



CERAMIC FUEL CELLS LIMITED

Clean power for your home

23 April 2007

CERAMIC FUEL CELLS LIMITED

TRADING UPDATE FOR QUARTER ENDED 31 MARCH 2007

Ceramic Fuel Cells Limited ("CFCL" or the "Company"), a leading developer of solid oxide fuel cells for micro-combined heat and power (m-CHP) units, today announces its trading update and cashflow statement for the third quarter ended 31 March 2007.

Highlights of the quarter:

- Signed a three way product development agreement with EWE AG and Bruns Heiztechnik GmbH (Brunns) for the German residential market.
- Engaged a contractor to install and commission equipment at the Company's ceramic powder plant in Merseyside, UK.
- Net operating cash outflow of A\$3.3 million / £1.3 million (Q2: A\$4.8 million / £1.9 million).
- Net cash and financial assets at 31 March 2007 of A\$68 million / £27 million.

Since the quarter end:

- Signed an agreement with Jülich Research Centre of Germany (FZ Jülich) to collaborate on researching and developing applications for solid oxide fuel cell systems, and to award an annual student prize for special achievements in fuel cell development.
- Launched Gennex™, CFCL's fuel cell module comprising a metal-ceramic fuel cell stack plus balance of plant components, at the Hannover Fair.

Brendan Dow, Managing Director of Ceramic Fuel Cells, said:

"With both utility and appliance partners now secured in the key European markets of Germany and France, the Company has clearly moved into the Product Development phase of its commercialisation strategy. The launch of Gennex™ at the Hannover Messe this month represents an important milestone, demonstrating the Company's ability to deliver commercially focused products. CFCL also continues to address critical technology areas such as improved stack reliability and power density. An important element underpinning accelerated stack reliability testing, is the collaboration with Jülich who have considerable expertise in lifetime modelling, metals technology and fuel cell applications. We expect this collaboration to assist in reducing technology risk and speed up development of commercial products. Finally, the progress with equipment installation and commissioning at our Powder manufacturing facility in Merseyside UK is evidence that CFCL can deliver its technology while effectively managing the risks associated with transferring processes from the laboratory to commercial scale".

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About CFCL

Ceramic Fuel Cells Limited is a leader in developing solid oxide fuel cell (SOFC) technology which can provide reliable, energy efficient, high-quality, and low-emission electricity from widely available natural gas and renewable fuels. CFCL is developing SOFC products for small-scale on-site micro combined heat and power (m-CHP) and distributed generation units that co-generate electricity and heat for domestic use. CFCL is listed on the London Stock Exchange AIM market and the Australian Stock Exchange (code CFU).

www.cfcl.com.au

Financial Review

Net operating cash outflow for the third quarter was A\$3.3 million, which was lower than the previous quarter, due to slightly lower expenditure on staff costs and product development costs and higher interest payments received. Receipts from customers were lower than the first and second quarters, due to the timing of field trial unit shipments. Further field trial units, incorporating the Company's metal-ceramic fuel cell stacks, will be shipped during the second half of the calendar year.

As expected, capital expenditure was higher in the quarter as the Company upgraded its Melbourne plant and commissions its UK powder plant. Capital expenditure was A\$2.2 million for the third quarter, as against A\$1.5 million for the second quarter.

Total cash and financial assets at the end of the quarter was A\$68 million.

Operational Review

Product development agreement with EWE and Bruns

As previously announced, in March 2007 the Company signed a three-way product development agreement with EWE, one of Germany's top five energy suppliers, and Bruns Heiztechnik GmbH (Bruns), a specialist German boiler manufacturer.

CFCL received an initial order for its field trial demonstration units from EWE in July 2005. At that time CFCL and EWE also signed a letter of intent to commercialise fuel cell based m-CHP units. In June 2006, CFCL received a second order from EWE, for ten NetGen™ prototype units, as part of an ongoing field trial program.

Under the terms of the new product development agreement, CFCL will collaborate with Bruns to design and construct fully integrated 1kW m-CHP units to meet EWE's specifications for the German residential market.

The first stage of the project is to design and operate an 'Alpha' unit, whereby a CFCL NetGen unit, a Bruns high efficiency condensing boiler and a thermal store (water tank) will be integrated and operated via a single control unit. Work on this stage has begun and is expected to be completed in 2007. The second stage is to create a near-commercial 'Beta' unit, comprising a single physical unit in which a CFCL fuel cell module is fully integrated with a Bruns boiler, without the thermal store.

This agreement follows a similar product development agreement the Company signed in December 2006 with Gaz de France and De Dietrich Thermique for the French market.

Product development agreement with Gaz de France and De Dietrich Thermique

The Company continues to make good progress on the French product development project with Gaz de France and De Dietrich Thermique, and we look forward to providing further updates on progress later in the year.

Collaboration agreement with Jülich Research Centre of Germany

As announced on 17 April, since the quarter end the Company has signed an agreement with Jülich Research Centre of Germany (FZ Jülich) to collaborate on researching and developing applications for solid oxide fuel cell systems. CFCL will also award an annual student prize for special achievements in fuel cell development.

FZ Jülich is one of the largest research institutions in Europe, with more than 4,000 staff, students and researchers and an annual budget of more than 360 million Euros. FZ Jülich has been carrying out R&D in solid oxide fuel cell systems since the mid 1990s, including a strong focus on high-powered anode-supported cells.

Research projects to be conducted under the framework agreement are likely to include materials development, such as high-performance metals, and accelerated lifetime testing and modelling.

Launch of Gennex™ fuel cell module at Hannover Fair

In April CFCL launched 'Gennex™', CFCL's fuel cell module comprising a metal-ceramic fuel cell stack plus balance of plant, at the Hannover Fair, one of the largest trade fairs in the world. The Gennex™ name distinguishes CFCL's new metal-ceramic stacks from the prior all-ceramic stacks. Gennex™ is a 1kW fuel cell module which is designed for integration inside m-CHP units and other appliances.

Fuel Cell Foundry

The Company is continuing its progress on the fuel cell manufacturing facility planned for the Oberbruch industrial park in Heinsberg, Germany. The owner and manager of the site, Nuon, is undertaking site works on the building leased by CFCL. Nuon is also assisting CFCL in the process of obtaining environmental and planning consents. During the quarter the Company recruited local project management staff who are scheduled to start work at the Heinsberg site in May. The Company is also continuing to finalise its project plans, including the scale up of the plant and the project timing and cost.

The Company will continue to update shareholders on progress during the year.

Powder plant

In January 2007 the Company secured a site on an industrial park in Bromborough, Merseyside, UK, for the development of a ceramic powder plant. In March the Company engaged an installation contractor, and on-site works began in April. Equipment installation is due to finish in July. The installation and commissioning project is still scheduled to finish by the end of September 2007.

The Company has two managers based at the Bromborough site to oversee the installation and commissioning.

Melbourne facility

As announced in the previous quarter, the Company is upgrading its manufacturing plant and expanding its capacity at Noble Park, Melbourne, to make the new metal-ceramic fuel cells and balance of plant components.

Some of the equipment being upgraded includes a new semi-continuous furnace, laser cutting equipment, QC equipment suitable for continuous operation, furnaces for metal coatings and automated dispensing equipment for advanced seals. The bulk of this equipment was upgraded by the end of March 2007. Some equipment and processes will continue to be upgraded through to June 2007.

Cell and Stack Manufacturing

The Company is now manufacturing several metal-ceramic stacks per week utilising its upgraded facilities in Melbourne. The key areas being addressed are degradation and durability which are the key metrics for commercial fuel cells.

Gennex™ fuel cell modules, comprising these new stacks and balance of plant components, will be integrated into NetGen units for delivery in 2007. In the meantime the Company is continuing to utilise its 'Gen4' all-ceramic stacks in its existing field trial units.

ENDS

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 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
1.1 Receipts from customers	3	147
1.2 Payments for		
(a) staff costs ¹	(2,288)	(7,236)
(b) advertising and marketing ²	(332)	(746)
(c) research and product development ³	(1,069)	(3,407)
(d) leased assets	-	-
(e) other working capital	(1,199)	(3,658)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,290	2,970
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST Received/(Paid)	266	721
- Export Market Development Grant received	-	-
- Sundry income received	1	5
Net operating cash flows	(3,328)	(11,204)

Notes

1. 'Staff costs' includes all company labour and associated headcount costs, and therefore incorporates all Research & Product Development (R&PD) 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 product development' costs includes all R&PD costs as defined in Note 1(e) to the Financial Statements for the year ended 30 June 2006, but excludes all R&PD 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)	(3,328)	(11,204)
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	(2,203)	(5,177)
	(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	-	-
	(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	(2,203)	(5,177)
1.14	Total operating and investing cash flows	(5,531)	(16,381)
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	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other - Financial assets: Net proceeds/(Net payments) ¹	5,569	8,753
	Other - Share issue costs	-	(31)
	Net financing cash flows	5,569	8,722
	Net increase (decrease) in cash held	38	(7,659)
1.21	Cash at beginning of quarter/year to date	3,313	11,367
1.22	Exchange rate adjustments on foreign currency cash balances	(92)	(449)
1.23	Cash at end of quarter	3,259	3,259
	Funds held in Financial Assets	64,836	64,836
	Total Cash and Financial Assets	68,095	68,095

1. The net proceeds/(payments) from the disposal and purchase of the company's investments are at item 1.20.

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	136
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

NIL

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	3,075	3129
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other		
- Security deposits	184	184
Total: cash at end of quarter (item 1.23)	3,259	3,313
Financial Assets	64,836	71,763
Total Cash and Financial Assets at end of quarter	68,095	75,076

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: 19 April 2007

Print name: David Carruthers
 Director

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.