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CERAMIC FUEL CELLS LIMITED



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Ceramic Fuel Cells Limited
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Date of lodgement: 09-Oct-2006

Title: Open Briefing®. Ceramic Fuel Cells. CEO on Latest Fuel Cell Advances

Record of interview:

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Ceramic Fuel Cells Ltd recently announced the development of the next generation of its Solid Oxide Fuel Cell (SOFC) for micro combined heat and power (m-CHP) units. What is different about these new fuel cells and how does their performance compare with those currently in field trials?

CEO Brendan Dow

In terms of performance, the new cells are more than twice as powerful in terms of power density, that is, electricity generated per square centimetre of fuel cell. This means our fuel cell stack can be much smaller than the last generation.

The new fuel cells are also more efficient and designed to produce 1kW of electricity with less than 0.5kW of heat. Reducing the amount of heat produced by the fuel cell stack means the m-CHP unit can generate efficient base load electricity all year round which is essential to compete with existing technology. Other types of m-CHP units that produce more heat may have to be switched off or waste the heat during summer, which makes the unit less efficient. The new cells are designed for more than 50 percent electric efficiency and very high fuel utilisation.

Additional benefits of the new system are design flexibility and a stronger structure. The flexible and modular design means the stack can be scaled up from 1 to 5 kW and because the stack is smaller it is easier to integrate into appliances.

They also look different. They're square not round, and they are stacked together with metal plates, to make a "metal-ceramic" fuel cell stack rather than an 'all-ceramic' stack.

In technical terms, the new cells use "thin film" technology, that is, a very thin electrolyte layer is used. Thinner electrolytes are much better at conducting oxygen ions, which means the cells can produce more power and operate at a lower temperature.

We've also re-designed the important components that integrate the fuel cell stack into the m-CHP to create a "module" (cell stack and balance of plant) that can be made in volume and integrated into residential appliances. For example, the new module needs 75 percent less air, has 50 percent less heat loss and has a 60 percent smaller burner. The steam generator is also 50 percent smaller and easier to manufacture, and the heat exchanger is 40 percent smaller, more efficient and cheaper.

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How close are the features and performance of this new module to meeting commercially acceptable criteria for a domestic CHP appliance?

CEO Brendan Dow

Our field trials and customer feedback indicated to us that a commercial product needed higher power density and we've now achieved that.

A more powerful and smaller stack can also be much cheaper to make, as well as easier to integrate into appliances. We've always known that to get to commercial price targets we need to make cells in volume at a low unit cost. That's why we will scale up our manufacturing capacity.

The other performance criterion is how long the stack lasts. A generally accepted target for commercial products is a stack life of about five years which is still quite a challenge for all fuel cell developers. We think there is a trade off between stack life and cost. If we can make replacement stacks much cheaper, through economies of scale, then customers will accept a shorter life. Particularly if the utility or appliance company has to conduct a regular annual maintenance check on the appliance anyway. For instance many domestic European boilers have annual maintenance checks already. It would be simple to replace the stacks as part of this service.

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You currently have field trial units being tested by EWE in Germany and Powerco in New Zealand, and EWE has ordered a further 10 NetGen™ units. Will the new stacks be incorporated into the EWE trial units?

CEO Brendan Dow

We're starting to make the new stacks from this month. These stacks and the new balance of plant components will be integrated into NetGen™ units from the March 2007 quarter, for supply to EWE and potentially other customers.

In the meantime, we will continue to make all-ceramic stacks to support the units currently in field trials.

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You are currently planning your fuel cell manufacturing plant. Could you update us on the timing of commissioning and can this unit be manufactured in high volume?

CEO Brendan Dow

Yes, we believe this unit is very suitable for volume manufacture. We are working on the plant now, particularly finalising the location and our funding strategies. Our current schedule is to commission the plant in late 2008, with production from early 2009. We'll be refining our project plans once we finalise the location, funding and other elements of the project. This is the most significant investment the company will make, so while we're working to get into production as quickly as possible, we also need to make sure we do it properly.

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Is this the final generation of technology before commercialisation or do you envisage further generations of technology?

CEO Brendan Dow

We plan for this version to be the technology that we'll mass produce. Having said that, in parallel with scaling up manufacturing, we will continue to improve the performance of the m-CHP unit, especially the power output and stack life. The concept for the volume plant is deliberately flexible to accommodate improvements in our cell designs and our fuel cells and balance of plant will continue to improve and evolve. Like any other emerging technology, we have to keep improving performance to compete with incumbent technologies.

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When can the market expect news of further field trials and partnerships with appliance manufacturers?

CEO Brendan Dow

We're making progress with several partners and we're aiming to make further announcements within the next couple of months.

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Your goal is to develop SOFC units for small scale on-site m-CHP units for generation of electricity and heat for domestic use. How does the latest unit advance your strategy?

CEO Brendan Dow

The improved technology enables us to deliver a higher power cell and a lower cost 1 kW electricity generation product, suitable for large scale manufacturing to meet commercial targets for cost and performance. This achieves our strategic goals by making it easier for appliance makers to integrate our fuel cells into distributed generation products.

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Thank you Brendan

For further information on Ceramic Fuel Cells please visit www.cfcl.com.au or contact Andrew Neilson, Legal & Commercial Manager and Company Secretary, on +613 9554 2300 or andrewn@cfcl.com.au .

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