

## APPENDIX 4C – MARCH 2006 THIRD QUARTER CASH FLOW REPORT

Solco generated a negative operating cash flow for the 3 months of \$606,000. As expected cash receipts for the quarter were lower than the previous quarter as a result of the Christmas closedown. In addition the final payment from the commissioning of our Maltese licensee was delayed but has been received during the first half of April.

The company increased its inventory levels of solar modules by approximately \$500,000 over this period in a strategic move to capitalise on opportunities in a market where supply is scarce.

The Company raised \$691,000 after costs during the quarter from the proceeds of a share purchase plan and the exercise of options under executive employment arrangements. The share purchase plan that was conducted during February raised \$442,000 in cash before costs, which encouraged the Solco board given it occurred during a difficult period when the share price actually dropped below the issue price. The exercise of options also provided \$280,000 in cash before costs.

Cash at Bank at the end of the quarter was \$1.2m, down from \$1.25m at 1<sup>st</sup> January 2006.

For further information contact:

Dermot Patterson  
Chief Executive Officer  
Solco Limited  
(08) 9334 8100  
dpatterson@solco.com.au

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

SOLCO LTD.

ABN

27 084 656 691

Quarter ended ("current quarter")

31 MARCH 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	3,152	13,235
1.2 Payments for		
(a) staff costs	(866)	(2,525)
(b) advertising and marketing	(93)	(339)
(c) research and development	(21)	(156)
(d) leased assets	-	-
(e) other working capital	(2,761)	(11,731)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	31
1.5 Interest and other costs of finance paid	(25)	(43)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>(606)</b>	<b>(1,528)</b>

+ See chapter 19 for defined terms.

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	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(606)	(1,528)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) Businesses (item 5) <i>(adjustment to purchase price)</i>	-	(5)
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(3)	(190)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	6	14
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other i) 30% interest in Solco Malaysia, who are licensed to manufacture and sell Solar Hot Water Systems throughout Asia.	-	(85)
ii) 19% interest in MB Solco (Malta), who are licensed to manufacture and sell Solar Hot Water Systems in the Italian and Middle Eastern markets.	-	(95)
<b>Net investing cash flows</b>	3	(360)
<b>1.14 Total operating and investing cash flows</b>	(603)	(1,888)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	691	694
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	593	1,687
1.18 Repayment of borrowings	(716)	(1,418)
1.19 Dividends paid	-	-
1.20 Other (finance leases)	(22)	(36)
<b>Net financing cash flows</b>	546	927
<b>Net increase (decrease) in cash held</b>	(57)	(961)
1.21 Cash at beginning of quarter/year to date	1,256	2,160
1.22 Exchange rate adjustments to item 1.20		
<b>1.23 Cash at end of quarter</b>	1,199	1,199

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	55
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Salaries to Directors.
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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	346	282
3.2	Credit standby arrangements	40	11

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	642	648
4.2 Deposits at call	257	503
4.3 Bank overdraft	-	-
4.4 Other (Term Deposits)	300	105
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,199</b>	<b>1,256</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a) (i))	Disposals (Item 1.10(a))
5.1 Name of entity	Choice Electric Co (Aust) Pty Ltd	-
5.2 Place of incorporation or registration	Hendra, Queensland	-
5.3 Total Consideration for acquisition	2,228	-
5.4 Total net assets	1,478	-
5.5 Nature of business	Distributor of Solar Power products.	-

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 28/04/2006  
 (Company secretary)

Print name: John Beech

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