



Ms Stephanie So
ASX Compliance Pty Limited
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Sydney NSW 2000

CBD Energy Limited
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8 February 2012

Dear Stephanie,

CBD Energy Limited – Appendix 4C

Please find below a response to your letter dated 2 February 2012 regarding the Appendix 4C issued by the company on 31 January 2012.

1. In assessing the company's cash flows for the period ended 31 December 2011 the following should be noted:
 - a. Operating cash flows in the quarter did not include any cash inflows from the sales of Renewable Energy Certificates (RECS) by the company. The Company has a financing arrangement whereby 85% of the spot price of approved RECS can be released through a financing facility. This is an alternative to selling RECS on the market, and is the preferred approach of the company until such time as the market value of RECS improves. During the quarter, \$7.0 million of inflows were realised by the company through this facility and have been classified as financing inflows in the Appendix 4C. Had the Company sold these RECS at spot price then operating inflows of over \$8.2 million would have been received in the period which would have resulted in a positive operating inflow of over \$650,000 for the quarter.
 - b. At 31 December 2011 the Company held \$3.8million of RECS outside of the financing facility which had not been converted to cash at that time. These are readily convertible to cash through a combination of on market sale or the RECS financing facility. The Company receives a significant portion of its revenue in the form of RECS from residential solar operations so the RECS balance is replenished through day to day operations thereby giving the company access to cash flows in future periods.
 - c. The company is due to receive project fees net of costs of over \$11 million for services already performed. These fees are due to be received over the course of the remainder of the financial year.

On the above basis, the Company considers that it will have sufficient cash resources to continue to fund its ongoing activities.

2. As outlined in the above response, future operating cash flows will be determined by the Company's decisions on whether to generate cash from RECS earned by way of on market sale or through financing facilities. If RECS are sold on market then operating cash inflows will increase in future periods. If RECS are put into the financing arrangement then future operating cash flows will be supported by these financing inflows.

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The Company anticipates that cash collection from completed projects and future activities will increase operating inflows in future periods.

3. The Company is currently considering capital and debt raising opportunities to enable it to pursue growth opportunities in line with its business objectives.
4. The Company confirms that it is in compliance with the listing rules, including listing rule 3.1. The Company notes that it intends to release its results for the half year to 31 December 2011 later this month after they have been finalised.
5. The Company confirms that it is in compliance with listing rule 12.2. As noted above, the Company is due to collect significant project fees in the coming months. The Company has current assets of \$54 million against current liabilities of \$35 million.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Pillinger', written in a cursive style.

Richard Pillinger

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2 February 2012

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 31 December 2011, released to ASX Limited ("ASX") on 31 January 2012 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$14,848,000;
2. Negative net operating cash flows for the quarter of \$7,576,000; and
3. Cash at end of quarter of \$2,712,000.

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 2 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 Company?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
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.

Under listing rule 18.7A, a copy of this query and your response may be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email at stephanie.so@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 half an hour before the start of trading (i.e. **before 9.30 a.m. A.E.S.T.**) on Wednesday, 8 February 2012.

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

Yours sincerely

(Sent electronically without signature)

Stephanie So
Adviser, Listings (Sydney)