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 **June 30, 2007.**

☐ 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	**76-0418364**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1151-C Triton Drive, Foster City, California 94404
(Address of principal executive office) (Zip Code)

(650) 638-1975
(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 August 20, 2007 was 21,823,309.

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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)
CONSOLIDATED BALANCE SHEETS

	June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash	$ 32,902	$ 203,912
Prepaid expenses	20,176	26,357
TOTAL CURRENT ASSETS	53,078	230,269
OTHER ASSETS		
Deposits	4,720	4,720
TOTAL ASSETS	$ 57,798	$ 234,989
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank overdraft	$ 13,551	$ -
Accounts payable and accrued expenses	125,473	91,904
Accrued interest - related party	3,514	9,750
Other current liabilities	23,214	6,700
Advances payable	224,970	-
Note payable to related party	1,073,220	174,084
Deferred revenues	250,000	250,000
TOTAL CURRENT LIABILITIES	1,713,942	532,438
LONG-TERM LABILITIES		
Debenture payable, net of discount	76,818	72,850
Accrued interest	8,523	3,252
Derivative from debenture payable	18,021	18,221
Provision for loss on contract	967,500	967,500
TOTAL LONG-TERM LIABILITIES	1,070,862	1,061,823
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' DEFICIT		
Common stock, 50,000,000 shares authorized;$0.0001 par value, 21,823,309 and 19,873,309 shares issued and outstanding, respectively	2,182	1,987
Additional paid-in capital	11,430,747	10,753,442
Accumulated deficit during development stage	(14,159,935)	(12,114,701)
TOTAL STOCKHOLDERS' DEFICIT	(2,727,006)	(1,359,272)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 57,798	$ 234,989

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

SOLAR ENERGY LIMITED
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended		From Inception (January 5, 1994) through
	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	June 30, 2007 (unaudited)
REVENUES	$ -	$ -	$ -	$ -	$ -
EXPENSES					
General and administrative	711,444	484,626	1,213,840	918,393	5,955,291
Vessel operating costs	263,918	-	517,767	-	517,767
Research and development	169,009	29,046	279,908	96,427	2,765,035
Impairment of patents	-	-	-	-	39,648
Impairment of goodwill	-	-	-	-	3,514,118
TOTAL EXPENSES	1,144,371	513,672	2,011,515	1,014,820	12,791,859
LOSS FROM OPERATIONS	(1,144,371)	(513,672)	(2,011,515)	(1,014,820)	(12,791,859)
OTHER INCOME (EXPENSES)					
Other income	9,652	52,000	9,652	62,000	359,538
Financing costs	-	-	-	-	(963,500)
Charitable contribution	(2,500)	-	(27,500)	-	(27,500)
Gain (loss) on investments	-	-	-	-	17,200
Gain (loss) on sale or disposal of assets	-	-	-	-	(10,867)
Gain (loss) on derivative instrument	6,590	-	200	-	11,530
Gain on forgiveness of debt	-	-	-	-	172,227
Interest income (expense), net	(6,178)	982	(12,103)	82	(73,546)
Amortization of discount on debenture payable	(2,041)	-	(3,968)	-	(6,369)
Provision for loss on contract	-	-	-	-	(967,500)
Gain (loss) on sale of subsidiary	-	-	-	-	120,711
TOTAL OTHER INCOME (EXPENSE)	5,523	52,982	(33,719)	62,082	(1,368,076)
LOSS BEFORE TAXES	(1,138,848)	(460,690)	(2,045,234)	(952,738)	(14,159,935)
INCOME TAXES	-	-	-	-	-
NET LOSS	$ (1,138,848)	$ (460,690)	$ (2,045,234)	$ (952,738)	$ (14,159,935)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	$ (0.05)	$ (0.03)	(0.10)	$ (0.06)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	20,867,816	17,479,948	20,373,307	16,376,105	

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

SOLAR ENERGY LIMITED
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended		From Inception (January 5, 1994) through
	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	June 30, 2007 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (2,045,234)	$ (952,738)	$ (14,159,935)
Adjustments to reconcile net loss to net cash used in operating activities:			
(Net of Acquisition/Sale)			
Amortization and depreciation	-	1,939	203,644
Amortization on discount of debentures	3,968	-	6,369
Bad debt	-	-	250,000
Stock issued for services	150,000	-	856,851
Services for pre-paid expense	-	-	169,165
(Gain) Loss on derivative	(200)	-	(11,530)
Stock issued for R&D expenses	-	-	439,900
Loss on sale of assets	-	-	10,867
Gain on investments	-	-	(17,199)
Gain on sale of subsidiary	-	-	(120,711)
Gain on forgiveness of debt	-	-	(172,227)
Impairment of patents	-	-	39,648
Financing costs	-	-	963,500
Impairment of goodwill	-	-	3,514,118
Provision for loss on contract	-	-	967,500
Minority interest	-	-	(123,856)
(Increase) decrease in:			
Accounts receivable	-	(7,723)	39
Deposits	-	-	(24,883)
Prepaid expenses	6,181	150,111	2,324
Increase (decrease) in:			
Bank overdraft	13,551	-	13,551
Accounts payable	33,569	44,052	169,145
Accrued expenses and other current liabilities	15,549	1,178	268,877
Deferred revenues	-	-	250,000
Net cash used by operating activities	(1,822,616)	(763,181)	(6,504,843)

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

SOLAR ENERGY LIMITED
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

	Six Months Ended		From Inception (January 5, 1994) through
	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	June 30, 2007 (unaudited)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:			
Cash acquired from sale of subsidiary	-	-	180,000
Cash acquired (sold) from 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 received (paid) for property & equipment	-	(11,898)	(71,846)
Cash paid for deposits	-	-	(4,837)
Cash received on sale of assets	-	-	23,000
Cash paid for notes receivable	-	-	(295,000)
Net cash provided (used) by investing activities	-	(11,898)	(137,133)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:			
Issued stock for cash	527,500	1,371,457	4,174,969
Cash from related party notes payable and advances	1,124,106	(30,536)	1,743,988
Stock subscription	-	(6,680)	-
Proceeds from debenture payable	-	-	100,000
Cash received from advances by shareholders	-	-	2,044,099
Cash paid on debt financing	-	-	(1,388,178)
Net cash provided by financing activities	1,651,606	1,334,241	6,674,878
NET INCREASE (DECREASE) IN CASH	(171,010)	559,162	32,902
CASH, BEGINNING OF PERIOD	203,912	188,129	-
CASH, END OF PERIOD	$ 32,902	$ 747,291	$ 32,902
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ -	$ -	$ 17,195
Income taxes paid	$ -	$ -	$ -

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

NOTE 1 – DESCRIPTION AND HISTORY OF BUSINESS AND BASIS OF PRESENTATION

Solar Energy Limited ("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.

The Company was originally incorporated as Taurus Enterprises, Inc. under the laws the State of Delaware on January 5, 1994. In August of 1996, the Company merged with Salvage World, Inc., a private company, changed its name to "Salvage World, Inc." and reincorporated 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.

On January 1, 1998, the Company acquired 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.

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. On June 30, 2000, the Company sold 100% of its interest in RECO to Jade Electronic, Inc., who changed its 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.

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 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 transaction resulted in the Company owning a 21% interest in RECO and using 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 Mr. 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 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. On November 21, 2005, Mr. George converted the debenture for 1,500,000 of the Company's restricted common shares.

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's CO2 sequestration process. Planktos expects the cost of the prove out program to be $1,290,000 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 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. On November 21, 2005, Mr. George converted the debenture for 2,000,000 of the Company's restricted common shares.

The accompanying unaudited interim financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They may not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements for the year ended December 31, 2006 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal and recurring adjustments have been made. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Solar Energy Limited is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

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.

Deferred Revenue

The Company received deferred revenue from licensing its marketing and intellectual property rights to its CO2 sequestration process. Currently this sequestration process is not yet commercially viable, once the process becomes commercially viable, the Company will recognize license revenues on a straight-line basis over the license term.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which is effective for the Company as of its inception. These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

The Company issued convertible debt and accounts for that debt according to SFAS 133 and subsequent pronouncements. Consequently, management recognizes its convertible debt contract as containing a derivative instrument and accounts for the derivative according to generally accepted accounting principles in the U.S.

During the year ended December 31, 2006, the Company issued a debenture for a total of $100,000. The debenture included provisions for the conversion of the debt and interest into shares of the Company's common stock or into CO2 Tonnes. See Note 6.

Development Stage Activities

The Company has been in the development stage since inception. The Company has no revenues from its planned operations. 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.

Earnings (Loss) Per Share

The Company adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings (loss) per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings (loss) per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. For the periods reported, diluted net loss per share is the same as basic net loss per share as there were no common stock equivalents outstanding.

As of June 30, 2007, the Company had outstanding common stock options of 500,000, common stock warrants of 2,381,500, and convertible debt subject to beneficial conversion of 225,972 common shares. The above common stock equivalents were deemed to be antidilutive for the Company's six month ended June 30, 2007.

As of June 30, 2006, the Company had outstanding common stock options of 500,000, common stock warrants of 1,400,000, and no convertible debt subject to beneficial conversion. The above options and warrants were deemed to be antidilutive for the Company's six months ended June 30, 2006.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, trade accounts receivable, and accounts payable and accrued expenses. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at June 30, 2007 and December 31, 2006.

Foreign Currency Translation Gains/Losses

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year, except gains or losses relating to long-term debt which are deferred and amortized over the remaining term of the debt. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. The Company's functional currency is the U.S. dollar.

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.

Impaired Asset Policy

The Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for Impairment of Disposal of Long-Lived Assets." In complying with this standard, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amount whenever events or changes in circumstances indicate that an asset may not be recoverable.

Principles of Consolidation

The June 30, 2007 financial statements include the accounts of Solar Energy Limited and its wholly owned subsidiaries: Hydro; Sunspring; REEL; Planktos, Inc.; and D2 Fusion, Inc. All intercompany accounts and transactions have been eliminated in the consolidation.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

Provision for Loss on Contract

The Company recognizes funding commitments for undeveloped programs as long term liabilities. As funding is advanced by the Company for the programs, the liability is reduced by the amount of the advances.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" (hereinafter "SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings cause by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition for results of operations.

Reclassifications

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the fiscal 2006 presentation. The reclassifications have no effect on net assets, net revenues, or net earnings.

Revenue Recognition

The Company recognizes revenue for product sales when there is a mutually executed sales contract, when the products are shipped and title passes to customers, when the contract price and terms are fixed, and when collectibility is reasonably assured.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 3 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has limited cash, no revenues, and an accumulated deficit since the inception of the Company. These factors indicate that the Company may be unable to continue in existence. The Company is currently putting business plans in place which will, if successful, mitigate these factors which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans 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. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue existence.

NOTE 4 – STOCKHOLDERS' EQUITY TRANSACTIONS

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

During the six months ended June 30, 2007, the Company issued 1,150,000 shares of common stock for a private placement for $120,000 in cash and related party note payable debt settlement of $282,500 for net proceeds of $402,500, 500,000 shares of common stock from the exercise of warrants for cash proceeds of $125,000 and 300,000 shares of common stock for services valued at $150,000.

NOTE 5 – NOTES PAYABLE - RELATED PARTY

The loan from Bay Cove Investments, Ltd., a shareholder, is uncollateralized, bears interest at 6% per annum and is due upon demand. The loan balance, not including accrued interest, at April 30, 2007 and December 31, 2006 was $198,260 and $168,260, respectively. The accrued interest owing at April 30, 2007 and December 31, 2006 on this loan was $13,218 and $9,750, respectively. On May 1, 2007, Bay Cove Investments, Ltd. assigned the outstanding loan and accrued interest owing totaling $211,478 to Regal RV Resorts, Inc.

The loan from Regal RV Resorts, Inc., is uncollateralized, bears interest at 4% per annum and is due upon demand. The loan balance, not including accrued interest, at June 30, 2007 and December 31, 2006 was $175,000 and $NIL, respectively. The accrued interest owing on this loan at June 30, 2007 and December 31, 2006 was $2,912 and $NIL, respectively. The Company has an additional loan with Regal RV Resorts, Inc. for and additional $123,561. This loan is uncollateralized, bears interest at 6% per annum and is due upon demand. The accrued interest owing on this loan at June 30, 2007 and December 31, 2006 was $602 and $NIL, respectively.

The Company has entered into a securities exchange agreement to sell 100% of Planktos, Inc. (a subsidiary of Solar) to Planktos Corp. The transaction obtained Planktos Corp. shareholder approval on May 31, 2007. See Note 7. In anticipation of this acquisition, Planktos Corp has loaned operating capital to Planktos, Inc. to fund operations until the time of the acquisition. As of June 30, 2007 and December 31, 2006, the Company owed Planktos Corp $774,659 and $5,824, respectively. These operating loans are uncollateralized, with no stated interest rate, and due upon demand. Also, in anticipation of the acquisition with Planktos Corp, the Company's subsidiary Planktos, Inc. has spent a total of $253,849 toward the Weatherbird II ship rework and refit. This included equipment upgrades, maintenance, and the purchase of additional equipment. Planktos Corp has purchased the research vessel RV Weatherbird II while Planktos Inc. has supplied the funds to upgrade the ship. Planktos Inc. and Planktos Corp (formerly Diatom Corp) in anticipation of completing a merger are each contributing toward the total costs of acquiring and upgrading the vessel.

NOTE 6 – DEBENTURE PAYABLE / DERIVATIVE

This loan bears interest at 10% per year for a three year term. Principal 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 notice of conversion. Upon such notice, the maximum conversion price is $0.75 per common share. The holder of the debenture also has the right, at its option, to convert the principal and interest amount due into CO2 tons 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 ton, subject to Company's ability to deliver such CO2 tons at the time of conversion. As of June 30, 2007, none of the principal of $100,000 or accrued interest of $8,523 has been converted.

The original $100,000 debenture was discounted by $29,551 in order to reflect the derivative portion of the note. This discount on the debenture is amortized over the life of the note on a quarterly basis. As of June 30, 2007, the discount has been amortized by $6,369 to $23,182 which when netted against the original note gives a value of the debenture payable of $76,818. The derivative portion is adjusted on a quarterly basis at fair market value. Any resulting gain or loss is recognized in the consolidated statement of operations.

NOTE 7 – COMMITMENTS

The founder of the HARPS technology has granted the Company's subsidiary, Hydro an exclusive license to develop, manufacture and market the same. For the license, Hydro is committed to a 1% royalty on gross sales and 1/2% royalty on the sale of the electrical power generated by any power plants owned by Hydro. At June 30, 2007, there were no sales relating to the licensed technology.

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 of which Diatom has agreed to provide up to 25%. The Company will be responsible for funding the remainder of the developmental funding.

On January 12, 2007, the Company entered into a securities exchange agreement and plan of exchange with Planktos Corp. to sell 100% ownership of Planktos, Inc. (a subsidiary of Solar) in exchange for an aggregate of 45,000,000 shares of common stock of Planktos Corp., and the fulfillment of certain conditions on or before closing. The conditions include: (a) making available working capital of no less than $1,000,000 to Planktos Inc. on or before the acquisition is completed, (b) cancellation of 45,000,000 shares of issued and outstanding common share capital of Planktos Corp. on or before the acquisition is completed and (c) obtaining shareholder approval of the transaction. The transaction obtained Planktos Corp. shareholder on May 31, 2007 but had not closed as of June 30, 2007.

On May 31, 2007, the Company entered into a securities exchange agreement and plan of exchange with Enwin Resources, Inc. whereby The Company intends to sell 100% ownership of D2 Fusion, Inc. to Enwin Resources, Inc., in exchange for an aggregate of 30,000,000 shares of Enwin Resources, Inc.'s common stock, and the fulfillment of certain conditions on or before closing. The conditions include that Enwin Resources, Inc. (a) make available working capital of no less than $2,000,000 to D2 Fusion, Inc. on or before the acquisition is completed, (b) cancel 30,000,000 shares of its issued and outstanding common share capital on or before the acquisition is completed, and (c) obtain shareholder approval of the transaction. As of June 30, 2007, Enwin Resources, Inc. had advanced $224,970 towards working capital, these advances have no specific due dates for repayment, are currently uncollateralized, and are non-interest bearing. Conditions of this agreement have not been met and the closing of this transaction is still pending.

In the six months ended June 30, 2007, Planktos, Inc. agreed to donate $75,000 to a non-profit organization. In connection with this donation, the Company received the use of approximately $50,000 in equipment for Planktos Corp.'s Weatherbird II vessel. The Company recorded the value of the equipment in vessel operating costs and recorded the remainder as a charitable contribution. As of June 30, 2007, the Company had paid only $52,500 of the donation and recorded the unpaid portion of $22,500 as a current liability.

NOTE 8 – 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 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.

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.

Information with respect to the Company's stock options at June 30, 2007 is as follows:

	Stock Options	Exercise Price	Weighted Average Exercise
Outstanding at January 1, 2006	500,000	$ .33	$ .33
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at December 31, 2006	500,000	.33	.33
Granted	-	-	-
Exercised	-	.33	.33
Forfeited	-	-	-
Outstanding at June 30, 2007	500,000	$ .33	$ .33

NOTE 9 – WARRANTS

A summary of the Company's warrants at June 30, 2007 and December 31, 2006 and the changes for 2007 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	531,500	0.40	1.32
Exercised / Cancelled / Expired	(785,000)	(0.25)	-
Balance, December 31, 2006	1,931,500	0.33	0.81
Issued	1,150,000	0.40	1.84
Exercised / Cancelled / Expired	(700,000)	(0.25)	-
Balance June 30, 2007	2,381,500	$ 0.39	1.17 years

NOTE 10 – SUBSEQUENT EVENTS

The Company has entered into a securities exchange agreement to sell 100% of D2 Fusion, Inc. (a subsidiary of Solar) to Enwin Resources, Inc. Conditions of this agreement have not been met and the closing of this transaction is still pending. See Note 7.

On August 9, 2007 the Company sold its wholly owned subsidiary, Planktos, Inc. pursuant to the closing of a securities exchange agreement and plan of exchange. The agreement entered into on January 12, 2007 with the Company and Planktos Corp., provided for the sale of 100% ownership of Planktos, Inc. in exchange for an aggregate of 45,000,000 shares (post forward split, dated March 8, 2007) of Planktos Corp. common stock and the fulfillment of certain conditions on or before closing, including the retirement of $1,180,000 of Planktos, Inc. advances payable to the Company.

In satisfaction for the purchase price, the Company now owns approximately 54% of Planktos Corp. The fair market value of the assets acquired and liabilities assumed were as follows:

Cash	$ 14,000
Fixed Assets	794,000
Total assets acquired	808,000
Accounts Payable	$ 14,000
Loan payable	98,000
Other liabilities	13,000
Total liabilities acquired	125,000
Net liabilities acquired in excess of assets	$ 683,000

SOLAR ENERGY LIMITED
JUNE 30, 2007
CONSOLIDATED STATEMENT OF OPERATIONS - PROFORMA

	Solar Energy, Ltd.	Planktos Corp.	Eliminations	PROFORMA CONSOLIDATED
	For the Three Months Ended			
	June 30, 2007 (Unaudited)	June 30, 2007 (Unaudited)	June 30, 2007 (Unaudited)	June 30, 2007 (Unaudited)
REVENUES	$ -	$ -		$ -
OPERATING EXPENSES				
General and administrative	711,444	39,181		750,625
Research and development	169,009			169,009
Vessel operating costs	263,918	-		263,918
Total Operating Expenses	1,144,371	39,181	-	1,183,552
LOSS FROM OPERATIONS	(1,144,371)	(39,181)	-	(1,183,552)
OTHER INCOME (EXPENSE)				
Other income	9,652	-		9,652
Interest income	-	-		-
Charitable contribution	(2,500)	-		(2,500)
Gain (loss) on derivative instrument	6,590			6,590
Interest expense	(6,178)	-		(6,178)
Amortization of discount on debenture payable	(2,041)			(2,041)
Less minority interest of Planktos Corp shareholders	-		17,945	17,945
Total Other Income (Expense)	5,523	-	17,945	23,468
NET LOSS BEFORE INCOME TAX	(1,138,848)	(39,181)	17,945	(1,160,084)
INCOME TAX EXPENSE	-	-	-	-
NET LOSS	$ (1,138,848)	$ (39,181)	$ 17,945	$ (1,160,084)

SOLAR ENERGY LIMITED
JUNE 30, 2007
CONSOLIDATED STATEMENT OF OPERATIONS - PROFORMA

	Solar Energy, Ltd.	Planktos Corp.	Eliminations	CONSOLIDATED
	For the Six Months Ended			
	June 30, 2007 (Unaudited)	June 30, 2007 (Unaudited)	June 30, 2007 (Unaudited)	June 30, 2007 (Unaudited)
REVENUES	$ -	$ -	$ -	$ -
OPERATING EXPENSES				
General and administrative	1,213,840	208,312		1,422,152
Research and development	279,908	-		279,908
Vessel operating costs	517,767	-		517,767
Total Operating Expenses	2,011,515	208,312	-	2,219,827
LOSS FROM OPERATIONS	(2,011,515)	(208,312)	-	(2,219,827)
OTHER INCOME (EXPENSE)				
Other income	9,652	-		9,652
Interest income	-	-		-
Charitable contribution	(27,500)	-		(27,500)
Gain (loss) on derivative instrument	200			200
Interest expense	(12,103)	-		(12,103)
Amortization of discount on debenture payable	(3,968)			(3,968)
Less minority interest of Planktos Corp shareholders	-		95,407	95,407
Total Other Income (Expense)	(33,719)	-	95,407	61,688
NET LOSS BEFORE INCOME TAX	(2,045,234)	(208,312)	95,407	(2,158,139)
INCOME TAX EXPENSE	-	-	-	-
NET LOSS	$ (2,045,234)	$ (208,312)	$ 95,407	$ (2,158,139)

ITEM 2.

MANAGEMENT'S PLAN OF OPERATION

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 June 30, 2007. Our fiscal year end is December 31.

Description of Business

The Company is a research and development incubator of (a) cost-effective renewable energy sources that do not threaten the environment, and (b) practical solutions to mitigate the effects of traditional energy sources' unintended consequences concerning global climate change. Since 1997 the Company has focused on innovative solutions for global issues related to water, energy and pollution. Our primary focus was on the development of renewable energy sources that could compete with traditional energy sources. Operations were concentrated on research and development activities involving the utilization of solar and water energy, in addition to increasing engine efficiencies. However, despite the Company's efforts, we were unable to bring to market any commercial application of this work.

Over the last two years, the Company has concentrated on furthering the science connected to the operation of two wholly owned subsidiaries, D2Fusion, Inc. and Planktos, Inc. both of which are involved in developing pioneering technologies. D2Fusion is developing a mechanism to provide limitless renewable energy through proprietary solid-state fusion, more commonly known as "cold-fusion" aimed at entry level heat and energy applications for homes and industry. Planktos is well underway to sequester CO2 from the earth's marine environment using a proprietary "iron fertilization" process and from the growth of new forests. These efforts at sequestration will generate commercial quantities of verifiable carbon credits to meet global requirements made part of international agreements such as the Kyoto Protocol.

Subsequent to the end of the current period, the Company transferred ownership of Planktos to Planktos Corp. in exchange for 45,000,000 shares of Planktos Corp. common stock pursuant to the terms of a securities and exchange agreement and plan of exchange executed on January 12, 2007. The transaction enabled the Company to acquire a controlling interest (53.78%) in the outstanding common shares of Planktos Corp. The Company intends to consolidate its financial statements with those of Planktos Corp. in future reporting periods.

On May 31, 2007, the Company entered into a securities exchange agreement and plan of exchange with Enwin Resources, Inc. pursuant to which agreement the Company intends to transfer ownership of D2Fusion to Enwin Resources in exchange for an aggregate of 30,000,000 shares of its common stock, and the fulfillment of certain conditions on or before closing. Those conditions include that Enwin Resources (a) make available working capital of no less than $2,000,000 to D2Fusion on or before the acquisition is completed, (b) cancel 30,000,000 shares of its issued and outstanding common share capital on or before the acquisition is completed, and (c) obtain shareholder approval of the transaction. The transaction is pending subject to the fulfillment of these certain conditions.

PLANKTOS, INC.

Planktos is a Foster City, California based business focused on reviving marine as well as land based ecosystem health and biodiversity, with the intention to slow global climate change. We have launched a two year pilot project series to restore hundreds of millions of tons of missing plankton plant life in the open seas that will sequester tens of millions of tons of carbon dioxide ("CO2") in the deep ocean for centuries or more. On land, Planktos' Hungarian subsidiary KlimaFa (translated as "Climate Forest") intends to plant thousands of hectares of new, permanently protected, native forests or "climate parks" in the national parks system of the European Union and elsewhere.

Both ocean plankton and forest ecorestoration projects remove huge quantities of global warming CO2 from the atmosphere. Long term CO2 reductions can now be banked and traded like a commodity in international carbon markets. Consequently, Planktos' business model will not only restore the planet's most vital biological systems but will generate the largest volume of low cost greenhouse gas offsets or "carbon credits" available to commercial, governmental and green consumer clients.

Rarely in history has a globally recognized environmental crisis and a remedial technology emerged with such auspicious synchronicity. Planktos is pioneering natural science intensive marine and terrestrial ecorestoration regimes that affordably offer unprecedented gains for the climate, the biosphere and the company's our commercial objectives. Simply restoring of ocean plankton plant life to 1980's levels of health will remove 3-4 billion tons of global warming CO2 and generate tens of billions of dollars in tradable carbon credit value.

Years before global warming began claiming headlines around the world, Planktos researchers were building on a decade of ocean international science investigations with micronutrient revival of lifeless regions of the sea. Although this restoration science was once proposed as a potent technique to revive the collapsing marine food chain, it was neither funded nor developed as an effective technology. The advent of the Kyoto Protocol, the enormous carbon sequestration potential of this work and the developing global trade in carbon credits, has become the focus of the Planktos business model.

The Kyoto Protocol enables companies and governments to offset regulated greenhouse emission restrictions by investing in CO2 reduction programs in exchange for Carbon Emission Reduction ("CER") credits. European nations began trading CER credits as of January 2005. CER credits are traded much like commodities with an average value of between $6 and $16 per CER (which represents one ton of CO2 or equivalent) dependent on whether the carbon credit is certified or not and depending on the date and origin of the carbon credit. The Kyoto Protocol became law effective February 16, 2005, the result of which should be a rapidly expanding multi-billion-dollar market for CER credits.

Planktos has cultivated working partnerships with government labs and ocean science institutions to assist with measurement and verification procedures and to optimize project designs. Bankable, tradable investment grade CER credits for corporate buyers and fund managers will be verified and certified with satellite & aerial mapping, underwater analysis methods, and bloom measuring sensors on Planktos' proprietary autonomous ocean rovers.

Russ George, the president of Planktos, has been involved with ocean restoration and CO2 sequestration since 1997 and was responsible for establishing the Planktos Foundation. Planktos' management team is supported by an Advisory Group headed by Dr. Noel Brown (formerly the United Nations Environmental Program director), Dr. Scott Chubb (US Naval Research Laboratory) and Dr. Gustov Boehm (Senior Scientist Daimler /Chrysler, Stuttgart, Germany).

Forests of the Ocean

Plankton in our oceans is well documented in its utilization of photosynthesis to absorb CO2. Planktos' near-term commercial objective is to produce CER credits at a cost of less than $1 per ton utilizing proprietary technology designed to stimulate plankton growth in the world's oceans as a means by which to sequester (isolate from the atmosphere) CO2.

Specifically, Planktos expects to implement its program of sequestration by "iron fertilization" of the ocean, restoring this micronutrient that is vital for ocean plant growth and photosynthesis which is now scarce in marine waters. The iron is similar to that nature has delivered to sustain the oceans throughout history, but that has been on the decline for thirty years owing to changes in land use. The fertilization process is intended to trigger vast plankton blooms which will absorb the carbon in CO2, 30-40% of which sinks deep enough to be verified as sequestered.

Our initial calculations have determined that the introduction of one ton of iron results on the biological fixation of up to 100,000 tons of CO2. Moreover, this process has three additional benefits that help to restore ecosystems of the open ocean:

- Support and restore diminished fish populations (additional plankton means more food)
- Adds to global O2 levels (more plankton results in more oxygen as some 60% of the earth's O2 is produced by plankton)
- Preserves coral reefs by reducing the acidity of the oceans.

The process of stimulating plankton growth and the overall mission of Planktos can be viewed on its website: www.planktosinc.com.

Forests of the Land

A tree is composed of about 50% carbon which is produced by removing CO2 from the air through photosynthesis. KlimaFa is dedicated to afforestation and reforestation projects in Europe and the Americas. Studies are now underway to develop an ecologically sound indigenous species mix and planting model of flora to maximize wildlife habitat and biodiversity in the respective regions. KlimiFa is currently involved in several government-assisted carbon forest projects in Hungary that intend to restore native mixed growth forests in national parks and then afforest large tracts of retired agricultural lands.

The Kyoto Protocol recognizes a variety of mechanisms to reduce atmospheric CO2 and other greenhouse gases, and has approved carbon sequestration from new forests. The development of forests ultimately produces valuable carbon credits. KlimaFa estimates that carbon credits produced in this manner will cost approximately $4.00 per ton. KlimaFa's target is to plant up to 100,000 hectares over the next 24 months.

The science and news surrounding eco-restoration can be viewed on KilmaFa's website: www.klimafa.com.

D2FUSION INC.

D2Fusion, based in Foster City, California, and Los Alamos, New Mexico, is a research and development company staffed by scientists and engineers working toward the delivery of proprietary solid-state fusion aimed at entry level heat and energy applications for homes and industry. Solid-state fusion is a solid state, low temperature, non-radioactive nuclear reaction that fuses two heavy hydrogen nuclei into a helium atom and releases enormous amounts of heat. The technology is more widely recognized under the name “cold-fusion.”

Unlike the reactions in “cold-fusion,” D2Fusion technology uses more simple and reliable solid state processes more akin to high temperature super-conductor physics to produce and control radiation-free fusion reactions known as “LENR” or Low Energy Nuclear Reaction in the Solid State. In this most simple form of fusion, the process of LENR fuses two Deuterium atoms (heavy Hydrogen) that are contained and constrained under solid-state conditions fuse to form a single Helium-4 isotope (4He) but since the mass of one 4H atom is slightly less than two Deuterium atoms, each new helium atom created is accompanied by a release of energy. To put this into a more common perspective, under ideal conditions one gram of hydrogen fuel holds the equivalent to billions of watts (joules) of energy.

First discovered in the 1930s then re-discovered and announced in 1989, this safe, low-cost technology seemed to answer all society's prayers for a clean and abundant new energy source. To some, however, it appeared to violate conventional physics and threaten entrenched energy industries, and it was for a time denounced as impossible. Now, after more than 17 years of painstaking research and experimentation, this enigmatic new phenomenon has finally given up enough secrets to allow development of laboratory applications. Upon completion of a consumer model, multi-kilowatt D2Fusion devices will be able to permeate society, enhancing the economy, environment, and self-sufficiency of countless nations around the globe.

Major energy research organizations and government agencies around the world are now accelerating efforts to develop and deliver new forms of nuclear energy. Only solid-state fusion offers such an energy solution without any radioactivity or nuclear waste. As the departments of energy and defense in the USA, Europe, and Asia begin to make R&D commitments in this field, D2Fusion is positioned to pioneer many commercial applications that can finally bring this clean energy revolution to fruition.

Russ George and Dr. Tom Passell (formerly of the Nuclear Power Division of the Electric Power Research Institute of Palo Alto), have been involved with solid-state fusion research since 1989. Mr. George’s successful experimental prototypes have been tested at the Los Alamos National Laboratory and Stanford Research Institute. D2Fusion’s management team is supported by a Scientific Advisory Board that includes Dr. Brian Josephson (Cambridge Nobel Laureate), Dr. Martin Fleischman (one of the two original proponents of cold fusion in 1989) as well as Dr. Tom Clayton, Dr. Dale Tuggle and Dr. Malcolm Fowler, from the Los Alamos National Laboratory.

The immediate goal of D2Fusion is to produce and operate three, small scale thermal prototypes, one in Foster City, California, one in Los Alamos, New Mexico and one in Cambridge, England in order to provide the ability of our scientists to prove their ability to replicate LENR at disparate locations. D2Fusion is already well on its way to accomplishing this goal as our facilities in Foster City and Los Alamos already have working prototypes that can demonstrate LENR. We expect that these prototypes will be further tested and refined by collaborating research groups in the Silicon Valley, Los Alamos, and Europe.

D2Fusion's ultimate goal is to produce heat and electricity at a fraction of today's cost, with no emissions. The first commercial product envisioned is a small space heater suitable for all residential homes that will not need refueling over several human life spans.

The Company is well aware of the controversy surrounding "cold fusion" technology. However, we believe that there is sufficient global evidence that the risk/reward ratio merits our investment. As D2Fusion's prototype technology is scaled to commercial size it could help solve much of the world's energy, water, and pollution problems. The science and news surrounding solid-state fusion and D2Fusion can be viewed on its website: www.D2Fusion.com.

Historical Research and Development

The Company is the owner of intellectual property rights related to the acquisition of Hydro-Air Technologies, Inc., ("HAT"), from Dr. Melvin Prueitt. HAT has certain intellectual property rights that the Company had intended to develop for the purpose of generating commercially viable electrical power using the energy generated by the heat of evaporation of water. Unfortunately, these projects proved difficult to develop into working prototypes that caused the Company to abandon research and development specific to these technologies. However, preliminary work, experiments completed and test results generated from the projects did prove useful to derivative projects that the Company expects may become commercially viable at some future date.

The Company is the owner of a 30% interest in Renewable Energy Limited ("RECO"). The primary asset of RECO is a project called SOLAREC (Solar Reduction of Carbon Dioxide.) This project, lead by Dr. Reed Jensen involves the task of recycling carbon dioxide into fuel using focused ultraviolet and visible light from the sun. One of the goals of the SOLAREC project is to use solar energy and CO2 to produce a clean usable fuel (gasoline, diesel, etc.) with electricity and oxygen as the only by-products. RECO has also developed three solar driven methods for the environmentally friendly production of hydrogen, utilizing atmospheric or industrially produced CO2 or coal. The Company believes that the SOLAREC project has the potential to significantly address today's global energy and pollution problems but as a minority interest holder is no longer involved in on a day-to-day basis.

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 six month period ended June 30, 2007, the Company was involved in developing innovative technologies tied to its wholly owned subsidiaries, Planktos and D2Fusion, building a management team for both entities, and completing a private placement to fund research and development. The Company remains focused on overseeing the operation of Planktos as the controlling shareholder of Planktos Corp. and managing the day to day operation of D2Fusion in anticipation of closing its agreement to transfer ownership to Enwin Resources.

Planktos, Inc.

Planktos is currently working with U.S. and European marine research teams to plan and launch significant ocean iron fertilization projects during 2007. 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 an 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 monetization and trade; and
- Experience in structuring all preceding factors into viable binding business plans.

Planktos expects to launch in 2007 the first of a series of up to 6 commercial scale ocean plankton blooms over 24 months designed to verifiably sequester a total of between 24 and 30 million tons of CO2. Post 2008 follow on projects include new ships, and larger blooms with a target of 250 million tons of verified CO2 sequestration by 2010.

Our plan of operation for Planktos will require $1,500,000 in funding over the next 12 months. We are confident that Planktos Corp. will be able to finance the remainder of the “iron fertilization” prove out phase of the Planktos business model.

D2Fusion

D2Fusion is currently working with eminent U.S. and international research teams to continue product development projects. Using the know-how as well as collaborative expertise from the U.S. government's top nuclear science labs, D2Fusion is prepared to build, demonstrate, and test small (kilowatt-scale) thermal module prototypes. D2Fusion intends to achieve the following:

- 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. This will both legitimate and publicize the field as well as generating important intellectual properties;
- Design of a licensing and development plan obtain the highest possible return on our products and technologies;
- Grow the business to develop and deliver new products and processes.

Our plan of operation for D2Fusion will require $2,000,000 in financing over the next 12 months which financing is tied to our agreement with Enwin Resources. The Company is confident that Enwin Resources will be able to finance D2Fusion in the near term. Meanwhile, we will continue to fund limited research and development of D2Fusion’s LENR technology.

Results of Operations

The Company has been funded since inception from public or private debt or equity placements or by major shareholders in the form of loans. Virtually all of the capital raised 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 2007 as both D2Fusion and Planktos remain in the development stages.

Net Losses

For the period from January 5, 1994 to June 30, 2007 the Company recorded a net loss of $14,159,935. Net losses for the three month period ended June 30, 2007 were $1,138,848 as compared to $460,690 for the three month period ended June 30, 2006. Net losses for the six month period ended June 30, 2007 were $2,045,234 as compared to $952,738 for the six month period ended June 30, 2006. The change in net losses in the current six month period can be attributed to increases in general and administrative expenses, research and development costs and vessel maintenance. 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 both the pursuit of numerous non-fossil fuel energy technologies including solar power, cold fusion nuclear power and the sequestration of CO2 in the marine and terrestrial environments. Vessel maintenance is related to expenses incurred by Planktos in retrofitting the Weatherbird II research ship.

The Company expects to continue to operate at a loss through fiscal 2007 due to the nature of the Company's operations.

Income Tax Expense (Benefit)

The Company has a prospective income tax benefit resulting from a net operating loss carryforward and start up costs that may offset any future operating profit.

Impact of Inflation

The Company believes that inflation has had a negligible effect on operations over the past three years.

Capital Expenditures

The Company expended no significant amounts on capital expenditures for the period from inception to June 30, 2007.

Liquidity and Capital Resources

As of June 30, 2007, the Company had current assets totaling $53,078 and a working capital deficit of $1,660,864. These assets consist of cash on hand of $32,902 and prepaid expenses of $20,176. Net stockholders' deficit in the Company was $2,727,006 at June 30, 2007. The Company is in the development stage and, since inception, has experienced significant changes in liquidity, capital resources and shareholders' equity.

Cash flow used in operating activities was $6,504,843 for the period from inception to June 30, 2007. Cash flow used in operating activities for the six month period ended June 30, 2007 was $1,822,616 as compared to $763,181 for the six months ended June 30, 2006. The increase in cash flow used in operating activities in the current six month period was due primarily to an increase in net losses.

Cash flow provided by financing activities was $6,674,878 for the period from inception to June 30, 2007. Cash flow provided by financing activities for the six month period ended June 30, 2007 was $1,651,606 as compared to $1,334,241 for the six months ended June 30, 2006. Cash flow provided by financing activities in the current six month period can be attributed to proceeds received from related party loans, advances and sales of our equity.

Cash flows used for investing activities was $137,133 for the period from inception to June 30, 2007. Cash flow used for investing activities for the six month periods ended June 30, 2007 was $0 as compared to $11,898 for the six months ended June 30, 2006.

The Company's current assets are insufficient to conduct our plan of operation over the next twelve (12) months and we will have to seek debt or equity financing to fund operations. The Company has no current commitments or arrangements with respect to, or immediate sources of funding. Further, no assurances can be given that funding, if needed, would be available or available to the Company on acceptable terms. The Company's shareholders would be the most likely source of new funding in the form of loans or equity placements though none have made any commitment for future investment and we have no agreement formal or otherwise. The Company's inability to obtain funding would have a material adverse affect on our plan of operation.

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.

Off Balance Sheet Arrangements

As of June 30, 2007, the Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to stockholders.

Critical Accounting Policies

In the notes to the audited consolidated financial statements for the year ended December 31, 2006 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 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 $14,159,935 at June 30, 2007. 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. If we are unable to assert that our internal controls are effective as of December 31, 2008, 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 $12,114,701 as of December 31, 2006. 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 June 30, 2007. 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.

(b) Changes in internal controls over financial reporting.

During the quarter ended June 30, 2007 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 May 1, 2007, the Company authorized the issuance of 1,150,000 units, each unit comprised of one common share and one purchase warrant with an exercise price of $0.40 for a period of 24 months to Regal RV Resorts, Inc., pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933 in exchange for cash consideration of $402,500 or $0.35 per unit. No commissions were paid in connection with this transaction.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

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 forgoing (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 by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On May 14, 2007 the Company authorized the issuance of 50,000 shares of common stock valued at $0.50 a share to Andrew Wallace, pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933 in consideration of services rendered as an officer and director of the Company.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration for services rendered as an officer and director; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the person to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On May 14, 2007 the Company authorized the issuance of 30,000 shares of common stock valued at $0.50 a share to William Sherban, pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933 in consideration of services rendered as a director of the Company.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration for services rendered as a director; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the person to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On May 14, 2007 the Company authorized the issuance of 10,000 shares of common stock valued at $0.50 a share to Toby Thatcher, pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933 in consideration of services rendered as a director of the Company.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration for services rendered as a director; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the person to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On May 14, 2007 the Company authorized the issuance of 10,000 shares of common stock valued at $0.50 a share to Nora Coccaro, pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933 in consideration of services rendered as a former director of the Company.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration for services rendered as a former director; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the person to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On May 17, 2007 the Company authorized the issuance of 200,000 shares of common stock valued at $0.51 a share to RV Regal Resorts, Inc. as required by Section 3(B) of a Consulting Agreement dated December 1, 2005, pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933 for services rendered.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for services rendered as a consultant; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On May 31, 2007 the Company authorized the issuance of 250,000 shares of common stock for cash consideration of $62,500 to Supreme Gold Holding Limited on the exercise of common stock purchase warrants for $0.25 a share pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

On May 31, 2007 the Company authorized the issuance of 250,000 shares of common stock for cash consideration of $62,500 to Netone Enterprise Limited on the exercise of common stock purchase warrants for $0.25 a share pursuant to exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having no directed selling efforts made in the United States, by selling only to an offeree who was outside the United States at the time of the offering, and ensuring that the entity to whom the stock was issued was a non-U.S. person with an address in a foreign country.

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 37 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 August, 2007.

Solar Energy Limited

/s/ Andrew Wallace
Andrew Wallace
Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer

EXHIBITS

Exhibit No.	*Page No.*	*Description*
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 herein by reference to the Company's Form 10-SB filed with the Commission on January 28, 1999)
10(i)	*	Stock Purchase Agreement dated April 27, 2004 between Renewable Energy Limited, Los Alamos Renewable Energy , LLC, Renewable Energy Corporation and the Company (incorporated by reference to the Company's Form 10-QSB filed with the Securities and Exchange Commission on August 24, 2004)
10(ii)	*	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(iii)	*	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(iv)	*	Iron-Fertilization Prove-Out and Purchase Agreement with Planktos Corp. (formerly Diatom Corporation), dated August 18, 2005 (incorporated by reference to the Company's Form 8-K filed with the Commission on August 19, 2005)
10(v)	38	Consulting Agreement with Bay Cove Capital Corporation dated December 1, 2005
10(vi)	*	Securities Exchange Agreement and Plan of Exchange with Planktos Corp. (formerly Diatom Corporation dated January 12, 2007 (incorporated by reference to the Company's Form 8-K filed with the Commission on January 19, 2007)
10(vii)	45	Amendment to Consulting Agreement with Bay Cove Capital Corporation dated May 1, 2007
14	*	Code of Ethics adopted March 30, 2004 (incorporated herein by reference to Form 10-KSB dated April 1, 2004)
31	46	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	47	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.

EXHIBIT 10(v)

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement"), effective as of the 1st day of December 2005 ("Effective Date"), by and between Solar Energy Limited with principal offices located at 145 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 ("Company"), and Bay Cove Capital Corporation, with principal offices located at 3585 Point Grey Road, Vancouver, British Columbia V6R 1A7 ("Consultant").

PREMISES

A. Consultant has numerous business contacts and is familiar with business conditions, contacts and opportunities in connection with alternative energy and environmentally conscious concerns.

B. Company is a research and development company focused on the development of low cost effective solutions to global issues concerning water, energy and pollution that is interested in investigating additional business opportunities.

C. Consultant desires to enter into a written agreement to serve as a consultant to Company.

D. Company desires to secure the services of Consultant and to protect its interest by obtaining comprehensive covenants from Consultant not to compete with Company or divulge Company's confidential information.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreement contained herein, and for other good and valuable consideration, the receipt and adequacy of which is expressly acknowledged hereby, Company and Consultant agree as follows:

1. Engagement of Consultant

Company hereby retains Consultant to serve as consultant to Company in the following areas:

A. Identify potential acquisition candidates involved with alternative energy applications and environmentally conscious business opportunities;
B. Provide market research and business evaluations of alternative energy and environmentally conscious opportunities world wide;
C. Introduce debt and equity funding sources to the Company; and
D. Perform such other services that the Company's board of directors should reasonably request over the term of this Agreement.

The foregoing services collectively are referred to herein as the "Consulting Services".

2. Term of Agreement

This Agreement shall have a term of sixty (60) months commencing on the Effective Date of this Agreement ("Term of Agreement").

3. Compensation

A. The Company agrees to pay Consultant a monthly fee of ten thousand dollars ($10,000) and to pay all approved expenses in consideration for the Consulting Services, to be paid only from available funds, otherwise to accrue at six percent (6%) per annum until paid. The Company further agrees to grant to Consultant the option to convert any accrued fees and expenses into Company shares at a conversion rate determined by those terms agreed for any private placement of Company shares nearest in time to the date of conversion.

B. The Company agrees to issue two hundred thousand (200,000) shares to Consultant for each twelve (12) month period within the Term of Agreement. All shares to be issued will be considered fully earned and non-assessable as of the date delivered.

C. Should the Company request Consultant to perform other services not herein described or provided for, Company shall compensate Consultant as may be agreed to by the parties in connection with those specific services.

4. Costs and Expenses

Except as expressly provided otherwise in this Agreement, Company and Consultant agree that each party shall be fully and separately responsible for their own expenses incurred in fulfilling their respective obligations under this Agreement, including both direct and indirect expenses. Neither party shall be responsible for the expenses of the other without the advance written agreement of the other party.

5. Compliance and Indemnity

A. Consultant agrees and acknowledges responsibility for full compliance with all state and federal laws and regulations including all applicable regulations of the Securities & Exchange Commission while engaged in the performance of the Consulting Services.

B. Consultant acknowledges that in the course of the performance of his duties, Consultant may become aware of information, which may be considered “inside information” within the meaning of the securities laws, rules and regulations. Consultant acknowledges that its use of such information to purchase or sell securities of Company, or its affiliates, or to transmit such information to any other party with a view to buying, selling or otherwise dealing in Company’s or its affiliate’s securities is prohibited by law and would constitute a breach of this Agreement.

6. Nondisclosure of Confidential Information

In consideration for the Company entering into this Agreement, Consultant agrees that the following items (items listed in Subsection A - D below collectively will be referred to as “ Confidential Information”) used in the Company’s business are secret, confidential, unique, and valuable, were developed by the Company at great cost and over a long period of time, and disclosure of the Confidential information to anyone other than the Company’s officers, agents, or authorized employees will cause Company irreparable injury:

A. Non-public information, accounting information, plans of operations, possible mergers, or acquisitions prior to the public announcement;
B. Contact lists, call lists, and other confidential customer data;
C. Memoranda, notes, and records accumulated by Company; and
D. Sketches, plans, drawings and other confidential exploration and development data.

Consultant agrees that it will not, directly or indirectly, during or after the term of this Agreement disclose any Confidential Information to anyone not authorized by Company to receive or use such information.

7. Covenant Not to Compete

During the Term of this Agreement and for a period of one (1) year following termination of this Agreement, except in the case of a breach of this Agreement by Company, Consultant agrees not to engage in, assist, perform services for or assist any other person, firm partnership, corporation or other business entity (whether as an employee, agent, officer, director, security holder, owner, creditor, consultant or otherwise) that engages in or proposes to engage in any business with clients of Company or any other business or business opportunity that Company contemplates entering into and was not introduced to Company by Consultant. Consultant understands and acknowledges that this covenant not to compete is necessary for Company's protection because Company would be irreparably damaged if Consultant appropriated the business opportunities that Company has retained it to locate. Consultant expressly agrees that this covenant not to compete is reasonable in scope because the business opportunities are not confined to any particular product or geographic market.

8. Best Efforts Basis

Consultant agrees that it will at all times faithfully and to the best of its experience, ability and talents, perform all the duties that may be required of and from Consultant pursuant to the terms of this Agreement. Consultant does not guarantee that its efforts will have any impact on Company's business or that any subsequent financial improvement will result from Consultant's efforts. Company understands and acknowledges that the success or failure of Consultant's efforts will be predicated on Company's assets and operating results.

9. Company's Right to Approve Transactions

Company expressly retains the right to approve, in its sole discretion, each and every transaction introduced by Consultant that involves Company as a party to any agreement. Consultant and Company mutually agree that Consultant is not authorized to enter into agreements on behalf of Company.

10. Company Under No Duty or Obligation to Accept or Close on any Transactions

It is mutually understood and agreed that Company is not obligated to accept any proposal or close any agreements submitted by Consultant.

11. Remedies on Default

If, at any time, Consultant materially breaches any of the provisions on Paragraph 6 or 7, Company shall have the right to terminate this Agreement. Consultant understands and acknowledges that monetary damages to Company for a material breach of provisions 6 or 7 may be difficult to determine and may not adequately compensate Company. Therefore, Consultant agrees and consents that in the event of a material breach or threatened breach of Paragraph 6 or 7, Company, in addition to any remedies at law or under this Agreement, shall be entitled to bring in action in equity for an injunction against the breach or threatened breach.

12. Work Stoppage or Early Termination

A. Company shall have the right to immediately terminate this Agreement on the following terms and conditions:

(i) For cause at the discretion of the Company;
(ii) In the event that Consultant declares bankruptcy or is involved in any criminal proceedings;
(iii) Should the Company terminate for any reason whatsoever, Consultant will be paid two hundred and fifty thousand dollars ($250,000) and five hundred thousand (500,000) Company shares as a severance fee in addition to any amounts due for services rendered through the date of cancellation or termination.

B. Consultant shall have the right, with sixty (60) days, to cease work or abandon its efforts on Company's behalf, and to refrain from commencing any new work or providing any further Consulting Services hereunder. If this Agreement is terminated pursuant to this sub-section, Company shall compensate Consultant only for the services rendered through the date of cancellation or termination.

13. Non-Exclusive Services

A. Company acknowledges that Consultant is currently providing services of the same or similar nature to other parties and Company agrees that Consultant is not prevented or barred from rendering services of the same nature or similar nature to any other individual or entity. In addition, Consultant may independently and at its sole cost and expense act as a principal in some or all of the projects or other business opportunities introduced to Company by Consultant. However, Consultant will always inform Company in writing that Consultant is acting as a principal.

B. Consultant understands and agrees that Company shall not be prevented or barred from retaining other persons or entities to provide services of the same or similar nature as those provided by Consultant. Consultant will advise Company of its position with respect to any activity, employment, business arrangement, or potential conflict of interest, which may be relevant to this Agreement.

14. All Prior Agreements Terminated

This Agreement constitutes the entire understanding of the parties with respect to the engagement of Consultant, and all prior agreements and understandings with respect thereto are hereby terminated and shall be of no force or effect.

15. Representations and Warranties of Consultant

Consultant hereby represents and warrants to the Company that:

A. Legal Purpose. In the course of the performance of his duties, Consultant will not violate any federal, provincial or state securities laws or cause the violation of such.

B. Subsequent Events. Consultant will notify Company if, subsequent to the date hereof, Consultant incurs obligations, which could compromise his efforts and obligations under this Agreement.

16. Consultant is Not an Agent or Employee.

Consultant's obligations under this Agreement consist solely of providing the Consulting Services. In no event shall Consultant be considered the employee or agent of Company and shall not have authority to represent or bind Company. For purposes of this Agreement, Consultant is an independent contractor. All final decisions with respect to acts of Company or its affiliates, whether or not made pursuant to or in reliance on information or advice furnished by Consultant hereunder, shall be those of Company or Company's affiliates and under no circumstances shall Consultant be liable for any expense incurred or loss suffered by Company as a consequence of such action or decisions. Consultant agrees that he will not represent to any person, entity, or organization that he is an employee or agent of Company or has the power to represent or bind Company in any respect unless Company's board of directors so empowers him. Consultant shall be solely liable for the payment of any taxes arising out of the payment of compensation under this Agreement.

17. Miscellaneous.

A. Authority. The execution and performance of this Agreement has been duly authorized by all requisite corporate action. This Agreement constitutes a valid and binding obligation of both parties.

B. Amendment. This Agreement may be amended or modified at any time and in any manner but only by an instrument in writing executed by both parties.

C. Waiver. All the rights and remedies of either party under this Agreement are cumulative and not exclusive of any other rights and remedies provided by law or contract. No delay or failure on the part of either party in the exercise of any right or remedy arising from a breach of this Agreement shall operate as a waiver of any subsequent right or remedy arising from a subsequent breach of this Agreement. The consent of any party where required hereunder to any act or occurrence shall not be deemed to be a consent to any other act or occurrence.

D. Assignment:

(i) Neither party shall assign nor convey any right under this Agreement without the prior written consent of the other; and

(ii) Nothing in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties and their successors, any rights or remedies under this Agreement.

E. Notices. Any notices or other communication required or permitted by this Agreement must be in writing and shall be deemed to be properly given when delivered in person to an officer of the other party, when deposited in the United States mails for transmittal by certified or registered mail, postage prepaid, or when deposited with a public telegraph company for transmittal charges prepaid or when sent by facsimile transmission, provided that the communication is addressed:

(i) In the case of Consultant, to:
Bay Cove Capital Corporation
3585 Point Grey Road, Vancouver
British Columbia, Canada V6R 1A7
Telephone: (604) 970-5560
Facsimile: (604) _____
Attention: President

(ii) In the case of Company, to:

Solar Energy Limited
145 – 925 West Georgia Street
Vancouver, British Columbia V6C 3L2
Telephone: (604) 669-4771
Facsimile: (604) 669-4731
Attention: President

or to such person or address designated by the parties to receive notice.

F. Headings and Captions. The headings of paragraphs are included solely for convenience. If a conflict exists between any heading and the text of this Agreement, the text shall control.

G. Multiple Counterparts. This Agreement may be executed in any number of counterparts but the aggregate of the counterparts together constitute only one and the same instrument.

H. Effect of Partial Invalidity. In the event that any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect and for any reason, including specifically, any term condition, clause or provision set forth in Paragraphs 6 or 7, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if it never contained such invalid, illegal or unenforceable provisions.

I. Controlling Law. The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the Province of British Columbia and in the English language.

J. Attorney's Fees. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees from the other party. The attorneys' fees may be ordered by the court in the trial of any action described in this paragraph or may be enforced in a separate action brought for determining attorneys' fees.

K. Time is of the Essence. Time is of the essence for each and every provision of this Agreement.

L. Mutual Cooperation. The parties shall cooperate with each other to achieve the purpose of this Agreement. At any time and from time to time, each party agrees, at its or their expense, to take actions and to execute such other and further documents and take such other actions as may be reasonable necessary or convenient to effect the purpose of this Agreement.

M. Indemnification. Company and Consultant agree to indemnify, defend and hold each other harmless from and against all demands, claims, actions, losses, damages, liabilities, costs and expenses, including without limitation, interest, penalties and attorneys' fees and expenses asserted against or imposed or incurred by either party by reason of or resulting from a breach of any representation, warranty, covenant condition or agreement of the other party to this Agreement.

N. Facsimile Counterparts. If a party signs this Agreement and transmits an electronic facsimile of the signature page to the other party, the party who receives the transmission and any other person may rely upon the electronic facsimile as a signed original of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement effective on this 1st day of December, 2005.

"Company"	"Consultant"
Solar Energy Limited	Bay Cove Capital Corporation
/s/ Andrew Wallace	/s/ Nelson Skalbania
Andrew Wallace	Nelson Skalbania
Chief Executive Officer	President

EXHIBIT 10(vii)

AMENDMENT TO CONSULTING AGREEMENT

Recitals

A. Solar Energy Limited, a Delaware corporation ("Company") and Bay Cove Capital Corporation, a British Columbia corporation ("Consultant") are parties to that certain Consulting Agreement dated effective as of December 1, 2005, in connection with Consultant's rendition of consulting services to the Company ("Agreement").

B. Pursuant to Section 1 and Section 2 of the Agreement, the Company engaged Consultant to provide consulting services for a period of sixty (60) months from the effective date of the Agreement.

C. Pursuant to Section 17 (B) of the Agreement, the parties may agree to a binding amendment to the terms and conditions of the Agreement if both the Company and the Consultant execute an amendment to the Agreement.

D. In order to accommodate certain issues pertaining to the Agreement, the parties desire to amend the Agreement to assign all terms and conditions pertaining to the Consultant for the remaining term of the Agreement from Bay Cove Capital Corporation to Regal RV Resorts, Inc., a Nevada corporation with offices located at 3585 Point Grey Road, Vancouver, British Columbia V6C 3L2 ("Amendment").

Agreement

In consideration of the foregoing recitals and other valuable consideration, the parties hereby agree to amend the Agreement pursuant to Section 17 (B) thereof, to assign all terms and conditions pertaining to the Consultant for the remaining term of the Agreement from Bay Cove Capital Corporation to Regal RV Resorts, Inc., effective May 1, 2007 and to relieve Bay Cove Capital Corporation from any further obligation or benefit pursuant to the Agreement.

The Agreement is hereby amended and modified for all purposes necessary to effect this single change as of May 1, 2007. All other terms and conditions of the Agreement remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to the Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

SOLAR ENERGY LIMITED

By: /s/ Drew Wallace
Drew Wallace, Chief Executive Officer

BAY COVE CAPITAL CORPORATION

By: /s/ Nelson Skalbania
Nelson Skalbania, President

EXHIBIT 31

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew Wallace certify that:

1. I have reviewed this report on Form 10-QSB ("Report") of Solar Energy Limited;

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 small business issuer 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 13a-15(e) and 15d-15(e)) for the small business issuer 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 small business issuer 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 small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation, to the small business issuer's auditors and the audit committee of small business issuer'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 small business issuer'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 small business issuer's internal controls over financial reporting.

Date: August 20, 2007

/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 report on Form 10-QSB of Solar Energy Limited for the quarterly period ended June 30, 2007 as filed with the Securities and Exchange Commission on the date hereof ("Report"), I, Andrew Wallace, do 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 the small business issuer at the end of the period covered by this Report and results of operations of the small business issuer for the period covered by this Report.

/s/ Andrew Wallace
Andrew Wallace
Chief Executive Officer and Chief Financial Officer
August 20, 2007

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 the small business issuer 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 small business issuer and will be retained by the small business issuer and furnished to the Securities and Exchange Commission or its staff upon request.