



CBD Energy Limited

ASX Appendix 4D

Half Year Financial Report

31 December 2008

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period (*Appendix 4D item 1*)

The reporting period is the half-year ended 31 December 2008 with the previous corresponding period to 31 December 2007.

Half Year ended 31 December 2008

Results for Announcement to the Market

(Appendix 4D item 2)

		% Change	Amount of Change \$'000		\$ '000
Revenue from ordinary activities (Appendix 4D item 2.1)	Down	5%	475	to	8,170
Profit/(loss) from ordinary activities after tax attributable to members (Appendix 4D item 2.2)	Down	1,581%	2,154	to	(2,290)
Net profit/(loss) for the period attributable to members (Appendix 4D item 2.3)	Down	1,581%	2,154	to	(2,290)

The % change and amount of change results shown above are calculated with reference to the previous corresponding period being 31 December 2007.

Dividends/distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
N/A		

Day/Month/Year

Record date for determining entitlements to the dividend: N/A
(Appendix 4D item 2.5)

Explanation of Operating Results (Appendix 4D item 2.6)

The reported consolidated loss for the half-year ended 31 December 2008 was \$2,289,928 and represents the loss incurred for the half-year period under review.

Refer to the attached CBD Energy Limited 31 December 2008 Half-Year Report for further information on the operating result.

Half Year ended 31 December 2008

NTA Backing *(Appendix 4D item 3)*

	31/12/2008	31/12/2007
Net tangible asset backing per ordinary share after tax	4.20 cents	5.47 cents

Controlled entities acquired or disposed of *(Appendix 4D item 4)*

	Acquisitions	Disposals
Name of entity	-	-
Place of incorporation or registration	-	-
The date of (gain) loss of control	-	-
Consideration for acquisition or disposal	-	-
Total net assets	-	-
Nature of business	-	-

Acquired entities:

The Company did not acquire any controlled entities during the 6 months to 31 December 2008.

Disposed entities:

The Company did not dispose of any controlled entities during the 6 months to 31 December 2008.

Half Year ended 31 December 2008

Additional dividend/distribution information *(Appendix 4D item.5)*

Details of dividends/distributions declared or paid during or subsequent to the half-year ended 31 December are as follows:

Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
N/A					

Dividend reinvestment plans ("DRP") *(Appendix 4D item 6)*

N/A

Associates and Joint Venture entities *(Appendix 4D item 7)*

The Consolidated entity has a 50% interest in RE Storage Pty Ltd and Wind Energy Storage Pty Ltd with Hydro Tasmania

The Consolidated entity has a 50% interest Bowen Co-Venture Deed a Joint venture between the Company and BD (Qld) Project G061 Pty Ltd (as trustee of the BD (Qld) Project G061 Unit Trust) (ACN 124 718 707)

The Consolidated entity has a 50% interest in Emerald Co-Venture Deed a Joint venture between the company and BD (Qld) Project G075 Pty Ltd (as trustee of the BD (Qld) Project G075 Unit Trust) (ACN 119 969 274);

As at 31st December 2008, the joint venture entities did not trade with external parties nor hold any assets directly.

Foreign Accounting Standards *(Appendix 4D item 8)*

N/A

Auditors Review *(Appendix 4D item 9)*

This report is based on accounts which have been reviewed.

Refer attached CBD Energy Limited 31 December 2008 Half-Year Report for complete review report.

CBD ENERGY LIMITED and its controlled entities
A.B.N. 88 010 966 793



**CBD ENERGY
LIMITED**

ABN 88 010 966 793

HALF-YEAR REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

CBD ENERGY LIMITED and its controlled entities
A.B.N. 88 010 966 793

CORPORATE DIRECTORY

Directors

Gerry McGowan, Managing Director
Mark Vaile, Non-Executive Director and Chairman
Jim Link Non-Executive Director

Secretary

Yvonne O'Reilly

Registered Office

Suite 2, Level 2
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Double Bay NSW 2028
Telephone: (02) 9363 9920

Auditors

Hall Chadwick
Chartered Accountants
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Sydney NSW 2000

Bankers

Westpac Banking Corporation
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Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Ltd
Level 3
60 Carrington Street
Sydney NSW 2000
Investor Enquiries – Telephone 1300 855 080

Australian Stock Exchange Code

Ordinary Shares CBD

DIRECTORS' REPORT

The directors of CBD Energy (the Company) present the following report for the six months to 31 December 2008.

1. Directors

The following persons were directors of the Company during the half-year and to the date of this report:

Gerry McGowan, Managing Director (director since 05/04/04)
Mark Vaile, Chairman and Non-Executive Director (director since 08/09/08)
James Link, Non-Executive Director (director since 08/09/08)
John de Gouveia, Executive Director (Resigned 08/09/08)
Michael Warczak, Non Executive Director (Resigned 08/09/08)

2. Review of the Company's Operations and Results

During the half-year under review the company undertook further significant steps towards adding shareholder value and broadening its activities in the renewable energy sector.

Progress was achieved in the following areas;

- Wholly owned CBD Energy (CBD) subsidiary, Parmac, a mechanical services company, has won a \$3.6 million contract for the supply of air conditioning services to a new office building being constructed at 485 LaTrobe Street, Melbourne.
- Further to the announcement on 8 September 2008 that the solar energy component of the King Island project has been completed and installed, CBD has executed a new Shareholders' Agreement with its joint venture partner Hydro Electric Corporation (Hydro Tasmania), Australia's largest renewable energy company.

Having now restructured their joint venture relationship, CBD Energy and Hydro Tasmania can focus on implementing the remaining components of the King Island project. The joint venture partners are considering the following four projects as part of their venture on King Island: the solar project (completed and installed), energy storage component, energy management/control system component and the wind farm expansion project.

DIRECTORS' REPORT – Continued

2. Review of the Company's Operations and Results - Continued

- Under the Power Purchase Agreement in place for the Solar Project, KI Solar Pty Ltd (a wholly owned subsidiary of CBD) has agreed to supply, and Hydro Tasmania has agreed to purchase, the electrical energy generated by the King Island Solar Project for a period of 20 years.
- As previously announced, CBD was successful in gaining preferred tender status for the installation of wind turbines on Chatham Island, New Zealand. CBD is currently negotiating contracts for this project.

Due to the global financial crisis, CBD will not progress its previously announced capital raising. CBD has negotiated an extension on our Singleton Green project with Buildev.

The directors have decided it is prudent to write down \$1,735,628 of costs associated with the prototype of the Energy Storage Module. The proving up of the technology has been successful with the results independently validated by Sinclair Knight and Mertz. CBD is now ready to install the ESM technology on our commercial projects. The decision to write down the development costs associated with the graphite block development was made as that phase of R&D development has been completed and verified. The potential of the technology has been carried into the Larkden carrying value as validating the technology assumptions of the marketing plan and sales strategy of Larkden

The costs associated with the achievements outlined above have impacted on our reported results for the current half-year.

On an operational level, our existing subsidiary businesses in both Parmac and Captech performed profitably during the half-year and are expected to do so in the second-half to 30 June 2009.

Financial Performance

The consolidated net loss for the half year ending 31 December 2008 was \$2,289,928 (2007: loss \$136,223)

3. Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

This report is made in accordance with a resolution of the directors.



Gerry McGowan
Director

Sydney
27 February 2009

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**CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Note	31 December 2008 \$	31 December 2007 \$
Revenue		8,170,049	8,644,890
Other income		114,682	206,018
Raw materials and consumables used		(4,800,648)	(5,291,437)
Depreciation and amortisation expense		(95,120)	(76,105)
Finance costs		(589)	(25,139)
Salaries and employee benefits expense		(2,362,150)	(2,055,492)
Rent		(316,050)	(290,386)
Other expenses		(1,264,474)	(1,248,572)
Impairment of development costs	2	(1,735,628)	-
(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE		(2,289,928)	(136,223)
Income tax expense		-	-
Net (loss)/profit attributable to members of CBD Energy Ltd		(2,289,928)	(136,223)
Overall Operations			
Basic Earnings per share (cents per share)	7	(1.05 cents)	(0.09 cents)
Diluted Earnings per share (cents per share)	7	(0.86 cents)	(0.08 cents)

The accompanying notes form part of these financial statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31/12/08 \$	30/06/08 \$
CURRENT ASSETS			
Cash and cash equivalents		2,242,086	5,272,955
Trade and other receivables		2,301,643	4,826,132
Inventories		1,528,672	1,178,124
Other assets		160,180	32,789
TOTAL CURRENT ASSETS		6,232,581	11,310,000
NON-CURRENT ASSETS			
Financial assets	3	3,803,799	15,003
Plant and equipment	4	3,401,517	2,635,496
Intangibles	5	7,791,947	8,336,264
TOTAL NON-CURRENT ASSETS		14,997,263	10,986,763
TOTAL ASSETS		21,229,844	22,296,763
CURRENT LIABILITIES			
Trade and other payables		1,542,059	2,476,038
Financial liabilities	6	1,551,465	53,115
Short term provisions		396,462	325,570
TOTAL CURRENT LIABILITIES		3,489,986	2,854,723
NON CURRENT LIABILITIES			
Financial liabilities	6	832,830	245,083
TOTAL NON CURRENT LIABILITIES		832,830	245,083
TOTAL LIABILITIES		4,322,816	3,099,806
NET ASSETS		16,907,028	19,196,957
EQUITY			
Issued capital	9	79,536,896	79,536,896
Reserves		52,339	52,339
Retained earnings		(62,682,207)	(60,392,278)
TOTAL EQUITY		16,907,028	19,196,957

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR TO 31 DECEMBER 2008**

	\$	\$	\$	\$
	Issued Capital Ordinary	Share Option Reserve	Retained Profits	Total
Balance at 1.7.2007	63,193,266	52,339	(59,855,947)	3,389,658
Shares issued net of costs	10,098,834	-	-	10,098,834
(Loss) attributable to members of parent entity	-	-	(136,223)	(136,223)
Balance at 31.12.2007	73,292,100	52,339	(59,992,170)	13,352,269
Balance at 1.7.2008	79,536,896	52,339	(60,392,278)	19,196,957
Shares issued net of costs	-	-	-	-
(Loss) attributable to members of parent entity	-	-	(2,289,928)	(2,289,928)
Balance at 31.12.2008	79,536,896	52,339	(62,682,207)	16,607,028

The accompanying notes form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Consolidated Inflows (Outflows)	
	31 December 2008	31 December 2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	10,938,138	8,921,566
Payments to suppliers and employees	(10,808,110)	(9,651,646)
Interest received	110,946	113,144
Interest and other costs of finance paid	(11,912)	(13,532)
NET CASH FLOWS (USED IN)/PROVIDED BY OPERATING ACTIVITIES	229,062	(630,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,987,977)	(1,213,361)
Proceeds from sale of property, plant and equipment	-	424,692
Proceeds from RRP GP Rebate	720,000	-
Payments for investments in Joint Ventures	(3,788,796)	-
Deposits Paid	(181,251)	-
Payments for licence and development costs	(80,258)	(808,262)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(5,318,282)	(1,596,931)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued net of costs	-	4,738,330
Proceeds from borrowings	2,111,858	-
Repayment of hire purchase liabilities	(25,760)	(42,790)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	2,086,098	4,695,540
NET INCREASE IN CASH HELD	(3,003,122)	2,468,141
Cash at the beginning of the period	5,238,438	3,969,848
Effect of exchange rates on cash holdings in foreign currency	6,770	169,139
CASH AT THE END OF THE PERIOD	2,242,086	6,607,128

The accompanying notes form part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2007**

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by CBD Energy Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report, other than those disclosed below:-

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The company recorded a loss of \$2,289,928 for the six months to 31 December 2008. \$1,735,628 of this loss relates to a write-down of assets relating to the development and proving up of our storage technology. Any new projects the company commits to will be reliant on obtaining funding by way of debt and/or equity.

In view of the above circumstances, the Directors are of the opinion that the consolidated entity will have sufficient funding to maintain its operational businesses, through the continued profitability of the Captech and Parmac divisions, and that it is appropriate to prepare the 31 December 2008 financial report on a going concern basis.

Interests in Joint Ventures

As at 31st December 2008, the joint venture entities did not trade with external parties nor hold any assets directly. The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2008 (continued)

Note 2. Impairment write-down of fixed assets

Directors have reviewed the carrying value of its assets and have decided that in the current economic climate it would be prudent to write off the carrying value of assets associated with the prototype of the Energy Storage Module as follows:

	31/12/08	31/12/07
Plant and Equipment – Capital work in progress	1,111,054	-
Intangibles – Development Costs	330,958	-
Intangibles – Licence	293,616	-
	1,735,628	-

Note 3. Financial Assets

Details of financial Assets at 31 December were:

	31/12/08	30/06/08
Investments in Joint Ventures at Cost (i)	3,288,796	-
Investments in Joint Venture - Signing Fee (ii)	500,000	-
Shares in corporations at cost	15,003	15,003
	3,803,799	15,003

- i. The carrying amount of Investment in the Joint Ventures represents the cost value to CBD Energy Limited. The recoverable amount of these costs was assessed by reference to the cash generating unit's value-in-use. This calculation is based on the present value of cash flow projections over the expected life of the projects using a 25% discount rate.
- ii. The company has negotiated an extension on our Singleton Green project with Buildex. The Singleton Co Venture Deed is subject to a conditional precedent requiring CBD Energy Limited to complete further capital raising. If this condition is not satisfied by 1 July 2009, Buildex will be entitled to retain the signing fee of \$500,000 unless a further extension is negotiated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2008 (continued)

Note 4. Plant and Equipment

Details of Plant and Equipment at 31 December were:

	31/12/08	30/06/08
<i>Land & buildings</i>		
At Cost	1,833,426	127,500
Accumulated depreciation	-	-
Total Land & buildings	1,833,426	127,500
<i>Capital work in progress</i>		
At Cost	1,111,054	1,111,054
Accumulated impairment	(1,111,054)	-
Total capital work in progress	-	1,111,054
<i>Leased motor vehicles</i>		
At Cost	402,585	402,585
Accumulated depreciation	(159,873)	(125,182)
Total leased motor vehicles	242,712	277,403
<i>Plant & office equipment</i>		
At Cost	1,698,560	1,425,608
Accumulated depreciation	(373,181)	(306,069)
Total plant & office equipment	1,325,379	1,731,677
<i>Plant & Equipment</i>		
At Cost	5,045,625	3,066,747
Accumulated depreciation	(533,054)	(431,251)
Accumulated Impairment	(1,111,054)	-
Total plant & equipment	3,401,517	2,635,496

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2008 (continued)**

Note 5. Intangibles

Details of Intangible Assets at 31 December were:

	31/12/08	30/06/08
Goodwill	1,507,539	1,507,539
Licence	-	293,616
Patents – Larkden	6,284,408	6,284,408
Development Costs	-	250,701
	<u>7,791,947</u>	<u>8,336,264</u>

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments (divisions). The Company assessed the recoverable amount of goodwill for both Captech and Parmac and determined that goodwill associated with each Company is not impaired. The recoverable amount of the cash-generating unit, being the assets of the Company, was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 4-year period with a terminal value based on year 4 projections. The cash flows are discounted using a rate of 25%. Management believes that any reasonable possible change in the key assumptions in which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate carrying amount of those cash-generating units.

Recoverability of Patents – Larkden

The carrying amount of patents of \$6,284,408 represents the cost to acquire Larkden Pty Ltd, the owner and holder of patents relating to the graphite energy storage technology. The company's assessment of the value of Larkden was based on the licence fees generated from project activity associated with King Island, Cloncurry and Lake Cargelligo. Included in the forward projections are licence revenues associated with exploiting the technology of the Graphite Energy Storage for Wind – Grid Systems and Solar Thermal Systems.

The recoverable amount of the patent costs, as detailed above was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over an 8-year period with a terminal value based on year 8 projections, using a discount rate of 25%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2008 (continued)**

Note 6. Financial Liabilities

Details of financial liabilities at 31 December were:

	31/12/08	30/06/08
Short term financial liabilities:		
Finance leases	53,113	53,115
Loans	1,498,352	-
	<u>1,551,465</u>	<u>53,115</u>
Long term financial liabilities:		
Finance leases	219,324	245,083
Loans	613,506	-
	<u>832,830</u>	<u>245,083</u>

Note 7. Earnings per share

Basic earnings per share	(1.05 cents)	(0.09 cents)
Diluted earnings per share	(0.86 cents)	(0.08 cents)
Weighted average number of shares used in the calculation of earnings per share:		
- Basic	217,043,281	152,359,817
- Diluted	<u>264,978,763</u>	<u>164,289,901</u>

Note 8. Dividends

The company has not paid or recommended to pay a dividend in respect of the half-year ended 31 December 2008. (2007: Nil)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2008 (continued)

Note 9. Issued Capital

Movements in ordinary shares during the half year to 31 December 2008 were:

	31/12/08		30/06/2008	
	Number of Shares	\$	Number of Shares	\$
Beginning of the period	217,043,281	79,536,896	217,043,381	79,536,896
Issued during the period:	-	-	-	-
- less net issuing costs	-	-	-	-
End of the period	217,043,281	79,536,896	217,043,381	79,536,896

Note 10. Net tangible assets

	31/12/08	31/12/07
(a) Net tangible assets	\$9,115,081	\$9,922,548
(b) Ordinary shares	217,043,281	181,358,731
Net tangible backing per share	4.20 cents	5.47 cents

Note 11. Related parties

In accordance with resolutions passed at the Company's Annual General Meeting on 27 November 2008, the following options have been issued:

- 3,000,000 unlisted options exercisable at 20 cents each on or before 27 November 2013 to TRW Holdings Pty Ltd, being an entity related to a director, Mr Gerry McGowan.
- 3,000,000 unlisted options exercisable at 20 cents each on or before 27 November 2013 to Mark Vaile.
- 3,000,000 unlisted options exercisable at 20 cents each on or before 27 November 2013 to James Link.

All other arrangements with related parties are consistent with those disclosed in the 2008 Annual Report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2008 (continued)

Note 12. Events subsequent to balance date

There have been no events of which the directors are aware which has had a material effect on the Company or its financial position.

Note 13. Financial reporting by segments

The Company's primary reportable segments are its business segments. The Company's business segments are Building Services and its Energy Services Business.

	Segment revenue		Segment result	
	2008	2007	2008	2007
Mechanical services	4,768,660	4,876,341	340,672	313,127
Energy services	3,293,213	3,605,590	(1,232,452)	637,638
Corporate	108,176	162,959	(1,398,148)	(1,086,988)
Total	8,170,049	8,644,890	(2,289,928)	(136,223)

DIRECTORS' DECLARATION

The directors of CBD Energy Limited declare that:

1. The financial statements and notes, as set out on pages 11 to 21:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Gerry McGowan
Director

Sydney
27 February 2008

CBD ENERGY LIMITED
ABN 88 010 966 793
AND CONTROLLED ENTITIES
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF CBD ENERGY LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2008 there have been:

- a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, Sydney, NSW 2000



DREW TOWNSEND

Partner

Date: 27 February 2009

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CBD ENERGY LIMITED
ABN 88 010 966 793
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
CBD ENERGY LIMITED AND CONTROLLED ENTITIES

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of CBD Energy Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of CBD Energy Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of CBD Energy Limited and Controlled Entities on 27 February 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Basis for Qualified Conclusion

Carrying Value of Patents

As disclosed in Note 5 to the half year Financial Report, the company has assessed the carrying value of the patents based on value in use calculations, which indicate that the balance of the patents amounting to \$6,284,408 is recoverable. We have not been provided with sufficient evidence to satisfy ourselves as to the recoverability of this balance.

Qualified Conclusion

Based on our review, which is not an audit, except for the effects of such adjustments, if any that might have been determined to be necessary had we been able to satisfy ourselves as to the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to the belief that the financial report of CBD Energy Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 half year Financial Reporting and Corporations Regulations 2001.

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Without further qualification to the conclusion expressed above, attention is drawn to the following matters:

Significant Uncertainty Regarding Continuation as a Going Concern

We draw attention to Note 1 in the half year financial report which indicates the company incurred a loss for the period of \$2,289,928. Note 1 also states the directors' reasons for the financial report being prepared on a going concern basis. Should the company not achieve the matters as set forth in Note 1 there is significant uncertainty about the company's ability to continue as a going concern.

Significant Uncertainty Regarding the Carrying Value of Investments in Joint Ventures

We draw attention to Note 3 to the half year report. The company has assessed the carrying value of its investments in joint ventures based on value in use calculations, which indicate that the balance of these investments amounting to \$3,288,796 are recoverable. If the cash flow projections used in the value in use calculations are not met, the carrying value of these investments may be impaired.

Significant Uncertainty Regarding the Carrying Value of Signing Fee

We draw attention to Note 3 to the half year financial report. The company has assessed the carrying value of the signing fee amounting to \$500,000 based on the condition precedent requiring the company to undertake further capital raising. If further capital raising is not obtained, the signing fee is forfeited.

Hall Chadwick

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DREW TOWNSEND

Partner

Date: 27 February 2009