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29 June 2009

To: The Manager
Announcements
Company Announcements Office
Australian Stock Exchange

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CBD Energy Limited – Rights Issue Replacement Prospectus

Attached is a Replacement Prospectus relating to the pro rata non-renounceable rights issue by CBD Energy Limited that was lodged with the Australian Securities and Investment Commission today.

For and on behalf of CBD Energy Limited

A handwritten signature in black ink, appearing to read 'Gerry McGowan'.

GERRY MCGOWAN
Managing Director

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For personal use only

CBD Energy Limited

ABN 88 010 966 793

Prospectus

relating to a 1 for 4 non-renounceable rights issue to holders of ordinary shares of 54,260,820 new convertible notes at an issue price of \$0.10 per convertible note to raise approximately \$5.4 million.

This Replacement Prospectus replaces the prospectus lodged by the Company with the ASIC on 22 June 2009.

Note: This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. If you do not understand any part of this Prospectus, or you are in doubt as to how to deal with it, you should consult your accountant, tax adviser, stockbroker, solicitor or other professional adviser.

Manager



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Summary of principal dates¹

Announcement of the Issue	Mon, 22 June 2009
Notice sent to Shareholders containing information required by Appendix 3B of the Listing Rules	Tues, 23 June 2009
Ordinary Shares quoted ex-rights	Wed, 24 June 2009
Record date to determine entitlement to Convertible Notes	Tues, 30 June 2009
Expected date of dispatch of Prospectus and Entitlement and Acceptance Form	Mon, 6 July 2009
Offer opens	Mon, 6 July 2009
Last day for acceptance and payment in full, offer closes at 5.00pm (Sydney time)	Tues, 21 July 2009
Issue Date. Last day to allot Convertible Notes and dispatch shareholding statements	Wed, 29 July 2009
Convertible Notes expected to commence trading on ASX on normal settlement basis	Thurs, 30 July 2009

¹ These dates are indicative only. Issuer, in consultation with the Manager (and, if necessary, the ASX) reserves the right to change the dates without prior notice.

Important information for Issuer Shareholders

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety. Your investment decision regarding the Issue should be based upon the information contained in this Prospectus. If you do not understand any part of this Prospectus, or you are in any doubt as to how to deal with your Entitlement, you should consult your accountant, tax adviser, stockbroker, solicitor or other professional adviser.

The enclosed Entitlement and Acceptance Form is important. Please refer to the instructions in section 2 of this Prospectus regarding the acceptance of your Entitlement. Acceptances must be received together with payment for the subscription amount due by 5.00pm (Sydney time) on Tuesday, 21 July 2009.

The potential tax effects of the Issue will vary between Shareholders. All Shareholders should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

Other information

This replacement prospectus (*Prospectus*) is dated 29 June 2009 and was lodged with ASIC on that date. It replaces a prospectus dated 22 June 2009 which was lodged with ASIC on that date.

ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus.

The expiry date of this Prospectus is 21 July 2010. No securities will be allotted or issued on the basis of this Prospectus after the expiry date.

No person is authorised to give any information or to make any representation in connection with the Issue which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by Issuer in connection with the Issue. Neither Issuer, the Manager nor any other person warrants the future performance of Issuer or any return on any investment made under this Prospectus, except as required by law and then, only to the extent so required.

In making an investment decision, investors must rely on their own examination and assessment of the Issue, including the terms and conditions of the Issue and the merits and risks involved. Various risks may effect the future operating and financial performance of Issuer and the value of an investment in Issuer. Some of these risks are discussed in more detail in section 8 of this Prospectus.

Certain words and phrases used in this Prospectus have defined meanings set out in the Glossary in section 10 of this Prospectus.

All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Restrictions on distribution of this Prospectus

Only Eligible Shareholders are entitled to participate in the Rights Issue. No action has been taken to register or qualify the Rights or Convertible Notes or otherwise permit a public offering of Rights or Convertible Notes in any jurisdiction outside Australia and New Zealand. This Prospectus and

the Entitlement and Acceptance Form do not constitute an offer of, or an invitation to subscribe for, any of the Convertible Notes in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus (electronically or otherwise) in jurisdictions outside Australia and New Zealand may be restricted by law and any person who comes into possession of this Prospectus (including nominees, trustees or custodians) should seek advice on, and observe, those restrictions. Any failure to comply with these restrictions may violate applicable securities laws. In particular, the Convertible Notes have not been and will not be registered under the US Securities Act of 1933 or the securities laws of any state of the US and may not be offered, sold or resold in the US or to, or for the benefit of, any "US Person" as defined in Rule 902(k) of Regulation S under the US Securities Act of 1933, as amended.

Future Performance

Except as required by law and then only to the extent required, neither Issuer nor any other person warrants the future performance of Issuer or any return on any investment made pursuant to this Prospectus. Some of the information contained in this Prospectus constitutes forward-looking statements that are subject to various risks and uncertainties. These statements discuss future objectives or expectations concerning results of operations or financial condition or provide other forward looking information. Issuer's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward looking statements. This Prospectus details some important factors that could cause Issuer's actual results to differ from the forward-looking statements made in this Prospectus.

Further details regarding these risks, and other risk which may affect Issuer or an investment in Issuer, are contained in section 8 of this Prospectus.

Responsibility statement by Trustee

The Trustee:

- (a) has not made any statement or purported to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- (b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, or omissions from this Prospectus, other than the references to its name;
- (c) does not guarantee the return of any capital sums invested or any rate of return.

1. Letter from the Chairman

Dear fellow Shareholder

On behalf of the board of CBD Energy Limited, I invite you to participate in an offer of Convertible Notes which will assist CBD progress its business in renewable energy solutions. The issue is open to Eligible Shareholders on the basis of one Convertible Note for every four Ordinary Shares at an issue price of \$0.10 per Convertible Note. The Convertible Notes have a term of 18 months, pay interest at the rate of 12.5 per cent per annum and each Convertible Note is convertible into one Ordinary Share in CBD, at a value of \$0.10 a share, at quarterly intervals during the term.

After costs, the issue will provide capital of just over \$5 million to CBD. These proceeds will enable CBD to extend its participation in current projects which will contribute to cash flow in coming years. CBD's objective is to secure long term recurring cash flows from those renewable energy projects. The board takes as a vote of confidence in its strategy that a major institutional Shareholder is prepared to provide a firm commitment to take up any shortfall in the Rights Issue.

The current positive support for renewable energy from the community, corporate sector and government provides an attractive business environment for CBD. It is also enabling CBD to develop a distinctive positioning in providing its combination of engineering and project management skills with innovative technology to bring renewable energy to remote communities as well as urban property projects. CBD's business strategy of working with partners is delivering expanded project opportunities. These partners, which include Hydro Tasmania, SOLON and Buildev, provide elements of energy project operation, technology, construction and property development, which can be part of CBD's current and prospective projects.

Renewable energy projects in which CBD is currently involved include:

- King Island – solar and wind power, energy management – joint venture with Hydro Tasmania;
- Chatham Islands – wind farm – BOOT project with local authority;
- Shannons Flat, NSW – wind farm – possible participation of a new funding partner; and
- Emerald & Bowen, QLD – green energy services projects – joint venture with Buildev.

The Rights Issue will provide working capital as well as assisting the progress of the Chatham Islands, Shannons Flat and Emerald and Bowen developments.

A continuing point of difference for CBD in renewable energy is its ownership of the intellectual property rights to graphite energy storage technology. Energy storage is a critical component in the wider use of renewable energy since it helps overcome the variability of wind and solar power. Independent engineering assessment of CBD's technology has shown it to be workable and CBD continues to work on its wider commercialisation, with the technology to be included as a component of electricity system management in current and prospective projects.

Possible expansion of CBD's future workload may come from recently submitted tenders for new renewable energy projects. These include a solar project in Moree, involving energy storage as well as new solar technology, and two solar power projects in Alice Springs. Outcomes of these tenders are expected to be known later in 2009.

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CBD's Rights Issue is being managed by Alto Capital, a Perth based investment banking group, and we advise that the offer opens on Monday, 6 July and closes on Tuesday, 21 July, with acceptance and payment details included with this Prospectus.

We commend the Rights Issue to Shareholders and look forward to your continued support of CBD's business.

Yours faithfully



Mark Vaile, Chairman

2. Overview of the Issue

2.1 The Issue

Issuer is undertaking a pro rata non-renounceable rights issue of Convertible Notes on the basis of 1 Convertible Note for every 4 Ordinary Shares held by Eligible Shareholders at a price of \$0.10 per Convertible Note payable in full on application.

54,260,820 Convertible Notes will be issued pursuant to the Issue, which will raise approximately \$5.4 million (before the costs of the Issue).²

2.2 The Convertible Notes

The Convertible Notes will have the following key features:

- interest of 12.5% per annum payable quarterly in arrears;
- 18 month term;
- listed on ASX; and
- convertible into Ordinary Shares at a price of \$0.10.

2.3 Issuer overview and outlook

Issuer is an integrated energy solutions business combining engineering skills, technology and services to achieve energy efficiency and make renewable energy more effective. A commercially attractive component of Issuer's business is ownership of technology for large scale energy storage.

A pro forma consolidated balance sheet for Issuer is provided in section 7.1 showing the net effect of the Issue, as if those events had occurred on 31 December 2008. The pro forma balance sheet is based on Issuer's reviewed financial statements for the 6 months ended 31 December 2008 which were included in Issuer's Half Yearly Financial Report for the period ending 31 December 2008 lodged with ASX on 27 February 2009.

In Issuer's Half Yearly Financial Report for the period ending 31 December 2008, Issuer's auditor, Hall Chadwick expressed a significant concern regarding Issuer's ability to continue as a going concern. Hall Chadwick noted that:

- the half yearly financial report indicated that Issuer incurred a loss for the 6 month period ending 31 December 2008 of \$2,289,928; and
- if the Director's reasons for the financial report being prepared on a going concern basis set out in Note 1 of the financial report were not achieved, there was significant uncertainty about Issuer's ability to continue as a going concern.

² The final number of Convertible Notes issued and the amount raised under the Issue may be less than the amounts specified above due to, among other things, rounding of Entitlements and reconciliation of Entitlements to shareholdings at the Record Date. The exact number of Convertible Notes to be issued will not be known until completion of the Issue.

The Directors note that \$1,735,628 of the loss incurred for the 6 month period ending 31 December 2008 relates to a write down of assets relating to the development and proving up of CBD's storage technology.

The Directors are of the opinion that Issuer will have sufficient funding to maintain its operational business, through the continued profitability of the CapTech and Parmac divisions (described in section 5.4 of this Prospectus), cashflow from other operations (if available) and the increment to working capital resulting from the Issue (see section 6.2). As at 31 May 2009, Issuer had approximately \$948,116 in cash balances.

In addition, Issuer is exploring various options for debt funding. However, due to current market conditions there is no certainty that further debt funding will be obtainable on terms acceptable to Issuer.

2.4 Use of funds raised by the Issue and coupon payments

The proposed use of the funds raised by the Issue are set out in section 6 of this Prospectus.

Issuer expects to make coupon payments using available cash balances, the proceeds from future debt or equity raisings and cashflow from operations (if available). Issuer's ability to generate cash flows from its operations and to raise further debt or equity will depend substantially on the success of Issuer's business. In addition to the risks set out in section 8, if Issuer's projects do not perform as expected by Issuer, there is a risk that Issuer would be unable to generate sufficient cash flows from operations or raise sufficient cash resources from future debt or equity raisings and would in that case have insufficient cash flows to service the quarterly coupon payments on the Convertible Notes.

As the proposed uses of the funds raised by the Issue set out in section 6.2 are discretionary (other than repayment of the \$1.3 million loan referred to in section 7.3), if Issuer is unable to service the quarterly coupon payments on the Convertible Notes, it is possible that the Issuer will not use the funds raised for the purposes set out in section 6 but will use those funds to service the quarterly coupon payments. The result of this is that some of Issuer's proposed projects may not be able to be progressed as planned without Issuer obtaining further funding by way of debt and/or equity.

Shareholders should consider carefully the risk factors set out in section 8 of this Prospectus, as well as the other information contained in this Prospectus and, if they consider appropriate, take professional advice from their accountant, stockbroker, solicitor or other professional adviser.

3. Action required by Shareholders

3.1 What you may do

The number of Convertible Notes to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You may:

- take up your Entitlement in full;
- take up part of your Entitlement; or

-
- allow your Entitlement to lapse.

3.2 If you wish to take up your Entitlement in full

Option 1

If paying by cheque, money order or bank draft, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form and return it, together with the full amount payable in accordance with the instructions on the Entitlement and Acceptance Form (being the number of Convertible Notes to which you are entitled multiplied by \$0.10), in the enclosed reply paid envelope to Issuer's Share Registry no later than 5.00pm (Sydney time) on Tuesday, 21 July 2009. The addresses of Issuer's Share Registry are:

Postal Address

Computershare Investor Services Pty Limited
GPO Box 253
Sydney NSW 2001

Address for hand deliveries

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Option 2

If paying by BPAY, pay the full amount payable in accordance with the instructions on the Entitlement and Acceptance Form (being the number of Convertible Notes to which you are entitled multiplied by \$0.10). Payment by BPAY must be received before 5.00pm (Sydney time) on Tuesday, 21 July 2009.

If you are paying by BPAY:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that Form; and
- you must check the processing cut off time for BPAY transactions with your financial institution, and take that into consideration when making payment, as that cut off time may be earlier than the Closing Date for the Issue.

3.3 If you wish to take up part of your Entitlement

Complete the accompanying Entitlement and Acceptance Form for that part of your Entitlement that you wish to accept. Lodge the completed Entitlement and Acceptance Form with your stockbroker, together with your payment for the amount due in respect of Convertible Notes you intend to take up in accordance with the instructions of the Entitlement and Acceptance Form (being the number of Convertible Notes you wish to accept multiplied by \$0.10).

If paying by BPAY, pay the amount due in respect of Convertible Notes you intend to take up in accordance with the instructions on the Entitlement and Acceptance Form (being the

number of Convertible Notes you wish to accept multiplied by \$0.10). Payment by BPAY must be received before 5.00pm (Sydney time) on Tuesday, 21 July 2009.

If you are paying by BPAY:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that Form; and
- you must check the processing cut off time for BPAY transactions with your financial institution, and take that into consideration when making payment, as that cut off time may be earlier than the Closing Date for the Issue.

3.4 Entitlements not taken up

If you do nothing, your Entitlement that is not taken up by 5.00pm Tuesday, 21 July 2009 (the **Closing Date**) will lapse. The allocation of shortfall i.e. the Convertible Notes that would otherwise have been issued pursuant to the taking up of all or part of your Entitlement, is described in section 4.3 below.

3.5 Payment for Convertible Notes

The issue price of \$0.10 per Convertible Note is payable in full on acceptance. Payment will only be accepted in Australian currency as follows:

- cheque, money order or bank draft made in Australian currency and drawn on an Australian branch of a financial institution;
- payment via BPAY.

Other currency will not be accepted.

Cheques, money orders or drafts should be made payable to **'CBD Energy Limited – NRRI'** and crossed 'Not Negotiable'. Shareholders are asked not to forward cash. Receipts for payment will not be issued.

3.6 Queries

If you have any queries concerning the Issue or any part of this Prospectus, please contact Issuer's Share Registry or the Manager:

Issuer's Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: +61 2 8234 5000

Facsimile: +61 2 8235 8150

Manager

Alto Capital
Level 17, Exchange Plaza
2 The Esplanade
Perth WA 6000

Telephone: +61 8 9223 9888

Facsimile: +61 8 9221 0488

If Shareholders have any queries regarding their existing holding of Ordinary Shares, please contact Issuer's Share Registry (as described above).

4. Details of the Issue

4.1 Terms and conditions of the Issue

Issuer is undertaking a non-renounceable rights issue of Convertible Notes on the basis of 1 Convertible Note for every 4 Ordinary Shares at a price of \$0.10 per Convertible Note payable in full on application.

This offer is open to holders of Ordinary Shares who are registered as Shareholders, or entitled to be so registered, at 7.00pm (Sydney time) on Tuesday, 30 June 2009 (the **Record Date**).

The number of Convertible Notes to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional Entitlements have been rounded up to the nearest whole Convertible Note.

The closing time and date for accepting the offer of Convertible Notes is 5.00pm (Sydney time) on Tuesday, 21 July 2009.

Approximately 54,260,820 Convertible Notes will be issued pursuant to the Issue, which will raise approximately \$5.4 million (before the costs of the Issue).

There is no minimum subscription required for the Issue to proceed.

4.2 ASX listing

Issuer has applied or will make an application to the ASX within 7 days after the date of this Prospectus for the Convertible Notes to be quoted on the ASX.

If the ASX does not grant permission for official quotation of the Convertible Notes within 3 months after the date of this Prospectus, none of the Convertible Notes offered under this Prospectus will be allotted or issued, unless ASIC grants Issuer an exemption permitting the allotment or issue.

If no allotment or issue is made, all money paid on application for the Convertible Notes will be refunded without interest as soon as practicable.

4.3 Entitlements not taken up

Under the terms of its mandate with Issuer, the Manager has agreed to secure firm commitments from investors to take up any shortfall of Convertible Notes as a result of the Rights Issue. The shortfall will comprise Convertible Notes of an equivalent number to Entitlements not taken up by Eligible Shareholders under the Issue together with Convertible Notes of an equivalent number to Entitlements that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Issue.

At the date of this Prospectus, the Manager has secured a firm commitment from Hunter Hall Investment Management to take up 100% of any shortfall. Under the terms of the firm commitment, the Manager has the right to place the first \$750,000 of any shortfall (7,500,000 Convertible Notes).

As Hunter Hall Investment Management is an existing Shareholder, its firm commitment to take up any shortfall will impact its shareholding in Issuer if the Convertible Notes it takes up are converted into Ordinary Shares. The possible implications of Hunter Hall Investment Management taking up the shortfall are set out in section 9.12 of this Prospectus.

The fees payable to the Manager in respect of securing firm commitments are described in section 9.14 of this Prospectus.

4.4 Ranking of Convertible Notes

The Convertible Notes will be unsecured debt obligations of the Issuer and will rank, in relation to payment of principle and interest, equally with other ordinary unsecured creditors of the Issuer.

The Convertible Notes will rank behind secured creditors of the Issuer but will rank ahead of holders of Ordinary Shares.

Convertible Notes will rank equally among themselves. The ordinary shares in the capital of the Issuer issued on conversion of the Convertible Notes shall rank equally in all respects with all other issued Ordinary Shares.

4.5 Allotment and issue of Convertible Notes and dispatch of shareholding statements

No allotment or issue of Convertible Notes will be made pursuant to this Prospectus until the proceeds of the Issue have been received and the ASX has granted permission for official quotation of the Convertible Notes on the ASX.

It is expected that the Convertible Notes will be allotted and issued by Wednesday, 29 July 2009.

All application money will be held on trust for applicants until the Convertible Notes are allotted and issued or, if the Convertible Notes are not allotted and issued, until the application money is returned to the applicants.

Interest earned on the application money will be for the benefit of Issuer and will be retained by Issuer even if the allotment and issue of Convertible Notes does not take place.

4.6 Trustee and Note Trust Deed

Australian Executor Trustees Limited has agreed to act as the trustee in relation to the Convertible Notes. The Convertible Notes are issued subject to the terms and conditions contained in the Note Trust Deed. A summary of the Note Trust Deed is set out in section 9.3.

4.7 Treatment of overseas Shareholders

The Rights Issue is being made to Shareholders in Australia and New Zealand only.

In accordance with the Listing Rules, Issuer has decided that it would be unreasonable to extend this offer to Shareholders resident in countries other than Australia and New Zealand having regard to:

- the number of Shareholders resident in those countries;

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- the number and value of Convertible Notes that would be offered under the Rights Issue to Shareholders resident in those countries; and
 - the cost of complying with the legal requirements, and the requirements of regulatory authorities, in those countries.

This Prospectus and the Entitlement and Acceptance Form do not constitute an offer of, or an invitation to subscribe for, any of the Convertible Notes in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Where this Prospectus has been dispatched to Shareholders resident outside Australia and New Zealand, and where the relevant jurisdiction's laws prohibit or restrict in any way the making of the offer contemplated by this Prospectus, this Prospectus is provided for information purposes only.

Shareholders resident in Australia and New Zealand holding existing Ordinary Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up their Entitlement does not breach the laws of the relevant overseas jurisdiction. The return of a duly completed Entitlement and Acceptance Form will constitute a representation by the applicant that there has been no breach of any such laws.

4.8 Recent sale prices on ASX

The lowest and highest market sale prices of Ordinary Shares on the ASX during the 3 months immediately preceding the date of this Prospectus, and the dates of those sales were \$0.031 on 24 April 2009 and \$0.10 on 13 May 2009.

The last sale price for Ordinary Shares on the ASX prior to the date of this Prospectus was \$0.095 on 19 June 2009.

4.9 Impact on option holders

Holders of options to subscribe for Ordinary Shares under Issuer's employee share option schemes who are entitled to exercise some or all of their options must exercise their options by 25 June 2009 in order to accrue Rights in respect of the Ordinary Shares issued on exercise of those options.

5. About the Issuer

5.1 Overview of CBD Energy Limited

Issuer is an integrated energy solutions business combining engineering skills, technology and services to achieve energy efficiency and make renewable energy more effective. A commercially attractive component of Issuer's business is ownership of technology for large scale energy storage.

Issuer's business model combines two established businesses, in energy efficiency and mechanical services, with its newer business in renewable energy services, technology and equipment. Issuer's business strategy is to combine the engineering expertise within its businesses to expand further in providing solutions in renewable energy.

Issuer's entry into the renewable energy sector began with a joint venture with Hydro Tasmania with the objective of making King Island in Bass Strait principally reliant on renewable energy, with Issuer to provide energy storage, grid management and solar equipment.

5.2 Directors of Issuer

- The Hon. Mark Vaile, non-executive director and Chairman

Mr Vaile was Deputy Prime Minister of Australia from June 2005 to November 2007. He was elected to the Australian Parliament in 1993 and resigned in July 2008. He was Minister for Trade from July 1999 to September 2006 and was responsible for negotiating Australia's free trade agreements with the United States, Singapore and Thailand. He has held the ministerial portfolios of Transport and Regional Development (twice) and Agriculture, Fisheries and Forestry. Mr Vaile was elected leader of the National Party in June 2005.
- Mr James Link, non-executive director

Mr Link is a director of Great Lakes Aviation Limited. He was previously the President of Raytheon Aircraft Finance Corporation, following roles as Vice President and Treasurer, Vice President Worldwide Sales and Special Assistant to the CEO. Mr Link worked with the Raytheon group from 1985 until retiring in 2001. His qualifications include MBA Finance, MBA Marketing and BSA Accounting
- Mr Gerry McGowan, executive director

Mr McGowan is a former executive of TNT and Mayne Nickless. He launched Impulse Airlines, Australia's third airline in 1992 which was acquired by Qantas in 2001.

5.3 Key Relationships

CBD Energy will continue to grow its business by developing relationships.

Current project partners include:

-
- *SOLON SE* - One of Germany's larger renewable energy companies who holds 15.6% of the Ordinary Shares in Issuer.
 - *Hydro Tasmania* - Australia's largest renewable energy business.

5.4 Divisions and Subsidiaries

Issuer operates through four wholly owned divisions: Remote Area Power Systems, Parmac Air Conditioning and Mechanical Services, Capacitor Technologies and CBD Wind Development.

- **Remote Area Power Systems**

Remote Area Power Systems Pty Ltd (RAPS) is an energy solutions company providing wind, solar and energy storage in an integrated solutions package. It is focused on diesel reduction and the overall reduction of greenhouse gas emissions by providing renewable power technology to both on-grid and remote area power systems.

RAPS has addressed the issue of large scale energy storage with the development of a thermal energy storage system that addresses the need for storage as well as providing a modular system that allows for storage optimisation to the application.

- **Capacitor Technologies Pty Ltd**

CapTech, a wholly owned subsidiary of Issuer, is an electrical power support company and specialises in the engineering, design, manufacture, installation and commissioning of energy saving and quality of electrical supply solutions which delivers energy savings to our customer and achieves energy savings for the grid.

- **Parmac Airconditioning and Mechanical Services Pty Ltd**

Parmac is an air conditioning and mechanical services contracting and servicing company based in Blackburn, Victoria. Parmac is a wholly owned subsidiary of Issuer.

- **CBD Wind Development**

The Wind Energy division of Issuer focuses on developing wind farms including sourcing projects, locating suitable sites for development, progressing regulatory approvals, acquiring wind turbines and building and operating wind farms and associated infrastructure.

- **International Office, China**

To explore possible opportunities in China, Issuer has opened, on a low cost basis, a representative office in Beijing. This office will represent Issuer's patented storage technologies, investigate production opportunities and consider project and business opportunities for subsidiaries, CapTech and Parmac. The office is operated in conjunction with AusChina.

5.5 Key projects

Joint Ventures with Hydro Tasmania – Bass Strait Islands

In a joint venture with Hydro Tasmania, Issuer is working to make King Island principally reliant on renewable energy, with Issuer providing energy storage, grid management and solar equipment.

Expansion of the initial project on King Island is under consideration, involving more sophisticated management of the local electricity system with additional energy storage and wind power.

Access to grants and infrastructure funding are elements of the successful continuation of the King Island development program, particularly as the cost of implementing infrastructure projects in remote locations can be much higher than in more accessible areas on the mainland. The proposed King Island projects described below are the subject of an application under the Federal Government's Renewable Energy Demonstration Program, and without funding under that Program, will not be able to be progressed as planned.

King Island

Under the Federal Government's Renewable Energy Demonstration Program (REDP), Hydro Tasmania is seeking to implement an innovative program of renewable energy technologies, including the expansion of the King Island project currently under development. This involves several proposed projects to further reduce the reliance on diesel fuel for power generation. Elements of the expanded REDP project proposal include:

- Installation of short term inertia storage device. This would enhance the use of wind generation as well as the reliability of the power system which is approaching conventional limits for reliance on wind energy.
- Reinstatement of the Vanadium Redox Battery (VRB) energy storage system following an outage.
- Wind expansion by up to 4MW. The proposal is currently undergoing feasibility assessment, with a business case submission expected in 2009. Development Approval has been obtained for the installation of up to two wind turbines.
- Carbon Block energy storage – installation of carbon block thermal storage units for storing and recovering spilt wind energy.
- Biodiesel project - feasibility of a project is being considered to supply biodiesel as a generation fuel at Currie Power Station to reduce both generation cost and greenhouse gas emissions.

Flinders Island

Also as part of its REDP project submission, Hydro Tasmania is currently investigating a significant renewable energy development on Flinders Island, which would look to build on experience gained on King Island.

The proposed project would include a wind farm approximately 1MW in size, solar power (photo voltaic) of approximately 100kW, a dynamic resistor to increase use of wind power, a short term inertia device, energy storage and conversion to biodiesel as a generation fuel.

The project is currently undergoing feasibility assessment, with the business case submission expected later this year following REDP funding determination.

Shannons Flat

Issuer has acquired a licence to develop a wind farm at Shannons Flat in NSW, which would make it one of the highest wind farms in Australia. This is a substantial project, with potential to be 50MW with an estimated development cost of \$190 million. Given the project's size, CBD expects to be involved in the project with development partners and is currently discussing possible terms and roles of partners, covering the initial regulatory approval stage as well as subsequent development.

- **Stage 1 - Regulatory Approval Joint Venture**

The initial stage of the project is to obtain the necessary regulatory approvals required to develop the proposed wind farm. It is estimated that the cost of obtaining development approval will be \$2 million. Engineering consultant data estimates that it will take around two years to update wind data relating to the site and gain the necessary approvals. CBD expects Stage 1 of the project to be a joint development and in allocating proceeds from the Issue, has allowed half of the approval cost to be met by CBD.

- **Stage 2 - Full Development**

Full development of Shannons Flat to its potential 50MW capacity is estimated to cost \$190 million. Issuer's preferred role would be to lead project management, with a funding partner also being involved in managing the overall development. CBD is currently in discussions along these lines.

Chatham Islands

Issuer is undertaking construction of a wind turbine project on the Chatham Islands, which are located 800km east of Christchurch and are the first inhabited land in the world to greet the dawn each day.

The project resulted from a tender Issuer won in December 2008 and is a 20 year BOOT partnership, with Issuer to build, own and operate a new wind powered electricity system for 20 years after which it would transfer to the Chatham Islands Enterprise Trust.

Issuer will install two wind turbines and associated control and ancillary systems on the island, integrate these with the existing diesel generation plant, and optimise the combined wind/diesel system.

Chatham Island Electricity Ltd, a wholly owned subsidiary of the Chatham Islands Enterprise Trust, owns and operates the current (11 kV grid connected) electricity system on the Chatham Islands, including the diesel generation facility.

Emerald and Bowen Energy Services Projects

Issuer is party to a joint venture with Newcastle based development company Buildev for the development of an industrial sub-division at Emerald and residential sub-division at Bowen, both in Queensland. Issuer will advise on the energy requirements for these sites and provide any renewable technologies that are implemented. This includes roof top solar and co-generation opportunities.

Toll Holdings is the launch customer for the Emerald estate.

5.6 Project Tenders

Currently, Issuer has submitted proposals to government authorities for tenders under consideration for renewable energy projects in Moree and Alice Springs. The Moree project is subject to a bid made under the Federal Government Renewable Energy Demonstration Program and the Alice Springs projects are the subject of a tender to the Northern Territory Government. Without funding from government authorities, the projects described below will not be able to be progressed as planned.

Solar Moree Project

Issuer's proposed Solar Moree Project would establish the largest solar generating facility in the southern hemisphere and enable the township of Moree to become energy self-sufficient through the installation of a 27MW solar power station.

The \$244 million project would involve a funding partner and separate equity support from Issuer's major shareholder, SOLON SE.

Issuer has lodged an application for an \$81.4 million grant for the Solar Moree Project under the Federal Government's Renewable Energy Demonstration Program (REDP), part of the Government's Renewable Energy Fund.

The proposed Solar Moree project would introduce three technologies: thin-film photo voltaic modules mounted on its solar tracking stations, concentrated solar power generating with heliostats, and thermal energy storage using graphite block technology.

As planned, the Solar Moree 25MW solar power (photo voltaic) station will be made up of approximately 350 SOLON Single Axis Tracker (SAT) units, each rated 72kW in peak output. The SATs require around 150 hectares of land in which to operate and as such, would be a very visual renewable energy development in the Moree region.

A further 2MW of concentrated solar power (CSP) technology is proposed to be implemented at the Moree site to provide greater energy reliability, improve peak power consumption and provide energy storage capacity.

The outcome of Issuer's bid is expected to be known in the second half of 2009.

Alice Springs Solar Power Projects

Issuer has tendered to develop two solar power generating assets in Alice Springs, Northern Territory – one at Ilparpa and the other at Alice Springs Airport. The projects proposed by Issuer would deliver over 1MW of renewable energy generation capacity to the Alice Springs electricity system, create indigenous job opportunities, resolve electricity generation problems, contribute to local investment and employment opportunities and provide an estimated reduction in greenhouse gas emissions of some 1,820 tonnes of CO₂ annually.

Issuer's proposal would significantly improve the electrical grid dynamics by alleviating demand for diesel and gas generation potentially allowing the distribution and transmission network operator to delay network augmentations.

Both components would utilise SOLON solar energy equipment.

- **Ilparpa**

At Ilparpa, Issuer proposes to install a Single Axis Tracking solar power station of 864kW peak capacity. It is intended as a build, own and operate and potential transfer project, for a period of 15 years with a flat electricity tariff to be contractually agreed with the Northern Territory utility, Power and Water Corporation.

- **Alice Springs Airport**

For the Airport project, Issuer proposes to install a Single Axis Tracking solar power station of 204kW peak capacity. This component of the project would involve a design, construct, commission and transfer to Alice Springs Airport Pty Ltd.

The outcome of each tender will be known later in 2009.

6. Purpose of the Issue

6.1 Purpose of the Issue

The purpose of the Issue is to raise funds which will be utilised for progressing the following projects (described in more detail above in section 5.5):

- (a) proceeding to complete construction of the wind turbine project on the Chatham Islands;
- (b) obtaining regulatory approvals for development of a wind farm at Shannons Flat, NSW. Given that Issuer is currently involved in discussions regarding a joint development in relation to Stage 1, it has allocated half of the estimated costs of obtaining regulatory approvals to be met from the proceeds of the Issue;
- (c) progressing the Emerald and Bowen (Qld) developments for which CBD is providing green energy services, and
to replenish working capital.

6.2 Use of funds raised by the Issue

Use of Funds Raised	Dollar amount (A\$)
Funding Chatham Islands Project	\$1,851,852
Funding Shannon's Flat Project	\$1,000,000
Funding Bowen and Emerald Projects	\$1,500,000
Increment to working capital of Issuer	\$648,665
Expenses of the Issue	\$425,565
Total	\$5,426,082

7. Effect of the Issue

7.1 Pro forma balance sheet

A pro forma consolidated balance sheet for Issuer is provided below showing the net effect of the Issue, as if those events had occurred on 31 December 2008. The pro forma balance sheet is based on Issuer's reviewed financial statements for the 6 months ended 31 December 2008.

Consolidated balance sheet as at 31 December 2008 and pro – forma consolidated balance sheet as at 31 December 2008

	31/12/2008	Pro-Forma
CURRENT ASSETS		
Cash and cash equivalents	2,242,086	7,242,603
Trade and other receivables	2,301,643	2,301,643
Inventories	1,528,672	1,528,672
Other assets	160,180	160,180
TOTAL CURRENT ASSETS	6,232,581	11,233,098
NON-CURRENT ASSETS		
Financial assets	3,803,799	3,803,799
Plant and equipment	3,401,517	3,401,517
Intangibles	7,791,947	7,791,947
TOTAL NON-CURRENT ASSETS	14,997,263	14,997,263
TOTAL ASSETS	21,229,844	26,230,361
CURRENT LIABILITIES		
Trade and other payables	1,542,059	1,542,059
Financial liabilities	1,551,465	6,551,982*
Short term provisions	396,462	396,462
TOTAL CURRENT LIABILITIES	3,489,986	8,490,503

NON CURRENT LIABILITIES

Financial liabilities	832,830	832,830
TOTAL NON CURRENT LIABILITIES	832,830	832,830
TOTAL LIABILITIES	4,322,816	9,323,333
NET ASSETS	16,907,028	16,907,028

EQUITY

Issued capital	79,536,896	79,536,896
Reserves	52,339	52,339
Retained earnings	(62,682,207)	(62,682,207)
TOTAL EQUITY	16,907,028	16,907,028

*** Note that the proceeds of the Issue are recorded as a current liability in the above pro-forma balance sheet. This is required by relevant accounting standards due to the terms of the Convertible Notes, in particular, the fact that they can be converted at quarterly intervals. Issuer notes that if Convertible Notes are converted into Ordinary Shares in accordance with their terms, the value of those Convertible Notes which are converted will be recorded as equity, not current liabilities, and the amount of current liabilities will decrease by that amount.**

The financial information disclosed above is predicated upon the following assumptions and parameters:

- (a) the statement of financial position has been prepared in accordance with accounting standards and principals generally adopted by the Issuer and an audit by independent third parties has not been performed on the financial information disclosed.
- (b) The cost of the Issue has been estimated based upon all available information.
- (c) The estimated costs of the Issue have been capitalised and will be expensed over the term of the Convertible Notes, or on a pro-rata basis at such time as the Convertible Notes are converted into Ordinary Shares, whichever is the earlier; and
- (d) Cash balances increase by the amount of cash raised of approximately 54,260,820 Convertible Notes to raise (\$5,426,082) less applicable costs (\$425,565).

7.2 Capital structure

The issued capital of Issuer as at 31 December 2008 and the pro forma issued capital after the Issue is as follows:

	Number	Share Capital (\$m)
Issued capital		
Ordinary Shares as at 31 December 2008	217,043,281	79,536,896
Convertible Notes to be issued under the Issue	54,260,820	5,426,820
Total issued Ordinary Shares after the Issue	217,043,281	79,536,896
Total issued Ordinary Shares if all Convertible Notes are converted into Ordinary Shares	271,304,101	84,963,716
Options*	32,025,000	6,405,000

*Options have been issued to senior employees of Issuer and Directors. Options are not listed on the ASX.

7.3 Debt obligations

Issuer has two current debt obligations.

- A \$990,000 loan from Westpac Banking Corporation to Parmac. The funds were used by Parmac to acquire a commercial property and the loan is secured over the property.
- A loan from Buldev of \$1,300,000 relating to the Bowen and Emerald developments. The repayment of this loan in full is included in the allocation of funds for progressing the Bowen and Emerald projects set out above in section 6.2.

8. Risk Factors

There are a number of factors, both specific to Issuer and of a general nature, which may affect the future operating and financial performance of Issuer and the value of an investment in Issuer. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of Issuer, are dependent on the policies adopted and approaches taken by regulatory authorities or otherwise cannot be mitigated. This section describes some of the risks associated with an investment in Issuer.

Before deciding to invest in Issuer, prospective investors should consider carefully the following factors, as well as the other information contained in this Prospectus and, if they consider appropriate, take professional advice from their accountant, stockbroker, solicitor or other professional adviser.

8.1 Specific risks

Key risks relating to Issuer are set out below. It is not, however, possible to describe all the risks to which Issuer and its business may become subject and which may impact adversely on Issuer's prospects and performance. Specific risk factors which may have a significant impact on the future performance of Issuer include the following:

- **Industry Risk and requirement for subsidies & grants:** The Australian renewable energy market is currently in its infancy stage of development. Due to the current low cost of producing electricity via traditional coal fired generation, the commercialisation of renewable energy projects relies heavily, and is dependent upon, obtaining Government subsidies and grants sufficient to achieve a competitive cost per watt of renewable energy produced.

As Issuer is dependent on industry support for the successful commercialisation of renewable energy projects, if Government subsidies and grants are not successfully obtained, Issuer may be unable to undertake its proposed projects and this may have an adverse impact on Issuer's results of operations or financial condition.

- **Government Regulation:** It is possible that new specific laws may be introduced in Australia or overseas which may have a material adverse effect on Issuer's business. Issuer's business may be affected by new and changing Government policies, including taxation, royalties, environmental regulation, land access and economic regulation relating to the electricity and renewable energy industries and policies and legislation relating to renewable energy targets and renewable energy trading.

In particular, the Federal Government is currently considering legislation in relation to renewable energy targets and incentivising the development of the renewable energy industry. Whether the legislation is enacted by Parliament may have an impact on Issuer's results of operations or financial condition.

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- **Technology Risk:** Issuer may face increasing competitive pressures from technologies already being developed, or which Issuer's existing or new competitors may develop in the future. Issuer's current technologies may prove inefficient, ineffective or obsolete in the future. The development and application of new technologies involves substantial costs and risks. If Issuer's current and potential competitors are more effective than Issuer at developing or marketing new technologies, or have greater resources available for this purpose and Issuer is not able to compete promptly, there could be a material adverse effect on Issuer's results of operations or financial condition.
 - **Intellectual Property Risk:** Issuer relies upon patent and other proprietary technologies and any future claims that its rights to such intellectual property are invalid could harm Issuer's business. Issuer's success is dependent on whether it can defend existing patents, obtain new patents and operate without infringing on the proprietary rights of third parties. Issuer intends to patent and protect its proprietary technologies. However, Issuer cannot be sure that any additional patents will be issued to it as a result of pending or future patent applications or that any of its patents will withstand challenges by others. Also, there is no guarantee that the research and development conducted by Issuer will result in developing commercially viable technology. Issuer's un-patented proprietary technological expertise may become known or independently discovered by competitors and unauthorised use or disclosure of its proprietary technology may have an adverse effect on Issuer's results of operations or financial condition.
 - **Electricity Market:** The ability of Issuer to successfully enter the commercialisation phase of its activities will depend upon its ability to sell electricity on commercial terms and prices. There can be no assurance that Issuer will ultimately be able to sell the electricity it produces on commercial terms. Electricity is a traded commodity in Australia and its long term price may rise or fall.
 - **Economic Conditions:** The performance of Issuer may be significantly affected by changes in economic conditions in the regions in which it operates. Factors such as market growth, inflation, interest rates, exchange rates and consumer and industry demand may affect the profitability and assets of Issuer. A deterioration in broader economic conditions could have an adverse impact on Issuer's services and products.
 - **Funding Risk:** Issuer is seeking to pursue growth opportunities. Accordingly, Issuer will need to raise additional funding (debt and/or equity) to meet its future objectives, complete its proposed projects and carry out its business plan. There can be no assurance that adequate financing will be available on commercially acceptable terms or at all, which may have an impact on the value of Ordinary Shares.
 - **Ability to Source and Deliver Projects:** Any increase in Issuer's revenues depends in part on its capacity to source and develop new projects. There is no guarantee that Issuer will be able to secure additional projects in the future nor

deliver them in a way that will provide acceptable returns to shareholders. You should not consider past growth as indicative of future growth.

- **Ability to earn Acceptable Returns from Projects:** There is no certainty that Issuer will achieve profitability nor derive acceptable returns from the projects it undertakes. Issuer's ability to achieve growth, in terms of both number of projects and revenue from its products and services and increase profitability depends, in part, on the successful implementation of its business plan. There can be no assurance that Issuer will be successful in implementing its strategy or that Issuer will be able to anticipate or meet the needs of the market generally. If Issuer is unable to implement its business strategy there may be adverse effects on its results of operations or financial condition.
- **Loss of Key Partnerships:** Issuer is party to a joint venture with Hydro Tasmania under which various projects have been established on King Island. Issuer also has a key strategic relationship with SOLON SE including exclusive supply arrangements in Australasia. Issuer is heavily reliant on these two relationships for the success of its projects. There can be no assurance that its existing relationships will continue to be maintained. Any circumstance which causes the early termination or non-renewal of one or more of these key relationships could adversely impact Issuer, its business, operating results and prospects.
- **Joint Venture Parties, Agents and Contractors:** The Directors are unable to predict:
 - the risk of financial failure or default by a party to a joint venture Issuer is party to or of a strategic partner; or
 - insolvency or other managerial failure by any of the contractors used by Issuer; or
 - insolvency or other managerial failure of any of the other service providers used by Issuer for any activity.
- **Loss of Key Personnel:** Issuer relies heavily on the abilities of key employees, in particular, the Managing Director, Gerry McGowan. Issuer's performance is reliant on its ability to both retain and attract skilled individuals and to appropriately incentivise them. As such, the availability of labour with appropriate skill sets, and the cost of retaining such people, is an on-going risk to Issuer. Issuer notes that Mr McGowan is currently under a contractor agreement with Issuer the current term of which extends to 2013.

8.2 Risks associated with investing in Convertible Notes

- **Financial market conditions:** The market price of Convertible Notes will fluctuate due to various factors, including worldwide economic conditions, interest rates, credit spreads on other corporate securities, general movements in the Australian and international equity markets, movements in the market price of Ordinary Shares, factors which may affect Issuer's financial position and earnings and investor sentiment.

The market price of Convertible Notes may be more sensitive than that of Ordinary Shares to changes in interest rates, and Convertible Notes could trade on ASX at a price below the issue price.

The Ordinary Shares held as a result of any conversion of Convertible Notes will, following conversion, rank equally with existing Ordinary Shares. Accordingly, their value after any conversion date will depend upon the market price of Ordinary Shares.

- **Liquidity:** The market for Convertible Notes may be less liquid than the market for Ordinary Shares. There can be no assurance that investors will be able to buy or sell Convertible Notes on ASX. Issuer will seek quotation of the Convertible Notes on ASX to permit on-market trading of the Convertible Notes in Australia.
- **Coupon Payments:** Issuer expects to make coupon payments using available cash balances, the proceeds from future debt or equity raisings and cashflow from operations (if available). Issuer's ability to generate cash flows from its operations and to raise further debt or equity will depend substantially on the success of Issuer's business. If Issuer's projects do not perform as expected by Issuer, there is a risk that Issuer would be unable to generate sufficient cash flows from operations or raise sufficient cash resources from future debt or equity raisings and would in that case have insufficient cash flows to service the quarterly coupon payments on the Convertible Notes.

The coupon payments on the Convertible Notes are not guaranteed by Issuer, the Trustee or any other entity.

- **Interest rate risk:** Interest on the Convertible Notes is fixed at 12.5% per annum payable quarterly in arrears. No adjustment will be made to the rate of interest paid to noteholders as other market based interest rates rise or fall.

The market price of the Convertible Notes on ASX may fluctuate due to changes in interest rates generally, credit spreads on other corporate securities or investor sentiment towards Issuer.

- **Redemption risk:** Issuer expects to be able to redeem the Convertible Notes using the proceeds from future debt or equity raisings, and cash flows from operations (if available). Issuer's ability to raise further debt or equity will depend substantially on the success of its business. If Issuer's projects do not perform as expected by Issuer, there is a risk that Issuer would be unable to procure or raise sufficient cash resources from future debt or equity raisings and would, in that case, have insufficient cashflows to redeem the Convertible Notes at the Maturity Date.

None of Issuer, the Trustee or any other entity have guaranteed the redemption of the Convertible Notes.

- **Ranking:** If Issuer is wound-up, noteholders will rank behind secured creditors of Issuer and equally with ordinary creditors of Issuer (such as other noteholders) and ahead of Shareholders, in a winding-up for a return of capital and any interest payable but unpaid.

If there is a shortfall of funds on winding-up, there is a risk that noteholders will not receive a full (or any) repayment of their money invested in the Convertible Notes or payment of interest payable but unpaid.

- **Conversion:** The Ordinary Shares held by noteholders following conversion of their Convertible Notes will have the same rights as other Ordinary Shares, which are different from the rights attached to Convertible Notes.

The market price of the Ordinary Shares may fluctuate over time as a result of a number of factors.

- **Dividends on Ordinary Shares:** Payment of any dividends on Ordinary Shares issued on conversion of the Convertible Notes is at the discretion of Directors. noteholders whose Convertible Notes are converted after the record date for a dividend will have no entitlement to that dividend. Directors may only declare a dividend if there are funds legally available to pay dividends.

Issuer has not paid dividends on its Ordinary Shares to date and does not expect to pay a dividend on its Ordinary Shares for the foreseeable future.

- **Further issues of securities:** Issuer may issue further securities with the same or different terms as the Convertible Notes. Issuer may issue other securities, including further Convertible Notes, that rank for interest, redemption or payment in a winding-up of Issuer equally with, ahead or behind the Convertible Notes, without the approval of noteholders.
- **Change in Australian tax system:** Shareholders should be aware that any future changes in Australian tax law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the acquisition, holding and disposal of Convertible Notes.
- **Enforcement risk:** The Convertible Note terms and conditions provide that rights under the Convertible Notes and the Note Trust Deed may generally only be enforced by the Trustee and not by the Noteholders directly. Noteholders must therefore notify their claims to the Trustee and rely on enforcement by the Trustee, except in certain circumstances where the Trustee has failed to take action after being directed by noteholders to do so. Noteholders may, by ordinary or special resolution, waive breaches or amend the Note Trust Deed. A large noteholder may influence the outcome of any such vote.

8.3 General risks

General risk factors outside the control of Issuer which may have a significant impact on the future performance of Issuer include the following:

- economic conditions in Australia and internationally which may have a negative impact on capital markets;
- changing investor sentiment and perceptions in the local and international stock markets;
- changes in interest rates, exchange rates and the rate of inflation;

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- changes in domestic or international fiscal, monetary, regulatory and other government policies, including changes to the taxation of company income and gains and the dividend imputation system in Australia;
 - geo-political conditions such as acts or threats of terrorism, military conflicts or international hostilities; and
 - developments and general conditions in the markets in which Issuer operates.

In addition, there are risks associated with any investment in equity securities. Eligible Shareholders should recognise that the price of Ordinary Shares may fall as well as rise with movements in the equity capital markets in Australia and internationally. In particular, Issuer's Directors would like to remind Eligible Shareholders that the recent volatility in the Australian stock market, reflecting the general volatility in stock markets overseas, will mean that Ordinary Shares may trade on the ASX at higher or lower prices than the issue price of the Convertible Notes.

9. Additional information

9.1 Terms of Convertible Notes

The following is a broad summary of the key terms of the Convertible Notes. The Convertible Note Terms as they appear in the Note Trust Deed are set out in the Appendix to this Prospectus.

Issue	Key Terms
Maximum subscription	54,260,820 Convertible Notes to raise \$5,426,082.
Issue Price	\$0.10 per Convertible Note.
Coupon (interest)	12.5% per annum paid quarterly in arrears until the earlier of redemption or conversion of the Convertible Notes into Ordinary Shares. None of Issuer or the Trustee or any other entity guarantees the interest payment on the Convertible Notes.
Term	18 months from issue date subject to earlier redemption or conversion into Ordinary Shares.
Ranking	<p>The Convertible Notes will be unsecured debt obligations of Issuer and will rank, in relation to payment of principle and interest, equally with other ordinary unsecured creditors of Issuer.</p> <p>The Convertible Notes will rank behind secured creditors of Issuer but will rank ahead of holders of Ordinary Shares.</p> <p>Convertible notes will rank equally among themselves. The ordinary shares in the capital of Issuer issued on conversion of the Convertible Notes shall rank equally in all respects with all other issued Ordinary Shares.</p>
Conversion terms	<p>Each Convertible Note is convertible into one ordinary share in Issuer (subject to any adjustment for bonus issues, rights issues and reorganisations of the issued capital of Issuer prior to the conversion date).</p> <p>A noteholder may convert all or some of its holding of Convertible Notes. Where a noteholder converts only part of its holding of Convertible Notes, the noteholder must convert at least 5000 Convertible Notes and in integral multiples of 1000 Convertible Notes. Noteholders wishing to convert all of their Convertible Notes may do so regardless of the number of Convertible Notes held.</p> <p>A noteholder may convert all or some of its holding of Convertible Notes on a quarterly basis starting on the day which is 3 months after the Issue Date (the Conversion Date) and thereafter on each of the respective days</p>

	<p>which are 3 months after the previous Conversion Date, until the Maturity Date and includes the Maturity Date.</p> <p>If a noteholder converts a Convertible Note, Issuer will redeem that Convertible Note for an amount equal to the principal amount (\$0.10) and the relevant noteholder irrevocably and unconditionally directs Issuer to apply the whole of the principal amount payable to that noteholder on redemption in subscribing on behalf of the noteholder for an Ordinary Share.</p> <p>Issuer will issue Ordinary Shares in respect of Convertible Notes with 5 business days of the applicable conversion date for those Convertible Notes.</p>
Quotation and trading	Issuer will apply to the ASX for official quotation of the Convertible Notes and the Ordinary Shares issued on conversion of the Convertible Notes and procure that such quotation is maintained.
Redemption	<p>Issuer must redeem all issued and uncanceled Convertible Notes on the Maturity Date (being the day which is 18 months after the issue date).</p> <p>Issuer may in its absolute discretion elect to redeem all or some of the Convertible Notes on issue prior to the Maturity Date on each of the respective dates which are 6 months and 12 months after the Issue Date.</p> <p>Issuer may also elect to redeem all or some of the Convertible Notes held by a noteholder which are an unmarketable parcel (in accordance with the ASX Listing Rules) on one occasion in any 12 month period.</p>
Shareholder approval	The proposed issue of Convertible Notes is not subject to Shareholder approval.
Entitlement to subsequent issues	The Convertible Notes carry no right for any noteholder in that capacity to participate in any offering or issue of securities by Issuer, and Issuer reserves the right at all times to offer or issue securities to any person in any manner. The conversion ratio of the Convertible Notes will be adjusted for the bonus element of any pro rata issue of shares or for any capital reorganisation prior to the conversion date.
Voting	Except as required by the ASX Listing Rules or the <i>Corporations Act 2001</i> (Cth) noteholders will not be entitled to vote at meetings of Issuer.
Change of control	If Issuer is subject to a change of control, a noteholder has the right to convert their Convertible Notes to Ordinary Shares prior to any redemption by Issuer.

9.2 Rights attaching to Ordinary Shares

The shares issued on conversion of the Convertible Notes will be Ordinary Shares and will rank equally with all existing Ordinary Shares.

The following is a broad summary of rights which attach to Ordinary Shares. It is not intended to be an exhaustive or definitive summary of the rights and obligations of Shareholders.

Voting rights

Subject to restrictions on voting from time to time affecting any particular shareholder or any class of shares and subject to any contrary provisions of the Constitution, at a meeting of Shareholders, each Shareholder entitled to vote may vote in person or by proxy or attorney or, being a corporation, by a duly authorised representative, and has 1 vote on a show of hands and 1 vote per Ordinary Share on a poll.

Dividends

The Board may from time to time declare or determine a dividend to be paid to Issuer's Shareholders. Subject to the right of, or any restrictions on, the holders of shares created or raised under any special arrangement as to dividend, dividends are payable on all shares in Issuer in proportion to the amount of total issue price for the time being paid or credited as paid in respect of the shares. Dividends may be declared or determined to be payable at a rate per annum in respect of a specified period.

Transfer

Subject to the Constitution, the Corporations Act, the Listing Rules and the ASTC Settlement Rules, Ordinary Shares are freely transferable. Subject to the Listing Rules and the Corporations Act, the Directors may refuse to register a transfer or apply a holding lock to prevent a transfer of Ordinary Shares only in limited circumstances (for example, where Issuer has a lien on those shares).

Winding up

If Issuer is wound up, the liquidator may divide among all or any of Issuer's Shareholders, in specie or in kind, any part of Issuer's assets. The division may be carried out as the liquidator thinks fit, subject to the right of any Shareholder prejudiced by the division to dissent.

Variation of rights

The rights, privileges and restrictions attaching to the Ordinary Shares can only be varied by a special resolution passed at a meeting of Shareholders or with the written consent of Shareholders who hold at least 75% of the votes attaching to Ordinary Shares.

9.3 Convertible Note Trust Deed

The Note Trust Deed governs the terms and conditions on which the Convertible Notes are to be issued and is subject to the Corporations Act and the ASX Listing Rules. Schedule 1 to the Note Trust Deed contains the Terms and Conditions of the Convertible Notes. Those Terms and Conditions are set out in the Appendix to this Prospectus.

The following is a summary of the Note Trust Deed. To obtain a complete understanding of the Note Trust Deed it is necessary to read it in full. A complete copy of the Note Trust Deed is available for inspection without charge during normal office hours at the registered

office of Issuer at Suite 2, Level 2, 53 Cross Street, Double Bay, NSW, 2028 within 7 days after lodgement of this Prospectus.

(a) **Legal nature of the Convertible Notes**

The Note Trust Deed provides that the Convertible Notes:

- rank without preference or priority among themselves;
- are direct, unconditional, unsecured and unsubordinated obligations of Issuer;
- do not carry a right to vote at any general meeting of Issuer; and
- are to be issued to persons as Issuer thinks fit.

Issuer's obligations in relation to the Convertible Notes, as constituted by and specified in the Note Trust Deed, are to the Trustee and to those persons who are registered as noteholders. No certificates are issued in respect of the Convertible Notes unless requested by the Trustee.

(b) **Issuer's Undertakings**

Under the Note Trust Deed, Issuer undertakes to the Trustee and each noteholder that it shall:

- provide without charge, to the Trustee and to each noteholder that is not a Shareholder of Issuer a copy of Issuer's consolidated audited accounts in respect of each financial year and a copy of Issuer's annual report for that financial year, at the time required by the Corporations Act;
- whenever requested by the Trustee, promptly give to the Trustee such information as the Trustee reasonably considers necessary in relation to all matters necessary for the purposes of the discharge of the duties, trusts and powers vested in the Trustee under the Note Trust Deed or imposed on it by law;
- promptly give the Trustee copies of all documents and notices received by it from any noteholder or which it gives to a noteholder;
- use its best endeavours to ensure, whilst Issuer itself remains listed on the ASX, that the Convertible Notes are, upon their issue, quoted on the ASX and that such quotation is maintained;
- comply in all material respects with all laws binding on it with respect to the Convertible Notes.

(c) **Trustee's Covenants**

Under the Note Trust Deed the Trustee makes certain covenants including that it will act continuously as trustee of the note trust until the note trust is terminated or the Trustee has retired or been removed from office in the manner provided under the Note Trust Deed.

(d) **Powers of the Trustee**

In addition to those powers arising under law, the Trustee has certain powers and discretions as set out in the Note Trust Deed, including the power:

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- to waive any breach by Issuer of its covenants or obligations under the Note Trust Deed under the Note Trust Deed, including any Event of Default, on the instructions of noteholders by ordinary resolution;
 - to waive minor breaches of a formal, technical or administrative nature;
 - to delegate its functions; and
 - to modify the Note Trust Deed in certain circumstances by agreement with Issuer (and beyond this modifying the Note Trust Deed requires a special resolution of noteholders).

The Trustee may hold Convertible Notes and may enter into transactions with Issuer or any related body corporate of Issuer.

(e) Events of Default

Events of Default are set out in clause 11 of the Note Trust Deed. They include:

- a default by Issuer in payment of any interest which it is bound to pay and such default continues for a period of 30 days;
- a failure to allot shares on conversion of the Convertible Notes; and
- defined acts of insolvency.

There are no financial ratio covenants.

Upon the occurrence of an Event of Default which is subsisting and has not been waived or remedied by Issuer within 10 business days of becoming aware of the event of default, or otherwise waived by the Trustee, the Trustee has the power to declare all moneys owing to the Trustee and the noteholders due and payable, and Issuer shall immediately pay such amounts.

Prior to initiating any enforcement action in relation to an Event of Default by Issuer, such as commencing legal proceedings against the Issuer, or entering into any compromise or settlement of a dispute or enforcement action against Issuer for any Event of Default or other breach of the Note Trust Deed, the Trustee must call a meeting of noteholders and be directed by an ordinary resolution.

(f) Limited liability and indemnity of Trustee

The liability of the Trustee is limited in the manner set out in the Note Trust Deed. The Trustee is not responsible for any information published by Issuer in relation to the Convertible Notes (including this Prospectus). The Trustee is indemnified in the manner set out in the Note Trust Deed.

The limitations on the Trustee's liability and the Trustee's indemnities as set out in the Note Trust Deed apply to this Prospectus as if set out in full.

9.4 Convertible Note Terms

The terms of the Convertible Notes as they appear in Schedule 1 of the Note Trust Deed are set out in the Appendix to this Prospectus. They are also summarised in section 9.1 above.

9.5 Joint Venture Agreement with Hydro Tasmania

CBD Project Holdings Pty Limited (a wholly owned subsidiary of Issuer) and Hydro Tasmania (among others) are parties to a Joint Venture Agreement dated 19 December 2008.

The joint venture is a 50:50 incorporated joint venture established for the purposes of undertaking renewable energy projects. The parties contribute equally to the financing of the joint venture company and have equal board representation and voting rights. The Joint Venture Agreement contains pre-emptive rights in relation to the transfer of a party's interest in the joint venture to a third party.

The four renewable energy projects to be undertaken by the joint venture are:

- (a) Carbon Block Project: comprising the installation on King Island of a carbon block storage system and associated steam turbine generator to generate electricity from energy otherwise lost due to wind "spill";
- (b) Resistor Project: comprising the installation of resistive control frequency technology on King Island to be used in conjunction with the solar project and existing wind installations on King Island;
- (c) Solar Project: comprising the installation of 94KW of solar panels on the site of Hydro Tasmania's Currie Power Station on King Island; and
- (d) Wind Farm Expansion Project: comprising the expansion of the Huxley Hill windfarm through the addition of turbines capable of generating between 1.5 megawatts and 4 megawatts of electricity.

The Joint Venture Agreement provides that the parties may potentially undertake further renewable energy projects in addition to the four described above.

9.6 Licence Agreements

The Licensing Agreement between Larkden Pty Limited (a wholly owned subsidiary of Issuer) and Lloyd Energy Systems Pty Limited (*LES*) grants *LES* certain rights to use, commercialise, exploit, adapt, modify and improve the intellectual property in the graphite block energy storage technology developed by Larkden. Under the terms of the Licensing Agreement, these rights are exclusive in relation to energy of an amount greater than 4MW (generating capacity) within the line connected electrical energy industry, and non-exclusive in relation to energy of an amount less than 4MW and in any other matter or industry (other than the transport industry for motive power). *LES* also has exclusive rights within Australia for energy of any amount, in any industry other than the transport industry for motive power. The Licensing Agreement was entered into on 16 November 2001 and has an initial term of 50 years.

Under the Sub-Licence Agreement between *LES*, Remote Area Power Systems Pty Ltd (*RAPS*) and Issuer, *LES* has sub-licensed certain of its rights under the Licensing Agreement to *RAPS* and Issuer. The Sub-Licence Agreement grants *RAPS* and Issuer certain rights to use, commercialise, exploit, adapt, modify the intellectual property in the graphite block energy storage technology in a number of territories, including Australia,

New Zealand, Indonesia, Pacific Island Nations, India and China. The rights of RAPS and Issuer vary in each territory as follows:

- (a) exclusive in respect of Australia, with a number of carve-outs summarised below;
- (b) exclusive in respect of New Zealand (with a number of carve-outs discussed below), Indonesia, India, China and the Pacific Ocean Island Nations. However, the Sub-Licence in respect of all of these territories is restricted to applications using renewable energy sources (including hydro, wind and solar), and is only exclusive for 4MW and above (generating capacity); and
- (c) not exclusive in respect of the other territories the subject of the Sub-Licence.

In relation to the carve-outs in the exclusivity for Australia and New Zealand, LES has the right to exploit the technology by itself or with a member of Sula Pty Limited, Allco Finance Group Limited or any of their respective associates. However, to exercise this right, it must have first offered the opportunity to exploit to RAPS and Issuer, except in certain specified cases. In relation to the carve-outs in the exclusivity for India and China, LES also has the right for itself or its nominee to use the technology if the parties are satisfied that such use would not compete directly with the then current activities of RAPS and Issuer.

The Sub-Licence Agreement was agreed on 6 December 2006 and has an initial term of 50 years less one day.

9.7 Bowen and Emerald Co-Venture Agreements

Issuer has entered into joint venture agreements with the Buildev Group in relation to each of the Bowen and Emerald projects dated 8 September 2008. Each joint venture is a 50:50 unincorporated joint venture established for the purpose of carrying out and completing the Bowen and Emerald developments. The parties contribute equally to the financing of the ventures and profits, losses and expenses are allocated in equal proportions. The liabilities and obligations of the parties are not joint nor joint and several, but are several liabilities and obligations.

Under the terms of the respective joint venture agreements, the parties agree to establish a management committee to direct and manage each project. The management committee is made up of two representatives of each of Issuer and the Buildev Group and is responsible for implementing a financial plan and determining the roles and responsibilities of each party. Under the terms of the respective agreements, the management committee meets regularly and decisions must be unanimous with the parties having equal voting rights.

The joint venture agreements contain pre-emptive rights in relation to the transfer of a party's interest in the joint venture to a third party.

9.8 Shannons Flat Wind Farm Licence

On 1 June 2009, Issuer obtained an exclusive licence in relation to land at Shannons Flat, NSW for the purpose of determining the feasibility of establishing and operating a wind farm on the land. The licence also grants Issuer the exclusive right, exercisable at its option, to negotiate in good faith a wind farm development agreement and lease for the

purpose of developing, constructing, operating and decommissioning a wind farm and associated infrastructure.

The exclusive licence has a two year term and the exclusive option has a four year term.

9.9 Disclosing entity

This Prospectus is issued pursuant to section 713 of the Corporations Act and ASIC Class Order 00/195 as a prospectus for the offer of convertible securities on the conversion of which the holder will be issued with continuously quoted securities.

Issuer is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. As a company listed on the ASX, Issuer is subject to the Listing Rules which require immediate disclosure to the market of any information of which Issuer is aware which a reasonable person might expect to have a material impact on the price or value of its securities.

The ASX maintains detailed records of company announcements for all companies listed on the ASX. Issuer's file is available for inspection at the ASX, and Issuer's announcements may be viewed on the ASX's website at www.asx.com.au.

ASIC also maintains records in respect of documents lodged with it by Issuer, and these may be obtained from or inspected at any office of ASIC.

Issuer will provide free of charge to any person who requests it during the application period under this Prospectus a copy of:

- (a) Issuer's half yearly report and accounts for the half year ended 31 December 2008;
- (b) Issuer's financial statements for the year ended 30 June 2008 (being the last financial statement of a full financial period lodged with the ASIC before the date of this Prospectus);
- (c) all other financial statements lodged with ASIC in relation to Issuer in the period since the lodgement of the financial statements referred to in paragraph (a) above, being Issuer's half yearly report for the 6 months ended 31 December 2008; and
- (d) documents released to the ASX pursuant to Issuer's continuous disclosure obligations under the Listing Rules and the Corporations Act since the lodgement of the financial statements referred to in paragraph (a) above. The following is a list of such releases that are available:

Document Date	Document Description
1 June 2009	Market Update – Shannons Flat
4 May 2009	Market Update – JV with Hydro Tasmania and Chatham Island Project
30 April 2009	Appendix 4C Quarterly
27 February 2009	Half Yearly Report and Accounts
11 February 2009	Change in Substantial Holding

Document Date	Document Description
30 January 2009	Appendix 4C Quarterly
19 December 2008	Change of Director's Interest Notice
16 December 2008	Renewable Energy Project
3 December 2008	Change of Director's Interest Notice
3 December 2008	Change of Director's Interest Notice
3 December 2008	Change of Director's Interest Notice
2 December 2008	Change of Director's Interest Notice
28 November 2008	Results of Meeting
27 November 2008	Chairman's Address to Shareholders
18 November 2008	Appointment of Joint Company Secretary
7 November 2008	Change of Director's Interest Notice
5 November 2008	Change of Director's Interest Notice
5 November 2008	Change in Substantial Holding
4 November 2008	Notice of Annual General Meeting/Proxy Form
29 October 2008	Appendix 4C Quarterly
26 September 2008	Annual Report – Full Year Statutory Accounts

9.10 Taxation implications

The Directors of Issuer do not consider it appropriate to provide Shareholders with advice regarding the taxation implications of subscribing for Convertible Notes under the Issue.

You should consult your professional taxation adviser in relation to subscribing for Convertible Notes under the Issue.

9.11 Directors' interests

Other than as set out below or elsewhere in this Prospectus:

- no Director has, or has had in the 2 years prior to lodgment of this Prospectus with ASIC, an interest in:
 - (a) the formation or promotion of Issuer;
 - (b) any property acquired, or proposed to be acquired, by Issuer in connection with:
 - (i) its formation or promotion; or
 - (ii) the Issue; or
 - (c) the Issue; and

- no one has been paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or any proposed Director or to any firm in which any Director or proposed Director is or was a partner:
 - (a) to induce that person to become, or to qualify as, a director of Issuer; or
 - (b) for services provided by that person or by the firm in which that person is or was a partner in connection with the formation or promotion of Issuer or the Issue.

Holdings of Ordinary Shares and options.

The Directors have the following interests in Ordinary Shares and unlisted options in the Company, either directly or indirectly:

Name of Director	Number of Ordinary Shares	Number of Unlisted Options
The Hon. Mark Vaile	100,000	3,000,000
James Link	0	3,000,000
Gerry McGowan	17,917,119	20,500,000

Each Director will be entitled to participate in the Issue to the extent that the Director holds Shares at the Record Date and each Director has confirmed that they intend to participate in the Issue to the extent of their entitlement.

Each Director has confirmed that it does not intend to exercise any unlisted options held by that Director prior to the Record Date.

Remuneration

The Constitution provides that Directors are entitled to such remuneration as the Board determines, but the remuneration for non-executive Directors must not exceed in aggregate a maximum amount of \$300,000.

In addition, every Director is entitled to be paid all reasonable travel, accommodation and other expenses incurred by the Director in attending meetings of Issuer, the Board or of any committees or while engaged in the business of Issuer.

Indemnity, Insurance and Access

The Issuer has entered into deeds of access and indemnity with the Directors setting out the rights of those Directors to access Board papers and to be indemnified by the Issuer, including after they cease to be a Director.

The Issuer also maintains directors' and officers' insurance in respect of its Directors.

9.12 Interests of Hunter Hall Investment Management

At the date of this Prospectus, Hunter Hall has the following interests in Ordinary Shares, either directly or indirectly:

For personal use only

Number of Ordinary Shares	Percentage of all Ordinary Shares
10,161,198	4.68%

As a result of Hunter Hall's firm commitment to take up 100% of any shortfall of Convertible Notes under the Rights Issue (described above in section 4.3 of this Prospectus), its current shareholding may increase. This is because the Convertible Notes it takes up under the shortfall may be converted into Ordinary Shares in accordance with the terms of the Convertible Notes (see Appendix to this Prospectus and section 9.1 above).

The shortfall will comprise Convertible Notes of an equivalent number to Entitlements not taken up by Eligible Shareholders under the Issue together with Convertible Notes of an equivalent number to Entitlements that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Issue.

Accordingly, Hunter Hall will be offered a minimum of 17,888,249 Convertible Notes under the shortfall, being Convertible Notes of an equivalent number to Entitlements that would have been offered to Ineligible Shareholders if they had been entitled to participate in the Issue, minus the first \$750,000 of the shortfall (7,500,000 Convertible Notes) which the Manager has the right to place.

Below is a summary of the possible impacts of Hunter Hall taking up any shortfall on its shareholding in Issuer.

Number of Convertible Notes taken up under the shortfall	Number of Ordinary Shares if Convertible Notes taken up are converted into Ordinary Shares	Percentage of all Ordinary Shares held if Convertible Notes taken up are converted into Ordinary Shares
54,260,820 (100% of Issue)	64,422,018	23.75%*
40,695,615 (75% of Issue)	50,856,813	18.75%
27,130,410 (50% of Issue)	37,291,608	13.75%
17,906,071 (33.0% of the Issue, the minimum that Hunter Hall will be offered)	28,067,269	10.35%

* Issuer notes that the Corporations Act will prevent Hunter Hall from converting Convertible Notes it holds into Ordinary Shares, if the conversion of those notes would cause Hunter Hall's shareholding in Issuer to increase above 20%, unless one of the exceptions in section 611 of the Corporations Act applies, such as the approval of the increase above 20% by Shareholders of Issuer in a resolution passed at a general meeting.

9.13 Interests of experts

Except as set out below, no:

- (a) person named in this Prospectus is performing a function in a professional, advisory, or other capacity in connection with the preparation or distribution of this Prospectus;
 - (b) promoter of Issuer; or
 - (c) the stockbroker or underwriter to the Issue,
- (each, a **relevant person**) holds, at the time of lodgement of this Prospectus with ASIC, or has held in the 2 years before lodgement of this Prospectus with ASIC, an interest in;
- (d) the formation or promotion of Issuer;
 - (e) the Issue; or
 - (f) any property acquired or proposed to be acquired by Issuer in connection with its formation or promotion or the Issue.

Except as set out below, no one has paid or agreed to pay any amount or given or agreed to give any benefits for services provided by a relevant person in connection with the formation or promotion of Issuer or the Issue.

The amounts set out below are exclusive of GST.

Allens Arthur Robinson has acted as Australian legal adviser in respect of the Issue. In aggregate, Issuer has paid or agreed to pay Allens Arthur Robinson approximately \$50,000 (plus disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Allens Arthur Robinson in accordance with its normal time based charges.

Alto Capital has acted as the manager in relation to the Issue. Issuer has agreed to pay Alto Capital the fees described in section 9.14 of this Prospectus.

9.14 Remuneration of Trustee

Australian Executor Trustee has agreed to act as trustee in respect of the Convertible Notes. The Trustee will be remunerated in the manner set out in the Note Trust Deed.

9.15 Manager's mandate and fees

Manager's engagement

Issuer has engaged Alto Capital to act as manager in relation to the Issue. Under the mandate between Issuer and the Manager, the Manager's role includes securing firm commitments from investors to take up any shortfall of Convertible Notes as a result of the Issue.

Manager's fees

The Manager is entitled to the following fees in return for managing the Issue and securing firm commitments to take up any shortfall from the Issue:

- (a) subject to securing firm commitments to take up any shortfall from the Issue, the Manager will receive a fee equal to 6% of the dollar amount secured by the firm commitments;

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- (b) 2,000,000 Ordinary Shares; and
 - (c) reimbursement for reasonable out of pocket expenses.

The Manager will be entitled to a further 2,000,000 Ordinary Shares in the event that the ASX All Ordinaries index falls by 15% or more from 5 June 2009 to the date of allotment of the Convertible Notes to Shareholders. In addition, if Issuer removes Alto as manager to the Issue for any reason (for example, in the event that Issuer receives a takeover offer), then an additional fee equal to 6% of the dollar amount secured by the firm commitments is payable to Alto.

Manager's indemnity

Issuer has agreed to indemnify the Manager and to hold the Manager harmless from and against:

- (a) all actions, claims, demands or proceedings which may be instituted against; and
- (b) all liabilities, losses, damages, costs and expenses (including reasonable legal costs and expenses) which may be suffered or incurred by,

the Manager in connection with its mandate with Issuer in relation to the Issue.

Notwithstanding such, Issuer will not be responsible for any liabilities, losses, damages, costs or expenses to the extent that they result from wilful default or negligence or breach of law or contract on the part of the Manager.

Firm commitment

At the date of this Prospectus, the Manager has secured a firm commitment from Hunter Hall Investment Management to take up 100% of any shortfall. Under the terms of the firm commitment, the Manager has the right to place the first \$750,000 of any shortfall (7,500,000 Convertible Notes).

9.16 Consents

None of the parties referred to below have authorised or caused the issue of this prospectus or made or purported to have made any statement that is included in this Prospectus or any statement on which a statement made in this prospectus is based, other than as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part of, this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

Allens Arthur Robinson has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Alto Capital has given and has not, before lodgment of this Prospectus, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Australian Executor Trustees Limited has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Hunter Hall has given and has not, before lodgment of this Prospectus, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Computershare Investor Services Pty Limited has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

Hydro Tasmania has given and has not, before lodgment of this Prospectus with ASIC, withdrawn its consent to being named in this Prospectus in the form and context in which it is named.

9.17 Governing Law

This Prospectus, the Issue and the contracts formed on acceptance of applications constituted by submitted Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales. Each applicant for Convertible Notes submits to the exclusive jurisdiction of the courts of New South Wales.

9.18 Consent to lodgement

Every Director has consented to the lodgment of this Prospectus with ASIC under the Corporations Act.

10. Glossary

In this Prospectus, the following definitions apply unless the context requires otherwise.

\$ or **dollars** means Australian dollars

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

Board means the board of Directors.

Buildev or **Buildev Group** means Buildev Equity Pty Ltd (ABN 19 108 337 793) and its subsidiaries.

CapTech, **Capacitor Technologies** or **Capacitor Technologies Pty Ltd** means Capacitor Technologies Pty Ltd (ABN 19 106 461 385) a wholly owned subsidiary of Issuer.

Constitution means the constitution of Issuer.

Convertible Notes means the convertible notes offered under this Prospectus pursuant to the Issue.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of Issuer.

Eligible Shareholder means a Shareholder at the Record Date who:

- (a) has a registered address in Australia or New Zealand;
- (b) is not in the United States of America and is not a 'US Person' as defined in Rule 902(k) of Regulation S under the US Securities Act of 1933, as amended; and
- (c) is eligible under all applicable securities laws to participate in the Issue.

Entitlement means the entitlement of a Shareholder to subscribe for Convertible Notes pursuant to this Prospectus.

Entitlement and Acceptance Form or **Form** means the personalised entitlement and acceptance form referred to in, and accompanied by a copy of, this Prospectus.

Hunter Hall Investment Management or **Hunter Hall** means Hunter Hall Investment Management Limited (ABN 69 063 081 612).

Hydro Tasmania means Hydro-Electric Corporation (ABN 48 072 377 158).

Ineligible Shareholder means a Shareholder at the Record Date who is not an Eligible Shareholder.

Issue means the issue of Convertible Notes to Eligible Shareholders pursuant to this Prospectus.

Issuer or **CBD** or **the Company** means CBD Energy Limited (ABN 88 010 966 793).

Larkden means Larkden Pty Limited (ABN 23 003 998 098).

LES or **Lloyd** means Lloyd Energy Systems Pty Limited (ACN 87 096 136 248).

Listing Rules means the official listing rules of the ASX.

Manager or **Alto Capital** means ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust trading as Alto Capital (ABN 93 088 503 208).

Note Trust Deed means the Note Trust Deed between Issuer and the Trustee described in section 9.3 of this Prospectus.

Ordinary Shares means fully paid ordinary shares in the capital of Issuer.

Parmac or **Parmac Air Conditioning and Mechanical Services** means Parmac Air Conditioning & Mechanical Services Pty Ltd (ABN 16 066 288 202) a wholly owned subsidiary of Issuer.

Prospectus means this Prospectus dated 22 June 2009.

RAPS means Remote Area Power Systems Pty Ltd (ABN 34 121 147 546).

Record Date means 7.00pm (Sydney time) on Tuesday, 30 June 2009.

Rights means rights of a Shareholder to subscribe for Convertible Notes pursuant to this Prospectus.

Rights Issue means the offer under this Prospectus of up to approximately 54,260,820 Convertible Notes to Eligible Shareholders.

ASTC Settlement Rules means the ASTC Settlement Rules issued by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

Share Registry means Computershare Investor Services Pty Limited (ABN 48 078 279 277).

Shareholder means a registered holder of Ordinary Shares.

Trustee means Australian Executor Trustees Limited (ACN 007 869 794).

Appendix – Convertible Note Terms

Definitions

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASX means the Australian Securities Exchange Limited (ACN 008 624 691).

Auditors means the independent auditors of the Issuer from time to time.

Authorisation includes:

- (a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a Government Agency (including any renewal or variation); or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Government Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

Business Day means a day on which banks are open in Sydney, (not being a Saturday, Sunday or a public holiday).

Conditions means, in relation to a Note, the terms and conditions applicable to those Notes set out below.

Conversion means conversion of the Notes into ordinary shares of the Issuer in accordance with Condition 5 of the Conditions.

Conversion Date means (where a Conversion Notice is given under Condition 5):

- (a) an Interest Payment Date;
- (b) the Maturity Date; or
- (c) any Business Day during a Takeover Period.

Conversion Notice means the notice in the form of Schedule 2 of the Note Trust Deed which may be given by a Noteholder to the Issuer pursuant to Condition 5.1.

Conversion Option means the option conferred by Condition 5.1 on the Noteholder to apply all or part of the redemption proceeds towards subscription for ordinary shares in the Issuer.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a person appointed to the office of director of the Issuer and includes any alternate director duly appointed and acting as director.

Early Redemption Amount means in relation to a Note, the Principal Amount of that Note plus any interest accrued but unpaid on that Note up to and including the Early Redemption Date.

Early Redemption Announcement means an announcement of an early redemption by the Issuer in accordance with Condition 4.

Early Redemption Date means the date specified in an Early Redemption Announcement as the date on which Notes are to be redeemed by the Issuer which must not be later than 90 days after the Early Redemption Announcement.

Event of Default means any of the events specified in clause 11 of the Note Trust Deed.

Government Agency means any government or any governmental, semi-governmental or judicial entity or authority in Australia. It also includes any self-regulatory organisation established under statute or any stock exchange.

Issuer means CBD Energy Limited (ABN 88 010 966 793) Suite 2, Level 2, 53 Cross Street, Double Bay NSW 2028.

Interest Payment Date means the day which is 3 months after the Issue Date and thereafter the day which is 3 months after the previous Interest Payment Date until the Maturity Date and includes the Maturity Date (except that where there is a Conversion or a Redemption of the Notes under Condition 4, the Conversion Date or the Early Redemption Date (as the case may be) shall be the final Interest Payment Date in respect of the Notes Converted or Redeemed).

Interest Period means, in relation to a Note, the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and thereafter means:

- (a) where there is a Conversion Date or where the Notes are redeemed under Condition 4 (as the case may be), the period from (and including) the preceding Interest Payment Date to (and including) the Conversion Date or the Early Redemption Date (as the case may be); or
- (b) the period from (and including) the preceding Interest Payment Date to (but excluding) the following Interest Payment Date; or
- (c) the period from (and including) the preceding Interest Payment Date to (but excluding) the Maturity Date.

Interest Rate means 12.5% (expressed as a percentage rate per annum).

Listing Rules has the same meaning as in section 761A of the Corporations Act as it relates to the ASX.

Liquidation includes receivership, compromise, arrangement, administration, reconstruction, winding up, dissolution, assignment for the benefit of creditors or bankruptcy, or any amalgamation or reconstruction (unless undertaken while solvent).

Maturity Date, in relation to a Note, means the Business Day immediately before the 18 month anniversary of the Issue Date.

Moneys Owning means all money which the Issuer (whether alone or not) is or at any time may become liable to pay to or for the account of the Trustee, a Noteholder or the Trustee on a Noteholder's behalf (whether alone or not) for any reason whatever under or in connection with any Transaction Document.

It includes:

-
- (a) the aggregate Principal Amount and any interest payable on all of the Notes and any other moneys payable to the Noteholders under or pursuant to the Note Trust Deed; and;
- (b) money by way of principal, interest, fees, costs, indemnities, charges, duties or expenses or payment of liquidated or unliquidated damages under or in connection with the Note Trust Deed or a Note, or as a result of a breach of or default by the Issuer under or in connection with any Transaction Document,

and in relation to a Noteholder means that portion of the Moneys Owing which is owing to or in relation to that Noteholder.

Where the Issuer would have been liable for any Moneys Owing but for its Liquidation, it will be taken still to be liable for such Moneys Owing.

Note means, at any time, an unsecured convertible note issued by the Issuer under the Note Trust Deed.

Noteholder in relation to a Note, means, at any time, the person whose name is entered into the Register as the holder of that Note.

Principal Amount means, in relation to each Note, the nominal principal amount of such Note recorded in the Register.

Register means the register of persons who hold Notes required to be kept and updated by the Issuer or the Registrar on its behalf in accordance with clause 5 of the Note Trust Deed.

SCH means ASTC or other applicable CS facility licensee.

SCH Business Rules means the operating rules of ASTC or of any relevant organisation which is an alternative to, or successor or replacement of, ASTC or any applicable CS facility licensee.

Takeover Event means:

- (a) announcement by or on-behalf of the bidder to the ASX of a takeover bid under which the bidder proposes to obtain voting power in the Issuer of 50% or more; or
- (b) announcement to the ASX of a scheme of arrangement which, if effective, would result in a person obtaining voting power in the Issuer of 50% or more;

whether or not the bidder or person obtaining voting power already has voting power in the Issuer of 50% or more.

Takeover Period means the period of time commencing on a Takeover Event and ending:

- (a) in the case of a takeover bid, 5 Business Days before the close of the offer period under the bid; and
- (b) in the case of a scheme of arrangement, 5 Business Days after the day on which the Court makes an order approving the scheme.

Tax includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Government Agency, and any related interest, penalty, charge, fee or other amount. It includes GST.

Transaction Document means:

-
- (a) any Note;
 - (b) the Note Trust Deed;
 - (c) any document or agreement which the Issuer and the Trustee (acting on the instructions of a special resolution of Noteholders) at any time agree is to be a Transaction Document for the purposes of the Note Trust Deed; or
 - (d) any document or agreement entered into under, or for the purposes of amending or novating, any of them.

Trustee means Australian Executor Trustees Limited (ACN 007 869 794) Level 22, 207 Kent Street, Sydney NSW 2000.

Unmarketable Parcel means any parcel of Notes which is not a **marketable parcel** as defined by the ASX Listing Rules or the SCH Business Rules.

Terms and Conditions of the Notes

1. Issue Price

The Notes will:

- (a) be paid for in full on application; and
- (b) have an issue price per Note equal to the Principal Amount.

2. Interest

2.1 Payment of Interest

The Issuer shall pay accrued interest in arrears on each relevant Interest Payment Date to those persons who are Noteholders on the last relevant Record Date before that Interest Payment Date.

2.2 How Interest Accrues

For each Noteholder, interest accrues daily and, in the case of each Interest Period, the interest payable is calculated by:

- (a) multiplying the Principal Amount of the Notes held by that Noteholder on the relevant Record Date by the Interest Rate; and
- (b) dividing the resultant amount by 365; and
- (c) multiplying the resultant amount by the actual number of days in the applicable Interest Period; and
- (d) rounding the resultant amount down to the nearest cent.

The Issuer's certificate as to the amount of interest that accrues and is payable on Notes is (in the absence of manifest error) sufficient evidence of the amount of interest due unless proven wrong.

2.3 Compound of Unpaid Interest

Unpaid interest on the Notes shall:

- (a) remain owing and not form part of the principal owing to the Noteholder; and
- (b) bear interest at the same rate as interest is payable on the Principal Amount calculated daily and payable on each Interest Payment Date on Maturity Date.

3. Redemption by the Issuer

- (a) The Issuer shall redeem all issued and uncanceled Notes on the Maturity Date. The Principal Amount on each Note to be redeemed on the Maturity Date shall be repaid in full by the Issuer on the Maturity Date (along with interest payable in accordance with Condition 2.1), in accordance with and subject to the Conditions to the person who is the Noteholder on the relevant Record Date.
- (b) The Issuer may also redeem some or all of the Notes on issue prior to the Maturity Date on each of the respective dates which are 6 months and 12 months after the Issue Date. The Principal Amount on each Note to be redeemed on such dates shall be repaid in full by the Issuer (along with interest payable in accordance with Condition 2.1), in accordance with and subject to the Conditions to the person who is the Noteholder on the relevant Record Date.
- (c) The Issuer may also redeem some or all of the Notes in accordance with Condition 17 and the Principal Amount plus all accrued and unpaid interest will be paid in accordance with and subject to the Conditions to the person who is the Noteholder on the relevant Record Date.

4. Early Redemption for Takeover Event

4.1 Early redemption by Issuer

If a Takeover Event occurs, the Issuer may in its absolute discretion, elect to redeem all or some (pari passu) of the Notes on issue prior to the Maturity Date:

- (a) with effect on the Early Redemption Date;
- (b) by payment of an amount equal to the Early Redemption Amount in respect of each Note redeemed; and
- (c) along with payment of any accrued and unpaid interest up to the Early Redemption Date,

provided that:

- (d) the Issuer has made an Early Redemption Announcement within 15 days after the Takeover Event and not less than 30 days prior to the proposed Early Redemption Date;
- (e) the Issuer has complied with Condition 5.1(d); and

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- (f) the Issuer first complies with any Conversion Notice received from a Noteholder prior to the proposed Early Redemption Date in accordance Condition 5.1(c).

4.2 Early Redemption Announcement

An Early Redemption Announcement must:

- (a) be made to the ASX;
- (b) state that the Issuer will redeem the Notes, the Early Redemption Amount to be repaid, the basis upon which the Early Redemption Amount is calculated and the number of Notes to be redeemed;
- (c) state the Early Redemption Date; and
- (d) otherwise comply with any requirements of the Listing Rules and the Corporations Act as to contents and timing.

5. Conversion

5.1 Conversion by Noteholders

- (a) Subject to paragraphs (b) and (c), a Noteholder may deliver a Conversion Notice to the Issuer at the address of the Register (which shall be irrevocable) requiring the conversion of all of the Principal Amount of a Note towards a subscription for ordinary shares in the Issuer, determined in accordance with Conditions 5.4 and 5.5, at any time during the period of 15 Business Days ending on the Business Day before a Conversion Date (the **Conversion Option**).
- (b) A Noteholder may convert all or some of its holding of Notes. Where a Noteholder converts only part of its holding of Notes, the Noteholder must convert at least 5,000 Notes and in integral multiples of 1,000 Notes. If a Noteholder converts all of their Notes, it may do so regardless of the number of Notes held.
- (c) If the Conversion Date is a Business Day during a Takeover Period, then the Conversion Notice must be given on a Business Day before the last day of the Takeover Period.
- (d) On the occurrence of a Takeover Event, the Issuer shall give notice of the occurrence of that event to the Trustee and to all Noteholders as soon as reasonably practicable and, in any event, within 5 Business Days of the date of occurrence of the Takeover Event.

5.2 Issue of ordinary shares

Within 5 Business Days of the Conversion Date, the Issuer shall issue to the Noteholder that number of ordinary shares in the capital of the Issuer in accordance with Condition 5.4 (subject to any adjustments in accordance with Condition 5.5) in full satisfaction of the Principal Amount otherwise owing on the Notes which are the subject of the Conversion Notice.

5.3 Ranking of ordinary shares

The ordinary shares in the capital of the Issuer issued upon the conversion shall rank equally in all respects with all issued ordinary shares in the capital of the Issuer at the Conversion Date.

5.4 Number of ordinary shares issued on conversion

Subject to Condition 5.5, a Noteholder on the Conversion of Notes shall be entitled to one ordinary share in the capital of the Issuer for every Note converted.

5.5 Adjustments

Subject to the Listing Rules the following applies:

- (a) If there is a reorganisation (including, consolidation, subdivision, reduction or return) of the issued capital of the Issuer prior to the Conversion Date, the number of ordinary shares in the capital of the Issuer issued on Conversion shall be adjusted in the same proportion as the issued capital of the Issuer is reorganised and in a manner which will not result in any additional benefits being conferred on the Noteholder which are not conferred on the shareholders of the Issuer, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for Conversion of the Notes shall remain unchanged.
- (b) The adjustments in this Condition 5.5 shall be determined by the Auditors acting as an expert and not as an arbitrator and the provisions of any applicable arbitration legislation are excluded to the fullest extent possible.
- (c) The determination of the Auditors will be final and binding subject only to any adjustment necessary to correct the manifest error of objective fact or calculation apparent on the face of their determination.
- (d) All costs and expenses of the Auditors must be paid by the Issuer.

5.6 Register Conclusive

- (a) Subject to Condition 5.6(b), for the purposes of Conversion:
 - (i) the Register shall be conclusive of the identity of the Noteholder entitled to deliver a Conversion Notice in accordance with Condition 5.1;
 - (ii) the Issuer shall not be affected by notice of any transfer of Notes where that transfer has not been registered on or before the Conversion Date;
 - (iii) the Register shall be conclusive as to the identity of the Noteholder on the Conversion Date for the purpose of determining who shall be issued ordinary shares pursuant to Condition 5.2; and
 - (iv) the Issuer shall have no responsibility, duty or liability to issue ordinary shares to any person other than to the Noteholder shown on the Register at the relevant Conversion Date.

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- (b) If the Noteholder shown on the Register at the relevant Conversion Date is different from the Noteholder giving the Conversion Notice, that Conversion Notice shall be disregarded and shall have no effect for the purpose of Condition 5.1.

6. Purchase by Issuer

- (a) Provided that no Event of Default has occurred or is continuing, the Issuer may purchase all or any of the Notes on-market or by tender or by private contract at any price.
- (b) Any Notes purchased by the Issuer shall be cancelled and may not be resold or reissued.

7. Bonus issues

If the Noteholder exercises the Conversion Option and the Issuer at any time during the period subsequent to the issue of the Note to a Noteholder and prior to the Conversion Date shall have made a pro rata bonus issue to all its ordinary shareholders, then the following provisions shall apply.

- (a) The Issuer shall on issuing the ordinary shares in accordance with Condition 5.4 on exercise of the Conversion Option, issue (on terms and conditions that are the same as or correspond with, or are no more favourable to the Noteholder than, the terms and conditions on which the bonus shares were allotted to the ordinary shareholders of the Issuer) to the Noteholder that number of bonus shares to which the Noteholder would have been entitled if that proportion of the Principal Amount of those Notes had been converted immediately prior to the making of each bonus issue by the Issuer.
- (b) In respect of any reorganisation of capital referred to in Condition 5.5(a) which would have applied to ordinary shares issued under a pro rata bonus issue to which this Condition 7 applies, the provisions of Condition 5.5 shall apply with necessary changes to any ordinary shares issued as bonus shares pursuant to this Condition 7.

8. Power of the Noteholders to direct Trustee

Upon the occurrence of an Event of Default, the Noteholders shall have the following powers exercisable by ordinary resolutions:

- (a) to direct the Trustee to take any particular action under this Deed or the Notes;
- (b) to direct the Trustee to direct the Issuer to redeem the Notes in full;
- (c) to direct the Trustee to commence legal proceedings against the Issuer to recover the Moneys Owning; and
- (d) to direct the Trustee to take such other action as the Noteholders deem appropriate to recover the Moneys Owning,

and the Trustee shall comply with those directions subject to the terms of this Deed, subject to having sufficient funds, and the Conditions.

9. Record Date

The Record Date:

- (a) for the making of interest payments shall be 8 calendar days before the Interest Payment Date; and
- (b) for the making of any other payment (including payment of the Principal Amount on the Maturity Date or the Early Redemption Amount on the Early Redemption Date) shall be 8 calendar days before the Maturity Date, the Early Redemption Date or other payment date; and
- (c) for issuing ordinary shares in the Issuer after a Conversion Date shall be the Conversion Date,

or, in each case, such other date required by the Listing Rules or the SCH Business Rules.

10. Method of payment

10.1 Payment to Noteholders

Subject to Conditions 9 and 10.2, any interest or other monies payable on or in respect of any Notes must be paid in Australian dollars only:

- (a) by payment of cheque marked “not negotiable” and sent through the post to the address of the Noteholder on the Register or other person entitled thereto, or where the Notes are held by joint Noteholders to the address of the Noteholder whose name stands first on the Register in respect of those Notes; or
- (b) by deposit, including by way of telegraphic transfer, to such account with any ADI (as that expression is defined in the *Banking Act 1959* (Cth)) in Australia as the Noteholder (or, where the Notes are held by joint Noteholders, the Noteholder whose name stands first on the Register), by written notice to the Issuer, may direct; or
- (c) by any other method of transferring money approved by the Trustee from time to time.

Every cheque or payment referred to in Condition 10.1(a) will be sent at the risk of the person entitled to the moneys represented by the cheque and payment will be deemed to have been made when the cheque is posted or the deposit is made in accordance with this Condition. The cost of any replacement cheque shall be at the expense of the Noteholder. The Noteholder will be wholly responsible for any account details provided to the Issuer or any error or omissions made by the Issuer in respect of that payment. Any cheque returned to the Issuer, or any cheque not presented by a Noteholder, shall be treated by the Issuer as unclaimed money.

10.2 Payments to the Trustee

If so requested by the Trustee, the Issuer must make any payments payable to the Trustee under this Deed:

- (a) at a place in Australia and in a manner reasonably required by the Trustee; and
- (b) in immediately available funds and without set-off, counterclaim, conditions or, unless required by law or the provisions of this Deed, deductions or withholdings.

10.3 No gross up

If the Issuer is required by law to deduct or withhold Taxes from any payment to the Trustee or a Noteholder it must:

- (a) make the required deductions and withholdings;
- (b) pay in accordance with the relevant law the full amount deducted or withheld;
- (c) deliver to the Trustee or the Noteholder (as the case may be) the receipt for each payment; and
- (d) reduce the amount of the payment due to the Trustee or the Noteholder (as the case may be) by an amount equal to the deduction or withholding and the payment of such reduced amount shall be in full satisfaction of the Issuer's relevant payment obligation.

11. Joint Noteholders

In the case of Notes being held by more than one person, the following shall apply:

- (a) if several persons are entered in the Register as joint Noteholders in respect of a Note the receipt by any one of such persons for the payment or satisfaction of any Moneys Owing from time to time payable or repayable to the joint Noteholders will be an effective discharge by the Issuer of its obligations in relation to that Note;
- (b) the Issuer will not be bound to register more than three persons as the joint holders of any Notes subject to Condition 13.4;
- (c) subject to the Conditions, all of the joint Noteholders in respect of any Note must join in any:
 - (i) application to transfer the relevant Note from one Register to another Register; or
 - (ii) transfer of the relevant Note.
- (d) in the case of the death of any one of the joint Noteholders, the survivors will be the only persons recognised by the Issuer as having any title to or interest in the Notes registered in their names jointly.

12. Non-resident Noteholders

Where Notes are held by, or on behalf of, a person resident outside the Commonwealth of Australia, then, despite anything to the contrary contained in or implied by the Conditions, it is a condition precedent to any right of the Noteholder:

- (a) to receive payment of the Principal Amount; or
- (b) to receive payment of any interest on the Notes,

that all necessary Authorisations (if any) and any other statutory requirements which may then be in existence are obtained at the cost of the Noteholder and satisfied, provided that the Issuer acknowledges that section 128F of the Income Tax Assessment Act 1936 has been satisfied in respect of the Notes.

13. Transfer of Notes

13.1 Form of transfer

A Noteholder is entitled to transfer a Note by:

- (a) an instrument in writing in any usual or common form or in such other form as the Issuer may approve; or
- (b) a proper ASTC transfer or any other method of transferring or dealing in securities introduced by ASX or operated in accordance with the SCH Business Rules or Listing Rules, and in any such case recognised under the Corporations Act.

13.2 Issuer participation

If the Issuer participates in a computerised or electronic securities transfer, settlement and registration system recognised by or permitted by the Corporations Act:

- (a) the Issuer must comply with and give effect to the rules of that system; and
- (b) the only document required to be completed and delivered by the Issuer in relation to a transfer of the Notes is such document (if any) as those rules require to be so completed and delivered.

13.3 Written transfer instrument

- (a) A written transfer instrument must be forwarded for registration to the address of the Register and together with such other evidence as the Directors may require to prove:
 - (i) the title of the transferor, or the Noteholder's right to transfer the Notes;
 - (ii) the due execution of the transfer; and
 - (iii) the due compliance with the provisions of any relevant statute relating to stamp duties,

and if satisfied with such evidence and that the transferor has otherwise complied with this Condition 13.3, the Issuer will register the transfer and recognise the transferee as the Noteholder entitled to the Notes comprised in the transfer.

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- (b) A written transfer instrument must be:
- (i) executed by the transferor;
 - (ii) executed by the transferee; and
 - (iii) endorsed or accompanied by an instrument executed by the transferee to the effect that the transferee agrees to accept the Notes subject to the terms and conditions on which the transferor held them, to become a Noteholder and to be bound by this Deed.

Subject to the Corporations Act, the written transfer instrument may comprise two or more documents.

- (c) Except in the case of a proper ASTC transfer, a transferor of Notes remains the owner of the Notes transferred until the transfer is registered and the name of the transferee is entered in the Register in respect of the Notes, and the transferee of Notes on being entered in the Register shall have all the rights and obligations which the transferor had and all the rights and obligations of a Noteholder under this Deed.
- (d) Subject to the Listing Rules and the Conditions, the Directors of the Issuer may in their absolute discretion refuse to register:
- (i) any transfer that is not in accordance with the Conditions; or
 - (ii) any transfer of a Note in favour of a person who is known to the Issuer to be a minor or of unsound mind, but the Issuer will not be bound to enquire as to the age or soundness of mind of any transferee.

The Directors shall not be bound to give any reason for refusing to register any transfer and their decision shall be final, conclusive and binding.

- (e) No instrument of transfer will be registered by the Issuer during any period when the Register is closed.
- (f) The Issuer must:
- (i) register all valid, registrable transfer forms (if any) and transfers (if any); and
 - (ii) mark or note transfer forms (if any),
- without charge.
- (g) Any power of attorney granted by a Noteholder may be lodged, produced or exhibited to the Issuer or any of its officers and will, as between the Issuer and the Noteholder who granted the power of attorney:
- (i) be taken and deemed to continue and will remain in full force and effect; and
 - (ii) may be acted upon,

unless express notice in writing of its revocation or of the death of the Noteholder who granted it is lodged with the Issuer.

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- (h) All instruments of transfer which are registered or surrendered to the Issuer will remain the property of the Issuer and will be retained by it for a period of 3 years or such minimum period or in such alternative form as may be permitted by law after receipt. However, any instrument of transfer which the Issuer declines to register will (except in the case of fraud or suspected fraud) be returned on demand to the Person depositing the instrument.

13.4 Number of transferees

No transfer of a Note may be made to more than 3 transferees jointly unless the transferees are the legal personal representatives or trustees of a deceased Noteholder.

14. Form and Title

14.1 Constitution under this Deed

The Notes are constituted by, and owing under, this Deed. Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Noteholder of its entitlement to the Notes.

14.2 Register conclusive of title

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the registered holder of the Note, subject to rectification for fraud or manifest error.

14.3 Certificates

No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to a Note unless the Issuer determines that certificates should be made available or the Issuer is requested to issue such certificate by the Trustee or required to do so pursuant to any applicable law or regulation.

15. Indemnity to the Issuer

15.1 Indemnity of the Issuer

- (a) Whenever in consequence of:
- (i) the death of a Noteholder;
 - (ii) the non-payment of any income Tax or other Tax payable by a Noteholder;
 - (iii) the non-payment of any stamp or other duty by the legal personal representatives of a Noteholder or his estate; or
 - (iv) any other act or thing in relation to a Note or a Noteholder,
- any law for the time being of any other country or place, in respect of that Note, imposes or purports to impose any liability of any nature whatever on the Issuer to make any payments to any Governmental Agency, the Issuer will in respect of that liability be indemnified by that Noteholder and the Noteholder's legal personal

representatives and any monies paid by the Issuer in respect of that liability may be recovered by action from that Noteholder and/or the Noteholder's legal personal representatives as a debt due to the Issuer and the Issuer will have a lien in respect of those monies upon the Notes held by that Noteholder or his legal personal representatives and upon the principal and interest payable in respect thereof.

- (b) Nothing in this Condition 15.1 will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Issuer.

16. Deceased or Insolvent Noteholders

The legal personal representatives of a deceased Noteholder (not being one of joint Noteholders) will be the only persons recognised by the Issuer as having any title to that Noteholder's Notes. Any person becoming entitled to Notes in consequence of the death or liquidation of any Noteholder may, on producing such evidence of that person's title as the Directors think sufficient, be registered as the holder of the Notes or, subject to the preceding Conditions of the Notes as to transfer, may transfer those Notes. The Directors will be at liberty to retain the principal and interest and any other monies payable in respect of any Notes which any person under this Condition is entitled to or to transfer until such person is registered or has duly transferred the Notes in accordance with these Conditions of the Notes.

17. Unmarketable Parcels

- (a) The Issuer may redeem any Notes held by a Noteholder which are an Unmarketable Parcel on one occasion in any 12 month period.
- (b) The Issuer must notify the Noteholder in writing of its intention to redeem the Notes under this Condition 17.
- (c) The Issuer will not redeem the relevant Notes:
- (i) before the expiry of 6 weeks from the date of the notice given under paragraph (b); or
 - (ii) if within the 6 weeks allowed by paragraph (c)(i) the Noteholder advises the issuer that the Noteholder wishes to retain the Notes.

The power to redeem lapses following a Takeover Event, but the procedure may be started again after the end of the relevant Takeover Period.

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James Link
Gerry McGowan

Company Secretary

Yvonne O'Reilly
Richard James Pillinger

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