



CERAMIC FUEL CELLS LIMITED

Announcement

30 January 2006

Appendix 4C – Quarterly report for entities admitted on the basis of commitments

Quarter ended 31 December 2005

Brief Management Comments

The net cash outflow for the December quarter was \$4.643m. Net operating cashflow for the quarter resulted in a cash outflow of \$3.675 which was in line with the previous quarter.

During the period the Company continued to develop and commercialise its fuel cell technology.

Towards the end of the quarter the Company dispatched two Combined Heat and Power (CHP) demonstration units to its customer EWE in Germany. These units are scheduled to be installed for field trials at EWE's site in early 2006.

The Company launched its new NetGen™ prototype micro fuel cell system at the Ninth Grove Fuel Cell Symposium in London in October and also exhibited the unit at the US Fuel Cell Seminar in November. The Company intends to deploy a limited number of Net-Gen units in field trials in 2006.

During the quarter the Company also signed an agreement with Precision Flow Technologies, Inc. ("PFT") to manufacture and market solid oxide fuel cell test stations. Under the agreement, the Company will license certain intellectual property to PFT and provide other testing expertise and knowledge to assist PFT to manufacture and market test stations. In return the Company will receive a combination of an up-front payment, annual payments and an entitlement to ongoing revenue streams.

Cash from financing activities during the quarter resulted in a net cash outflow of \$0.925m, principally arising from payments in relation to the Company's intended capital raising of up to \$85m and dual listing on the London Stock Exchange's AIM market. The capital raising is expected to be concluded during the March 2006 quarter.

During the period the Company made a quarterly interest payment on its convertible notes of \$0.174m and notes with a value of \$0.150m were converted to equity.

The Company's cash position at the end of the quarter was \$4.583m.

ENDS

Ceramic Fuel Cells Ltd (CFCL) is a publicly listed company (ASX code CFU) and world leader in developing solid oxide fuel cells. CFCL's fuel cells have the potential to meet significant market demand in Europe, UK and Asia for clean, efficient and reliable electricity for use on site and sale back into the power grid. With 100 skilled staff and extensive patented technology, CFCL is pursuing partnerships for manufacture, production and use of its fuel cells in delivering electricity in homes, offices and industry around the world.

For further information, contact:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

CERAMIC FUEL CELLS LIMITED

ABN

82 055 736 671

Quarter ended ("current quarter")

31 DECEMBER 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	50	175
1.2 Payments for (a) staff costs ¹	(2,125)	(4,346)
(b) advertising and marketing ²	(151)	(293)
(c) research and development ³	(1,226)	(2,113)
(d) leased assets	-	-
(e) other working capital	(526)	(1,176)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	110	228
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST Received / (Paid)	189	359
- Sundry income received	4	24
Net operating cash flows	(3,675)	(7,142)

Notes

1. 'Staff costs' includes all company labour and associated headcount costs, and therefore incorporates all Research & Development (R&D) staff, Sales & Marketing (S&M) staff and General & Administrative (G&A) staff.
2. 'Advertising and marketing' excludes all S&M staff costs (as per note 1 above).
3. 'Research and development' costs includes all R&D costs as defined in Note 1(c) to the Financial Statements for the year ended 30 June 2005, but excludes all R&D staff costs (as per note 1 above).

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	(3,675)	(7,142)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(44)	(91)
	(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	2	65
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other – Security deposits decreased (increased)	(1)	(1)
	Net investing cash flows	(43)	(27)
1.14	Total operating and investing cash flows	(3,718)	(7,169)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings (convertible notes)	-	8,200
1.18	Repayment of borrowings (insurance premiums)	(63)	(63)
1.19	Dividends paid	-	-
1.20	Other - Convertible notes issue costs	-	(532)
	Other – Interest paid on convertible notes	(174)	(294)
	Other – Interest paid on insurance premiums funding	(3)	(3)
	Other – AIM costs	(685)	(857)
	Net financing cash flows	(925)	6,451
	Net increase (decrease) in cash held	(4,643)	(718)
1.21	Cash at beginning of quarter/year to date	9,226	5,301
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	4,583	4,583

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	107
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Directors' fees.	

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

Convertible Notes
During the quarter convertible notes with a value of \$150,000 were converted into equity, thereby reducing the Company's liabilities by the same amount. These conversions resulted in the issue of a further 300,000 ordinary shares.

Insurance Premiums Funding
During the quarter the company established and fully drew an insurance premium funding loan of \$284,000. This draw down was a non-cash transaction. This loan will be repaid, in equal instalments, by 30 June 2006.

- 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

NIL

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	-	-
3.2	Credit standby arrangements	-	-

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	223	128
4.2 Deposits at call	179	336
4.3 Bank overdraft	-	-
4.4 Other – Bank bills (maturing < 12 months)	4,181	8,762
Total: cash at end of quarter (item 1.23)	4,583	9,226

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 January 2006
 Director

Print name: David Carruthers

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.