

# Much-scorned Steorn is refusing to admit defeat

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The Irish technology company ridiculed in the world press for its promise of perpetual free energy is still developing products

In July 2007, the BBC described it as a prolonged self-deception, and the Economist said it was perpetual nonsense. Six years ago, Steorn was perhaps the most ridiculed company in the world, having promised perpetual free energy – in violation of the second fundamental law of thermodynamics – only for it to fail to produce worthwhile test data in a public demonstration in London in June 2009.

None of this, however, has shaken the faith of Steorn's founder and chief executive Shaun McCarthy or the company's hundreds of shareholders, who are today still pumping money into the company.

According to the most recently filed set of accounts, the company raised €2.2 million from its shareholders in 2012. This boosted the funds in the company's share premium account from €17.6 million to €19.8 million.

McCarthy told this newspaper that this figure has since risen and that the company has to date spent €21 million, all of which was raised from its shareholders.

Steorn has still not turned a profit and the accounts show that the company's losses had risen from €18.8 million to €19.7 million at the end of 2012.

McCarthy and his investors still believe that they've found free energy, even after

the high-profile hammering they've taken, and in spite of the overwhelming body of scientific evidence.

Dr John White, formerly a lecturer in UCD's school of physics, visited Steorn in 2006 with two journalists, and describes the science as pure hokum.

"I liked him. It's hard not to like the guy. I have no vested interest in proving him wrong," White told *The Sunday Business Post*.

"But why doesn't it work? In the simplest terms: because it violates the laws of thermodynamics, which have been shown to underpin all of modern engineering technology.

"All of the scientific evidence suggests this can't happen. You call anyone in any physics department in any place in the world, and they'll say the same as I am."

"We absolutely understand how to harness it," McCarthy said, describing the concept he calls 'slow magnetism', which Steorn says is generated by the interaction of magnetic fields. Several patents hang on the walls of the company's office, but he conceded that "as to the grand unified theory behind it", they still do not have it.

"There are so many open questions in the world of energy and mass going on in science," McCarthy said, that Steorn no longer needs to prove that the principle works. "You're at the point in science where you've got the Large Hadron Collider searching for the God particle... the LHC

is built to find the reason for gravity." A principle that we take for granted, he said.

The product McCarthy is most excited about is the self-recharging battery, which Steorn is currently developing for use in mobile phones.

"The battery is very unique," he said. "You don't put any energy in: it's what they call a closed loop. Literally, the battery is self-powered; it's a never-die battery. It'll drain itself, but it'll recharge itself in two seconds, which is cool, and that's where we want it to go."

The phone battery is not a new idea. As far back as 2010, McCarthy was telling *The Sunday Business Post* that "in 18 months to two years, we expect to see it in things like chargers for mobile phones".

He is more cautious about predictions now. "One thing I've learned the hard way is to never predict R&D. We've made more progress here in the last four months than we made in the previous ten years but, in terms of the R&D process, if I said it's going to be next Christmas, it would be a complete guess on my part."

Alongside developing products, Steorn has had to embark on a concerted process of investor relations with a shareholder base that has taken more than its fair share of pain in recent years.

"I'm not going to hide," he said. "When we went out to raise the money back in 2004, we set out a three to five year plan – it's [now] ten years on,

so we haven't lived up to what we had projected to the shareholders, and that's a fact of life.

"People were concerned, frustrated, angry, but we have a policy of engagement. I don't mean that in some sort of horseshit American way. We go out, we meet, we sit down, we understand the anger. I'm as angry at it myself. Mostly, people were supportive.

"A lot of the people who invested wouldn't be experienced investors. The difference between us and a lot of tech ventures is that we're primarily funded from outside the M50.

"We do have quite a few investors inside the M50, but I think the vast majority of the money came from the wider country."

Quite who the shareholders are remains something of a mystery, though. While the company filings show 42 named shareholders, Steorn has raised funds from a great many more people around the country.

In principle at least, the company's fundraising model is not dissimilar to bundling, the fundraising model employed by US political parties which sees one person donate funds on behalf of several. Some of Steorn's 42 shareholders, therefore, are holding shares in trust for several other investors, though Steorn will not disclose just how many investors it has.

The company has restructured, giving the various shareholders more of a stake in the company. "We dropped the [company's] valuation, dramatically, it ended up a 50/50 share for the promoters and the people in the company and the shareholders, having previously been 90/10," he said.

The previous situation had wildly overvalued the company, with the shareholders owning 10 per cent of the company worth €16 million.

€21m

What Steorn has spent

€19.7m

Steorn's reported losses

400

How many shareholders it has (roughly)

€80,000

Chief executive Shaun McCarthy's salary

And while things are "still not moving as fast as anyone would like," most of the investors are still supportive of the company. One of those investors, James Murphy, a farmer based in Cork, is also on the board of the company.

Murphy holds a number of patents in products to facilitate artificial insemination of cows, and has a personal interest in science. Nevertheless, he accepts that there is a general tone of scorn and derision when Steorn is being discussed.

"Maybe that was Steorn's and Shaun's own fault," he said.

"They went pretty public about it. If you look on the web, [the commentary is that] this is only supported by a bunch of gobshite farmers."

But for Murphy, the make-

up of the shareholder base was in fact of great benefit during those difficult years.

"A lot of people would shy away from investing in this. It took a certain mindset," he said. "I'd argue that some of the farmers would be very well suited for this because they're always looking long term."

"You tell farmers that you have to farm as if you'll live for ever. That temperament kind of suited those fellows who had resilience, who know good times and bad times. They deferred gratification. The fact that they'd be laughed at globally wouldn't bother them at all."

Robert Seale, a Laois-based semi-retired dairy farmer, agreed that it's been a tough few years.

"I'm ten and a half years

involved in it," he told *The Sunday Business Post*. "Four years ago things were at a very low ebb, and they've moved on from there and survived."

He also agreed with Murphy that perhaps the company moved too quickly initially. "That was their downfall," he said. "And it was a big downfall – it was on the world stage. Academia is fairly protective of its sacred cows."

But since his initial €100,000 investment, Seale has made further, smaller investments to keep the company going. "I'd be very positive at this stage," he said. "In the last 12 months I've been very confident [that it's] only a matter of finance to get there."

McCarthy, meanwhile, is happy to be done with the media circus.

"We didn't set up to become infamous, as we are," he said. "We were quite happy in our own little world."

He knows how the company looks. "Google it: it ain't pretty," he said of Steorn's reputation.

"A laughing stock, yeah. In some papers? I'd say in virtually all. And if I was on the outside looking in, I'd be breaking my ass laughing, and then I'd be looking at why it must be a fraud."

"I'm a qualified engineer. I've worked in this industry 30 years of my life, I understand how ludicrous it seems."

"The only thing we didn't expect was the kicking to last this long. We expected to deliver vindication, validation, long before this."

He retains his sense of humour, however.

"Because we're so open, people see this as part of the ultimate conman trick," he said. "Well, if I'm a fucking conman – I spent nearly €21 million of other people's money, and not on myself – then I'm a really bad conman. I should be living it up in Rio at this point."