

Date: 09 February 2011

To: Emma Badhni

ASX Compliance

20 Bridge Street, Sydney NSW 2000

Dear Emma,

I refer to your emails dated on 01 and 07 February 2011, in regards to the Company's Quarterly Report in the format of an Appendix 4C for the period ended 31 December 2010. Below are our answers to your questions:

1. We note that there are factors that need to be taken into account in assessing the Company's position - in particular based on its assessment of pricing of renewable energy certificates from time to time, the Company often elects to hold renewable energy certificates generated through its renewable energy business rather than sell them and liquidate them in the market. As a considerable part of the operational revenues of the business constitute renewable energy certificates this action adversely effects operational cashflow at times, though is in the Company's overall best interests as it enables the Company to ultimately maximise the sale proceeds it receives from the sale of RECs. This is evident from prior 4C's lodged which show the Company's operational cashflow is inconsistent depending upon the actions of the Company in cashing out the renewable energy certificates. The Company maintains its expectations for being cash positive and profitable in quarters going forward.
2. No – the Company does not expect it will have negative operating cash flows and as set out above will monitor its renewable energy certificate sales in line with renewable energy certificate pricing from time to time and having regard to its funding requirements.
3. As disclosed previously, the Company's results are heavily influenced by government subsidy and incentive programmes in the solar and renewable sector, including the pricing of renewable energy certificates. These policies and programmes have been subject to ongoing change and the renewable energy certificate prices vary daily and such pricing variances and changes in government legislation continuously impact and affect the Company's performance and consequently forecasts of results can not be meaningfully given. . Against this operating background and the frequent changes in its operating circumstances, the Company internally monitors expected performance and given the volatility in REC pricing and other legislative uncertainties, together with expenditures undertaken by the Company in relation to its ongoing roll-out of solar solution products, performance in the prior quarter is in line with expectations.

4. Not applicable –see Question 3.
5. Yes.
6. Having regard to the Company's overall financial position , in particular that the Company's net assets are approximately \$40 million and that its cash position from time to time must be considered in light of the factors set out above, the Company is strongly of the view that it currently complies with Listing Rule 12.2.

Yours sincerely,



Drew Townsend

Chairman of Quantum Energy Limited



1 February 2011

Mr John Walstab
Company Secretary
Quantum Energy Limited
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By Email

Dear John

RE: Quantum Energy Limited (the "Company")

I refer to the Company's Quarterly Report in the form of an Appendix 4C for the period ended 31 December 2010 released to ASX Limited ("ASX") on 31 January 2011 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$14,039,000;
2. Negative net operating cash flows for the quarter of \$3,939,000; and
3. Cash at end of quarter of \$980,000.

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

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than 2 quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.
5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

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

Listing rule 3.1

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

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

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

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

Under listing rule 18.7A, a copy of this query and your response may be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email at emma.badhni@asx.com.au or on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e. **before 9.30 a.m. A.E.D.T.**) on Monday, 7 February 2011.

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

Yours sincerely

(sent electronically without signature)

Emma Badhni
Senior Adviser, Listings (Sydney)