

6 August, 2010



Lux Wigneswaran
Senior Adviser, Issuers (Sydney)
ASX Compliance Pty Ltd
20 Bridge Street,
Sydney NSW 2000

*CBD Energy Limited
ABN 88 010 966 793
Registered Office
Suite 2 - Level 2
53 Cross Street Double Bay
Sydney NSW 2028
Ph +61 2 9363 9920
Fax +61 2 9363 9955
investor@cbdenergy.com.au
www.cbdenergy.com.au*

By Email

Dear Lux,

I refer to your letter dated August 4, 2010 in relation to the Company's Appendix 4C for the period ended 30 June 2010, released to ASX Limited on 30 July 2010 and respond to your questions as follows.

1. The Company believes that the net operating cash flows for the quarter set out in Appendix 4C are not indicative of the Company's overall financial position or its future performance. Other factors that should be taken into account in assessing the Company's position are:

- The recent growth experienced by the company has led to the following investments in working capital:
 - Inventory over the period grew from \$5.7M to \$8.1M
 - Debtors grew from \$12.4M to \$16.8M
 - Creditors shrunk from \$7.2M to \$6.0M.
- The Australian Government is taking in excess of 90 days to process the solar rebate which negatively impacted on cashflows by \$1M.
- Additionally a \$1.0M payment was made to the former owners of eco-Kinetics under the terms of the purchase agreement and \$300,000 was paid to establish our renewable energy trust AREM. These payments were one off.
- The Company is finalising a Trade Finance Facility with its bankers of up to \$13,000,000 to minimise the impact on our cash flows of purchasing stock from our suppliers in China and Germany and having to pay for this in advance. We are expecting a term sheet from our bankers within two weeks. The Board will consider the terms of such a facility and will make a decision based on its merits.
- The Company recently received an LC for US\$3,532,308 from a customer to allow us to order solar modules for a proposed solar project. This project was noted in the Company's ASX release on 3 August 2010. A cash deposit of US\$8,400,000 is due from the customer in the first week of September. As a result, it is expected

For personal use only

that this US\$21,000,000 project will be cash positive in the current quarter. We expect to announce the commencement of this project at this time.

- The building and commissioning of the Chatham Islands project consumed \$1.5M in cash. This project is now completed and will be contributing cash to the group.
- \$660,000 was expended on the Adjungbilly wind farm project. This work has been largely completed.

2. For the reasons outlined above, the Company believes it will be moving to positive operating cash flows during the current quarter.

3. As noted above, the Company is in the process of establishing a banking facility to fund the working capital requirements resulting from our growth. We are also seeking better trading terms from our major suppliers as our orders have increased significantly over the last six months. As announced to the ASX on 26 May 2010, the Company has entered into a strategic co-operation agreement with two of China's largest renewable energy businesses, to enable it to develop and fund its major projects.

4. The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1. The Company notes that it intends to release its preliminary results for the full year to 30 June 2010 later this month.

5. The Company confirms that it is in compliance with listing rule 12.2. As noted above, the Company is finalising a banking facility to fund our stock purchases. Our balance sheet shows assets of \$56.4M and liabilities of \$18.7M, a three to one ratio. Additionally the Company has current assets of \$30M against current liabilities of \$17.1M a ratio of 1.8 times.

Yours sincerely,



Richard Pillinger

Company Secretary

For personal use only





ASX Compliance Pty Ltd
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square
NSW 1215

Telephone 61 2 9227 0390
Facsimile 61 2 9241 7620
www.asx.com.au

4 August 2010

Mr Richard Pillinger
Company Secretary
CBD Energy Limited
Suite 2
Level 2, 53 Cross Street
Double Bay NSW 2028

By Email

Dear Richard,

CBD Energy Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 June 2010, released to ASX Limited ("ASX") on 30 July 2010 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$16,641,000.
2. Negative net operating cash flows for the quarter of \$3,937,000.
3. Cash at end of quarter of \$4,815,000.

In light of the information contained in the Appendix 4C please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C the Company may only have sufficient cash to fund its activities for less than two quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

For personal use only

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email to luxmy.wigneswaran@asx.com.au or on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5.00 p.m. AEST on Friday, 6 August 2010**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me.

Yours sincerely,

(sent electronically without signature)

Lux Wigneswaran
Senior Adviser, Issuers (Sydney)