations since January 1, 1998. The Company valued the acquisition at \$83,346, the amount of goodwill recorded for the acquisition.

In January 1999 the Company issued 35,000 shares of stock for the acquisition of 100% of Renewable Energy Corporation ("RECO") a New Mexico corporation organized November 30, 1998. RECO owns various rights to patented intellectual property associated with the solar recycling of CO₂ to fuel. RECO's headquarters are located in Los Alamos, New Mexico. The Company valued the acquisition at \$440,000 consisting of cash paid of \$20,000 and stock valued at \$420,000. The Company acquired RECO assets of \$49,500 and assumed liabilities of \$49,400. The acquisition was recorded using the purchase method of a business combination. The statement of operations of RECO has been included in the consolidated statements of operation for the year ended December 31, 1999. RECO had no operations in 1998 therefore no proforma information is presented. The Company recorded \$439,900 of research & development expenses in connection with this acquisition.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 1 - Summary of Significant Accounting Policies (continued)

On June 30, 2000, the Company sold 100% of its interest in RECO to Jade Electronic, Inc., who changed their name to Renewable Energy Limited ("REEL") for 63% of the outstanding stock of REEL and cash of \$180,000. At the point of sale REEL had no assets and no liabilities, thus RECO became its only assets, liabilities and operations at June 30, 2000. Because the Company essentially sold 37% of its interest in RECO for cash of \$180,000, the Company recorded minority of interest of \$162,800 and a gain of \$17,200. This acquisition was recorded by Jade as a reverse acquisition with RECO being the accounting acquirer, therefore no goodwill was recorded in the acquisition and REEL recorded the assets and liabilities of RECO at predecessor cost. The Company has consolidated its books with REEL as of December 31, 2000.

In April 2000, the Company acquired all of the outstanding common stock of Sunspring, Inc. ("Sunspring") for \$14,500. Sunspring was incorporated in April 2000 as Holisticom.com Limited and subsequently changed its name to "Sunspring, Inc." in August 2000. Sunspring is a development stage company and has directed its efforts towards development of new technology.

On November 26, 2001, the Company exchanged all of its shares of common stock in its wholly owned subsidiary, Sunspring, for 2,000,000 shares of restricted common stock and 8,000,000 shares of preferred stock of Sun Power Corporation ("Sun Power"). During the period November 26, 2001 to November 26, 2002, both Sun Power and the Company had the right to cancel this agreement. If either cancels, the 8,000,000 shares of preferred will be returned to Sun Power and Sunspring will be returned to the Company. The Company uses the equity method to account for its investments and recognized a gain on the exchange. The restricted common stock and preferred stock of Sun Power were recorded at a basis of \$0.

On November 26, 2001, the Company exchanged all of its common stock in its 63% owned subsidiary, RECO, for 2,000,000 shares of restricted common stock and 8,000,000 shares of preferred stock of Sun Power. During the period November 26, 2001 to November 26, 2002, both Sun Power and the Company had the right to cancel this agreement. If either canceled, the 8,000,000 preferred shares would be returned to Sun Power and Sunspring would be returned to the Company. The restricted common stock and preferred stock of Sun Power were recorded at a basis of \$0.

On December 30, 2002, the Company was returned all of its stock in its 63% owned subsidiary, RECO, and gave back 8,000,000 shares of preferred stock of Sun Power. In addition, on December 30, 2002, the Company was returned all of its stock in its 100% owned subsidiary, Sunspring, and gave back 8,000,000 shares of preferred stock to Sun Power. The Company kept the 2,000,000 shares of restricted common stock of Sun Power and recorded a basis of \$0.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 1 - Summary of Significant Accounting Policies (continued)

On April 27, 2004, the Company entered into a stock purchase agreement for RECO with Los Alamos Renewable Energy, LLC, ("LARE") a limited liability company for which two of the Company's former Officers and Directors act as managing members. Pursuant to the Agreement, an additional 99,900 shares of common stock of RECO were issued to the Company and an additional 200,000 shares of RECO were issued to LARE. In effect, the Company now has a 21% interest in RECO and will use the equity method of accounting instead of the consolidation method. The Company has also forgiven debt due from RECO. At December 31, 2004, a gain of \$56,138 has been recognized due to the recapture of prior year losses.

On August 10, 2005, the Company entered into a stock purchase agreement with Russ George to acquire 100% of the issued and outstanding stock of Planktos, Inc. ("Planktos") for the purchase price of \$1,500,000 by issuing a 5 year term convertible debenture bearing an interest rate of 5%. The interest is payable only in the event that Planktos realizes net income from operations. The debenture is convertible into the Company's shares at 10% below market at any time after 12 months and prior to the expiration of the debenture. The proprietary greenhouse emission technology acquired as a result of this acquisition is focused on taking advantage of the Kyoto Protocol which enables companies and governments to offset regulated greenhouse emission restrictions by investing in CO2 reduction programs in exchange for certified emission reduction ("CER") credits. These CER credits are traded much like commodities and have their own market of which they are listed for sale. In determining the purchase price, consideration was given to previous amounts invested in developing this technology up to the point of acquisition. The agreement commits the Company to assist Planktos in the process of becoming a public company within the next six (6) months either by reverse acquisition into an existing public entity or through an initial public offering of Planktos' common stock and to advance up to \$1,500,000 in the form of loans over the next twelve months. Should the Company fail to arrange the required financing within twelve months of the agreement, Russ George has the right to redeem the shares of Planktos in exchange for canceling any amounts due to him pursuant to the debenture and the Company has the right to redeem the debenture in exchange for returning the Planktos shares to Mr. George. On November 21, 2005, Mr. George converted the debenture for 1,500,000 of the Company's restricted common shares.

These financial statements include the results of operations of Planktos from February 10, 2005 to September 30, 2006.

Planktos, Inc. – Balance Sheet as at August 10, 2005

Assets	
Cash	<u>\$ 43,228</u>
Liabilities	
Loan payable	<u>\$ 74,855</u>
Stockholders' Equity	
Deficit	<u>\$ (31,627)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 43,228</u>

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 1 - Summary of Significant Accounting Policies (continued)

On August 17, 2005, the Company and its wholly owned subsidiary, Planktos, executed an Iron-Fertilization Prove-Out and Purchase Agreement with Diatom Corporation ("Diatom") whereby Diatom committed to assist the Company in providing developmental funding for a marine "iron-fertilization" prove out program in exchange for exclusive marketing and intellectual property rights to Planktos' CO₂ sequestration process. Planktos expects the cost of the prove out program to be \$1,290,000 over the next six months of which Diatom has agreed to provide up to 25%. The Company will be responsible for funding the remainder of the developmental funding. The agreement also provides for a royalty agreement which will entitle Planktos and the Company to 75% of net sales revenue generated by Diatom from the sale of CER credits created from the sequestration process until the Company and Planktos have recouped their costs. Thereafter, the Company and Planktos will be entitled to 25% of net sales revenue generated by Diatom from the sale of CERs. Diatom has paid \$250,000 in cash for the exclusive marketing and intellectual property rights. Since the Company has committed to fund 75% of the estimated cost to develop the program, a provision for the estimated loss on the contract of \$967,500 has been recognized.

On August 18, 2005, the Company entered into a stock purchase agreement with Russ George to acquire 100% of the issued and outstanding stock of D2Fusion, Inc. ("D2Fusion") for the purchase price of \$2,000,000 by issuing a 5 year term convertible debenture bearing an interest rate of 5%. The interest is payable only in the event that D2Fusion realizes net income from operations. The debenture is convertible into the Company's shares at 10% below market, not to exceed one dollar (\$1.00), through the remaining term of the debenture. The proprietary solid-state fusion technology acquired as a result of this acquisition is aimed at entry level heat and energy applications for homes and industry with the ultimate goal of producing heat and electricity at a fraction of today's cost and with no emissions. In determining the purchase price, consideration was given to previous amounts invested in developing this technology up to the point of acquisition. The agreement commits the Company to arrange financing of not less than \$2,200,000 and, within six (6) months of the agreement, cause D2Fusion to have direct access to the public capital markets for the purpose of raising additional capital in excess of the Company's financing obligations. Should the Company fail to arrange the required financing within twelve months of the agreement, Russ George has the right to redeem the shares of D2Fusion in exchange for canceling any amounts due to him pursuant to the debenture and the Company has the right to redeem the debenture in exchange for returning the D2Fusion shares to Mr. George. On November 21, 2005, Mr. George converted the debenture for 2,000,000 of the Company's restricted common shares.

These financial statements include the results of operations of D2 Fusion from March 2, 2005 to September 30, 2006.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 1 - Summary of Significant Accounting Policies (continued)

D2 Fusion, Inc. – Balance Sheet as at August 18, 2005

Assets	
Cash	\$ <u>95,571</u>
Liabilities	
Loan payable	\$ <u>149,855</u>
Stockholders' Equity	
Deficit	\$ <u>(54,284)</u>
 Total Liabilities and Stockholders' Equity	 \$ <u>95,571</u>

The Company is in the development stage according to Financial Accounting Standards Board Statement No. 7 and is currently focusing its attention on raising capital in order to pursue its goals.

b. Accounting Method

The Company recognizes income and expenses on the accrual basis of accounting.

c. Earnings (Loss) Per Share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements. Fully diluted earnings per share are not presented because it is anti-dilutive.

d. Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

e. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

f. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements, assets involve extensive reliance on management's estimates. Actual results could differ from those estimates.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 1 - Summary of Significant Accounting Policies (continued)

g. Principles of Consolidation

The September 30, 2006 and December 31, 2005 financial statements include the accounts of Solar Energy Limited and its wholly owned subsidiaries Hydro, Sunspring, REEL, Planktos, and D2 Fusion. All intercompany accounts and transactions have been eliminated in the consolidation.

h. Fixed Assets

Property and equipment are stated at cost. Depreciation is computed on a declining balance basis at 20% per year.

i. Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents at well-known, quality financial institutions.

j. Goodwill

Under SFAS No. 142, goodwill must be tested annually for impairment using a two step process, the first process is to test the carrying value of the reporting unit vs. fair value. The second process tests if the carrying value exceeds fair value, if so, the carrying value is then compared vs. the fair value of goodwill to measure the amount of goodwill impairment loss, if any. The Company uses such methods as present value of discounted cash flows, prices of similar assets, independent appraisals, and other valuation techniques to determine fair value.

NOTE 2 - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has had recurring operating losses for the past several years and is dependent upon financing to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan includes the following: (1) obtaining funding from private placement sources; (2) obtaining additional funding from the sale of the Company's securities; (3) establishing revenues from commercializing of its project; and (4) obtaining loans and grants from various financial institutions, where possible. Although management believes that it will be able to obtain the necessary funding to allow the Company to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 3 - Property & Equipment

Property and equipment consists of the following at September 30, 2006 and December 31, 2005:

	<u>September 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Office Equipment & Furniture	\$ 55,004	\$ 43,106
Tools	<u>2,264</u>	<u>2,264</u>
	57,268	45,370
Accumulated Depreciation	<u>(34,927)</u>	<u>(31,795)</u>
Net Property & Equipment	<u>\$ 22,341</u>	<u>\$ 13,575</u>

NOTE 4 - Stockholders' Equity Transactions

During 2005, the Company issued 2,650,000 shares of common stock for cash proceeds of \$605,000, 1,255,000 shares of common stock for prepaid expenses and services of \$585,400 and 3,500,000 shares of common stock for the acquisitions of Planktos and D2 Fusion.

During the first nine months of 2006, the Company issued 785,000 shares of common stock for the exercise of warrants for cash proceeds of \$196,250 and 4,162,034 common shares for private placements for cash proceeds of \$1,205,306.

NOTE 5 - Notes Payable - Related Party

The loan from Bay Cove Investments, Ltd., a shareholder, bears interest at 6% per annum and is due upon demand. The balance of the loans at September 30, 2006 and December 31, 2005 is \$69,255 and \$65,486 respectively.

NOTE 6 – Debenture Payable

This loan bears interest at 10% per year for a three year term. Principle and Interest may be converted into common shares of the Company at an average trading price of the previous 10 days once the Holder has given the Company their notice of conversion, the maximum conversion price is \$0.75 per common share. The Holder of this Debenture shall also have the right, at its option, to convert the principal and interest amount due into CO2 Tonnes at any time prior to the end of the three year term, at a rate determined by one United States Dollar (\$1.00) per CO2 Tonne, subject to Company's ability to deliver such CO2 Tonnes at the time of conversion. As of September 30, 2006, none of the principle of \$100,000 or accrued interest of \$712 has been converted.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 7 – Mining & Mineral Rights

On November 17, 2004, the Company entered into an agreement with Manhattan Minerals Corp. (“Manhattan”) to purchase certain mining and mineral rights located in the vicinity of Tambogrande, Peru. Pursuant to the agreement, the Company was required to pay cash totaling \$600,000. As of December 31, 2004, the Company had paid a \$50,000 refundable deposit to Manhattan. The Company and Manhattan, by mutual consent, terminated the agreement in May of 2005, with the understanding that the \$50,000 deposit would be refunded to the Company, of which \$25,000 was refunded as of June 30, 2005. On August 11, 2005, the Company and Manhattan extended the terms of the original agreement for an additional 90-day option period. As of September 30, 2006, the option has expired and \$25,000 remains due to the Company.

NOTE 8 – Commitments

The founder of the HARPS technology has granted Hydro an exclusive license to develop, manufacture and market the same. For the license Hydro is committed to a 1% royalty on gross sales of the units and 1/2% royalty on the sale of the electrical power generated by any power plants owned by Hydro.

On August 17, 2005, the Company and Planktos executed an Iron-Fertilization Prove-Out and Purchase Agreement with Diatom whereby Diatom committed to assist the Company in providing developmental funding for a marine “iron-fertilization” prove out program in exchange for exclusive marketing and intellectual property rights to Planktos’ CO₂ sequestration process. Planktos expects the cost of the prove out program to be \$1,290,000 over the next six months of which Diatom has agreed to provide up to 25%. The Company will be responsible for funding the remainder of the developmental funding.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 9 – Stock Options

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), *Share-Based Payment*, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, *Accounting for Stock-Based Compensation*. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006. The Company has adopted the requirements of SFAS No. 123R for the fiscal year beginning on January 1, 2006 under the prospective method therefore no compensation expense under SFAS No. 123R with respect to unvested stock options was recorded during the first quarter of 2006.

Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro-forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

Solar Energy Limited
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2006
(Unaudited)

NOTE 9 – Stock Options (continued)

Information with respect to the Company's stock options at September 30, 2006 is as follows:

	Stock Options	Exercise Price	Weighted Average Exercise
Outstanding at January 1, 2005	500,000	\$.33	\$.33
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at December 31, 2005	500,000	\$.33	\$.33
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at September 30, 2006	<u>500,000</u>	<u>\$.33</u>	<u>\$.33</u>

Note 10 - Warrants

A summary of the Company's warrants at September 30, 2006 and December 31, 2005 and the changes for 2005 are as follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2005	2,185,000	0.28	1.71 years
Issued	-	-	
Exercised / Cancelled / Expired	<u>(785,000)</u>	<u>(0.25)</u>	
Balance September 30, 2006	<u>1,400,000</u>	<u>\$0.30</u>	<u>0.85 years</u>

The Company has recorded stock based compensation expense of \$963,500 which represents the fair value of the warrants using the Black-Sholes pricing model. The exercise price of the warrants at the time of grant was below the market price of the Company's commons shares.

Note 11 – Subsequent Events

On October 19, 2006 Diatom has tendered an offer to acquire 100% of the shares of Planktos.

The offer is subject to Diatom providing working capital sufficient to permit Planktos to achieve its production goals. According to the offer, the Company will receive 30,000,000 shares of Diatom's stock in exchange for Planktos.

ITEM 2.

MANAGEMENT'S PLAN OF OPERATION

This *Management's Plan of Operation* and *Results of Operations* and other parts of this report contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition" below. The following discussion should be read in conjunction with our financial statements and notes thereto included in this report. All information presented herein is based on our period ended September 30, 2006. Our fiscal year end is December 31.

Business

The Company is a research and development company with no revenues and no immediate source of revenue generation. The Company has been funded since inception from public or private debt or equity placements or by major shareholders in the form of loans. All of the Company's projects have been experimental in nature and virtually all of the capital raised to date has been allocated for research and the development activities with related administrative costs. In 2005 we began research and development operations with Planktos, Inc. ("Planktos") and D2Fusion Inc. ("D2Fusion").

Plan of Operation

During the nine month period ended September 30, 2006, the Company was focused on the operation of both Planktos and D2Fusion.

Planktos

Planktos is currently working with U.S. and European marine research teams to plan and launch significant ocean iron fertilization projects during 2006 for the sequestration of CO₂. Initial efforts will be modest in scope and research-intensive, but are still designed to verifiably sequester carbon between hundreds of thousands and millions of tonnage per voyage.

Planktos is approaching this work with a unique array of qualifications:

- Years of experience in the basic science of the field;
- Collaborative arrangements and working relationships with internationally recognized marine science project partners required for certification;
- Sustainable resource maximization plan designs;
- Expertise in resource value computation and certification procedures;
- Market access for resource commoditization and trade; and
- Experience in structuring all preceding factors into viable binding business plans.

Subsequent to the period ended September 30, 2006, on October 19, 2006, Diatom Corporation ("Diatom") tendered an offer to acquire 100% of the shares of Planktos. The offer is subject to Diatom providing working capital sufficient to permit Planktos to achieve its production goals. According to the offer, the Company will receive 30,000,000 shares of Diatom's stock in exchange for Planktos.

D2Fusion

D2Fusion is currently working with eminent U.S. and international research teams to continue developing energy producing projects. Using know-how as well as collaborative expertise from the U.S. government's top nuclear science labs, D2Fusion is intends to achieve the following:

- Develop a pilot project to compellingly demonstrate the commercial promise of D2Fusion technology, producing prototype kilowatt-scale thermal modules for use in many applications;
- Coordinate design, assembly, and testing of these prototype modules with leading national laboratory scientific and engineering teams to demonstrate these devices deliver safe clean solid-state fusion energy in a commercially useful form, which will both legitimate and publicize the field as well as generating important intellectual properties;
- Design a licensing and development plan to obtain the highest possible return on our products and technologies; and
- Grow the business to develop and deliver new products and processes.

Results of Operations

Virtually all of the capital raised by the Company to date has been allocated for research and the development activities and for administrative costs. All projects under development by the Company are experimental in nature and are recorded as research and development expenses with related general and administrative expenses.

The Company did not generate any revenues from operations during this period.

The Company does not expect to receive revenues through 2006 as both D2Fusion and Planktos remain in developmental stages with no revenues.

Net Losses

For the period from January 5, 1994 to September 30, 2006, the Company recorded a net loss of \$11,916,956. The Company's net losses are attributable to general and administrative expenses, research and development expenses and acquisitions costs. The general and administrative expenses include accounting expenses, professional fees consulting fees and costs associated with the preparation of public disclosure documentation. The research and development expenses include costs associated with the pursuit of numerous non-fossil fuel energy technologies including solar power, cold fusion nuclear power and the sequestration of CO₂ in the marine environment. The acquisition costs include expenses associated with the acquisition of Planktos and D2Fusion.

The Company expects to continue to operate at a loss through fiscal 2006 due to the nature of the Company's operations.

Liquidity and Capital Resources

As of September 30, 2006, the Company had current assets totaling \$456,502, cash on hand of \$454,589, and a working capital deficit of \$145,776. We will require new debt or equity transactions to satisfy cash needs over the next twelve months to fund the research & development efforts of both Planktos and D2Fusion.

The Company will require a minimum of \$2,000,000 to fund the ongoing development of cold fusion technology and \$1,500,000 to fund the “iron fertilization” prove-out program in addition to funding for administrative expenses. Since the Company has no revenues and a substantial need for significant capital, operations will continue to rely upon our ability to raise capital from private debt or equity placements. However, we cannot provide any assurance that our current financing efforts will be sufficient. Should the financing fail to provide sufficient capital over the next twelve months, the Company may have to abandon or, at a minimum, curtail ongoing research and development efforts. Further, equity financing will result in dilution to the Company shareholders and any debt financing could involve restrictive covenants with respect to future capital raising activities or other financial or operational matters.

In April of 2006 we commenced a private placement offering of our common stock pursuant to a Regulation S Stock Purchase Agreement, dated March 31, 2006, as amended May 8, 2006 (the “Agreement”), with Page Holdings Assets Ltd., a British Virgin Islands company and resident of a non-USA jurisdiction (“Page”) and Omega Financial Services LLC, a Delaware limited liability corporation, as escrow agent. Pursuant to the Agreement, Page has the right to purchase up to \$2,000,000 of the Company’s common stock pursuant to the exemption from registration provided under Regulation S of the Securities Act. Page’s per share purchase price equals 40% of the previous day’s last trade price as traded on the OTCBB and is subject to certain conditions, including: (i) a minimum trade price of \$0.45 per share, or (ii) as amended on May 8, 2006, a minimum of \$0.39 consideration to the Company subject to a ten percent (10%) finder’s fee. The ten percent (10%) finder’s fee is to be paid to Coventry Windsor, Inc., pursuant to a Consulting Agreement dated March 31, 2006. The term of the Agreement expires on December 31, 2006, from which offering we have authorized the issuance of 4,162,034 common shares in exchange for net cash proceeds of \$1,205,306.

On August 31, 2006, the Company issued a three year, 10% interest, convertible debenture. The holder of the debenture shall have the right to convert the principal and interest amount due into (i) common shares of the Company at an average trading price of the previous 10 days before notice of conversion, with a maximum conversion price of \$0.75 per share, or (ii) tonnes of CO₂ at any time prior to the end of the three year term, at a rate of \$1.00 per CO₂ tonne, subject to Company’s ability to deliver such CO₂ tonnes at the time of conversion. As of September 30, 2006, none of the principle of \$100,000 or accrued interest of \$712 has been converted.

The Company has no current plans for the purchase or sale of any plant or equipment.

The Company has no current plans to make any changes in the number of employees.

Critical Accounting Policies

In the notes to the audited consolidated financial statements for the year ended December 31, 2005 included in the Company’s Form 10-KSB, the Company discussed those accounting policies that are considered to be significant in determining the results of operations and our financial position. We believe that the accounting principles utilized by us conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. We base our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

Forward Looking Statements and Factors That May Affect Future Results and Financial Condition

The statements contained in the section titled *Management's Plan of Operation* with the exception of historical facts, are forward looking statements within the meaning of Section 27A of the Securities Act. A safe-harbor provision may not be applicable to the forward looking statements made in this Form 10-QSB because of certain exclusions under Section 27A(b). Forward looking statements reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These statements include, but are not limited to, statements concerning:

- our anticipated financial performance;
- the sufficiency of existing capital resources;
- our ability to fund cash requirements for future operations;
- uncertainties related to the development of our technologies;
- the volatility of the stock market; and
- general economic conditions.

We wish to caution readers that the Company's operating results are subject to various risks and uncertainties that could cause our actual results to differ materially from those discussed or anticipated in this report. We also wish to advise readers not to place any undue reliance on the forward looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than that is required by law.

Risks Related to Our Business

Our future operating results are highly uncertain. Before deciding to invest in us or to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this annual report. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

We have a history of significant operating losses and such losses may continue in the future.

Since our inception in 1994, our operations have resulted in a continuation of losses and an accumulated deficit which reached \$11,916,956 at September 30, 2006. The Company has never realized revenue from operations. We will continue to incur operating losses as we fund our subsidiaries' operations. Our only expectation of future profitability is dependent upon the success of our subsidiaries' programs and research and development. Therefore, we may never be able to achieve profitability.

Our subsidiaries will not likely be profitable in the next twelve months and may never be profitable.

Planktos is in the process of its iron-fertilization prove-out program and D2Fusion remains in the research and development stage with no significant revenues and will not likely be profitable within the next twelve months. While both operations have very high potential profit, it cannot be assured that iron-fertilization will live up to our expectations or whether our research into solid state fusion will ever be successful. Therefore, the possibility of future profits by our subsidiaries is purely speculative.

We will need additional financing to fund our subsidiaries

We will need additional capital to fund Planktos for its iron-fertilization prove-out program and D2Fusion's research and development. In our efforts to raise capital or obtain additional financing, we may be obligated to issue additional shares of common stock or warrants or other rights to acquire common stock on terms that will result in dilution to existing shareholders or place restrictions on operations. If adequate funds are not available or are not available on acceptable terms, our ability to fund our subsidiaries would be significantly limited.

We are dependent upon key people, who would be difficult to replace.

Our continued operations will be largely dependent upon the efforts of our executive officer and our directors as well as Russ George and our other engineers. Our future success also will depend in large part upon the Company's ability to identify, attract and retain other highly qualified managerial and engineering personnel. Competition for these individuals is intense. The loss of the services of our managers and engineers, the inability to identify, attract or retain qualified personnel in the future, or delays in hiring qualified personnel could make it more difficult for us to maintain our operations and meet our key objectives.

The market for our stock is limited and our stock price may be volatile.

The market for our common stock has been limited due to low trading volume and the small number of brokerage firms acting as market makers. Because of the limitations of our market and volatility of the market price of our stock, investors may face difficulties in selling shares at attractive prices when they want to. The average daily trading volume for our stock has varied significantly from week to week and from month to month, and the trading volume often varies widely from day to day.

We may incur significant expenses as a result of being quoted on the Over the Counter Bulletin Board, which may negatively impact our financial performance.

We may incur significant legal, accounting and other expenses as a result of being listed on the Over the Counter Bulletin Board. The Sarbanes-Oxley Act of 2002, as well as related rules implemented by the Commission, have required changes in corporate governance practices of public companies. We expect that compliance with these laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 as discussed in the following risk factor, may substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. As a result, there may be a substantial increase in legal, accounting and certain other expenses in the future, which would negatively impact our financial performance and could have a material adverse effect on our results of operations and financial condition.

Our internal controls over financial reporting may not be considered effective, which could result in a loss of investor confidence in our financial reports and in turn have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our annual report for the year ending December 31, 2008, we may be required to furnish a report by our management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. The report will also contain a statement that our independent registered public accounting firm has issued an attestation report on management's assessment of internal controls. If we are unable to assert that our internal controls are effective as of December 31, 2008, or if our independent registered public accounting firm is unable to attest that our management's report is fairly stated or they are unable to express an opinion on our management's evaluation or on the effectiveness of our internal controls, investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

Going Concern

The Company's audit expressed substantial doubt as to the Company's ability to continue as a going concern as a result of recurring losses, lack of revenue-generating activities and an accumulated deficit of \$10,506,018 as of December 31, 2005. The Company's ability to continue as a going concern is subject to the ability of the Company to realize a profit and /or obtain funding from outside sources. Management's plan to address the Company's ability to continue as a going concern, include: (1) obtaining funding from private placement sources; (2) obtaining additional funding from the sale of the Company's securities; (3) establishing revenues from commercializing of its projects; and (4) obtaining loans and grants from various financial institutions, where possible. Although management believes that it will be able to obtain the necessary funding to allow the Company to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

ITEM 3. CONTROLS AND PROCEDURES

The Company's president acts both as the chief executive officer and the chief financial officer and is responsible for establishing and maintaining disclosure controls and procedures.

a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of September 30, 2006. Based on this evaluation, the chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective and adequately designed to ensure that the information required to be disclosed in the reports which the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and that such information was accumulated and communicated to our chief executive officer and chief financial officer, in a manner that allowed for timely decisions regarding required disclosure.

The auditors did not test the effectiveness of nor relied on the internal controls of the Company for the fiscal quarters ended September 30, 2006 and 2005.

(b) Changes in internal controls over financial reporting.

During the quarter ended September 30, 2006 there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES

On July 5, 2006, the Company authorized the issuance of 50,000 restricted shares pursuant to the exemptions from registration provided by Regulation S of the Securities Act of 1933 for cash consideration of \$0.74 per share reduced by 60% to \$0.296 per share to Montague Giles for a discounted amount of \$14,800.

On July 10 2006, the Company authorized the issuance of 12,380 restricted shares pursuant to the exemptions from registration provided by Regulation S of the Securities Act of 1933 for cash consideration of \$0.75 per share reduced by 60% to \$0.30 per share to Katherine Jenkins for a discounted amount of \$3,714.

On June 19, 2006, the Company authorized the issuance of 1,105 restricted shares pursuant to the exemptions from registration provided by Regulation S of the Securities Act of 1933 for cash consideration of \$1.00 per share reduced by 60% to \$0.40 per share to Gordon Boddy for a discounted amount of \$442.

On June 19, 2006, the Company authorized the issuance of 2,737 restricted shares pursuant to the exemptions from registration provided by Regulation S of the Securities Act of 1933 for cash consideration of \$0.92 per share reduced by 60% to \$0.368 per share to Christopher Michael James for a discounted amount of \$1,007.

On August 1, 2006, the Company authorized the issuance of 31,500 restricted shares pursuant to the exemptions from registration provided by Regulation S of the Securities Act of 1933 for cash consideration of \$0.35 per share to Tim Brint & Tanya Brint for \$11,025.

On August 10, 2006, the Company authorized the issuance of 4,100 restricted shares pursuant to the exemptions from registration provided by Regulation S of the Securities Act of 1933 for cash consideration of \$0.75 per share reduced by 60% to \$0.30 per share to Peter Roberts-Wray for a discounted amount of \$1,230.

Regulation S provides generally that any offer or sale that occurs outside of the United States is exempt from the registration requirements of the Securities Act, provided that certain conditions are met. Regulation S has two safe harbors. One safe harbor applies to offers and sales by issuers, securities professionals involved in the distribution process pursuant to contract, their respective affiliates, and persons acting on behalf of any of the foregoing (the “issuer safe harbor”), and the other applies to resales by persons other than the issuer, securities professionals involved in the distribution process pursuant to contract, their respective affiliates (except certain officers and directors), and persons acting on behalf of any of the foregoing (the “resale safe harbor”). An offer, sale or resale of securities that satisfied all conditions of the applicable safe harbor is deemed to be outside the United States as required by Regulation S. The distribution compliance period for shares sold in reliance on Regulation S is one year.

The Company complied with the requirements of Regulation S for all of the above issuances by having no directed selling efforts made in the United States, by selling only to offerees who were outside the United States at the time of the offering, and ensuring that the entities to whom the stock were issued were non-U.S. persons with addresses in foreign countries.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits required to be attached by Item 601 of Regulation SB are listed in the Index to Exhibits on page 27 of this Form 10-QSB, and are incorporated herein by this reference.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, this 20th day of November, 2006.

Solar Energy Limited

/s/ Andrew Wallace

Andrew Wallace

Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer

EXHIBITS

<i>Exhibit No.</i>	<i>Page No.</i>	<i>Description</i>
3(i)	*	Articles of Incorporation (incorporated by reference to the Company's Form 10-SB filed with the Securities and Exchange Commission on January 28, 1999)
3(ii)	*	By-laws (incorporated by reference to the Company's Form 10-SB filed with the Securities and Exchange Commission on January 28, 1999)
10(i)	*	Acquisition Agreement with Planktos, Inc., dated August 10, 2005 (incorporated by reference to the Company's Form 8-K filed with the Commission on August 19, 2005).
10(ii)	*	Acquisition Agreement with D2Fusion Inc., dated August 18, 2005 (incorporated by reference to the Company's Form 8-K filed with the Commission on August 19, 2005).
10(iii)	*	Iron-Fertilization Prove-Out and Purchase Agreement with Diatom Corporation, dated August 18, 2005 (incorporated by reference to the Company's Form 8-K filed with the Commission on August 19, 2005).
14	*	Code of Ethics adopted March 30, 2004 (incorporated by reference to the Company's Form 10-KSB filed with the Securities and Exchange Commission on April 1, 2004)
31	28	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	29	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Incorporated by reference to prior filings with the Securities and Exchange Commission.	

EXHIBIT 31

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew Wallace, chief executive officer and chief financial officer of Solar Energy Limited (“Registrant”) certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB (“Report”) of Registrant;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the period presented in this Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - c) Disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date: November 20, 2006

/s/ Andrew Wallace

Andrew Wallace, Chief Executive Officer and Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of Solar Energy Limited (“Registrant”) for the quarterly period ended September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Andrew Wallace, chief executive officer and chief financial officer, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) This Report complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly represents, in all material respects, the financial condition of Registrant at the end of the period covered by this Report and results of operations of Registrant for the period covered by this Report.

Date: November 20, 2006

/s/ Andrew Wallace

Andrew Wallace, Chief Executive Officer and Chief Financial Officer

This certification accompanies this Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Registrant for the purposes of §18 of the Securities Exchange Act of 1934, as amended. This certification shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by §906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.