

**Appendix 4C – Quarterly report for entities admitted on the basis of commitments****Quarter ended 31 March 2006****Brief Management Comments**

The net cash inflow for the March quarter was A\$82.020m principally arising from financing activities. The net operating cashflow for the quarter resulted in a cash outflow of A\$2.60m which was an improvement from the two previous quarters due to increased receipts from customers.

During the period the Company completed a placement of 175m ordinary shares to UK and European institutional investors, raising A\$87.5m (£37.2m). In addition to this, 7.7m shares were placed to existing shareholders raising a further A\$3.867m. The Company's shares were admitted to trading on the AIM Market of the London Stock Exchange on 2 March 2006. Expenses of A\$6.382m in relation to these two placements were paid during the period.

Receipts from customers during the quarter were A\$0.765m and relate principally to the Company's field trial programme of its Combined Heat and Power (CHP) demonstration units. The Company expects to receive further revenues from these trials with its utility and other partners and intends to deploy its new NetGen demonstration units in field trials during 2006.

The company is continuing to develop and commercialise its fuel cell technology and these activities resulted in a net operating cash outflow for the quarter of A\$2.60m.

During the period the Company made interest payments on its convertible notes of A\$0.159m and notes with a face value of A\$2.8m were converted to equity. The Company has issued a notice of redemption to the holders of the outstanding convertible notes and will repay all notes still outstanding as at 9 June 2006. The face value of notes outstanding as at 24 April 2006 is A\$3.830m

The Company's cash position at the end of the quarter was A\$89.342m.

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.

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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 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	765	940
1.2 Payments for		
(a) staff costs ¹	(1,907)	(6,253)
(b) advertising and marketing ²	(328)	(621)
(c) research and development ³	(834)	(2,109)
(d) leased assets	-	-
(e) other working capital	(704)	(2,718)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	275	503
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST Received / (Paid)	122	481
- Sundry income received	11	35
Net operating cash flows	(2,600)	(9,742)

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(e) to the Financial Statements for the half-year ended 31 December 2006, 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 \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,600)	(9,742)
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	(75)	(166)
(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	-	65
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
Net investing cash flows	(75)	(101)
1.14 Total operating and investing cash flows	(2,675)	(9,843)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	91,367	91,367
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings (convertible notes)	-	8,200
1.18 Repayment of borrowings (insurance premiums)	(124)	(187)
1.19 Dividends paid	-	-
1.20 Other - Convertible notes issue costs	-	(532)
Other – Interest paid on convertible notes	(159)	(453)
Other – Interest paid on insurance premiums funding	(7)	(10)
Other – Share issue costs	(6,382)	(7,240)
Net financing cash flows	84,695	91,145
Net increase (decrease) in cash held	82,020	81,302
1.21 Cash at beginning of quarter/year to date	4,583	5,301
1.22 Exchange rate adjustments on foreign currency cash balances	2,739	2,739
1.23 Cash at end of quarter	89,342	89,342

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	186
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	<p>Explanation necessary for an understanding of the transactions</p> <div style="border: 1px solid black; padding: 5px;"> <p><i>Directors' Fees</i> Cash payments for directors' fees totalled \$186k.</p> <p><i>Share issue costs</i> Share issue costs at item 1.20 includes year to date cash payments of \$249k to a director-related entity.</p> </div>	

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

<p><i>Convertible Notes</i> During the quarter convertible notes with a value of \$2,800,000 were converted into equity, thereby reducing the Company's liabilities by the same amount. These conversions resulted in the issue of a further 5,600,000 ordinary shares.</p> <p><i>Share issue costs</i> During the quarter shares to the value of \$142k were issued to a director-related entity.</p>
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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

<p>NIL</p>

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	472	223
4.2 Deposits at call	21,032	179
4.3 Bank overdraft	-	-
4.4 Other - Investments	67,838	4,181
Total: cash at end of quarter (item 1.23)	89,342	4,583

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:D Carruthers..... Date: 24 April 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.