



# CERAMIC FUEL CELLS LIMITED

*Clean power for your home*

29 January 2008

## Quarterly Cash Flow Report

Ceramic Fuel Cells Limited, (AIM / ASX: CFU) a leading global fuel cell developer, has released its cash flow report for the second quarter, ended 31 December 2007. The report is available on the company's website: [www.cfcl.com.au](http://www.cfcl.com.au) and also as set out below.

### Financial Review

Net operating cash outflow for the second quarter was A\$4.7 million, which was in line with the previous quarter. Expenditure on Research and Product Development was higher than the prior quarter due to the expenses of some prior quarter activities being paid during this quarter, and the costs of building a number of NetGenPlus™ units that started shipping to utility customers and appliance partners at the end of the quarter.

Capital expenditure was lower in the quarter as the Company concluded its Melbourne plant upgrade and construction of its powder plant at Bromborough, United Kingdom. Capital expenditure was A\$1.3 million for the quarter, as against A\$2.4 million for the previous quarter.

Total cash and financial assets at the end of the quarter was A\$47.1 million.

### Operational Review

#### **UK Powder Plant**

During the quarter the Company completed the installation and commissioning of its high quality ceramic powder plant in Bromborough, Merseyside, UK. The plant has successfully produced zirconia powder required in precise formulations for the manufacture of many types of solid oxide fuel cell and a broad range of other products.

#### **Product development**

The Company continues to make good progress on the micro combined and heat (m-CHP) product development projects with its utility customers and appliance partners in four key European markets:

- Gaz de France and De Dietrich Thermique in France;
- EWE and Bruns Heiztechnik in Germany;
- E.ON UK and Gledhill Water Storage Ltd in the UK; and
- Nuon and Remeha Group in Holland.

In November 2007 the Company was awarded European "CE" safety approval for NetGenPlus™, its prototype m-CHP system designed to generate electricity and provide hot water and central heating for homes and small businesses.

In December 2007 the Company shipped a NetGenPlus™ unit to its German partner Bruns Heiztechnik. After the end of the quarter the Company also shipped NetGenPlus™ units to its appliance partners De Dietrich Thermique in France and Gledhill Water Storage Ltd in the UK. The Company receives revenue from each of these deliveries.

These NetGenPlus™ units will be integrated with high efficiency boilers to create m-CHP products for European markets. The Company expects these integrated units to be commissioned during Q2 2008.

## ***Japan***

After the end of the quarter the Company signed an agreement with Paloma Industries Ltd of Japan to evaluate and develop m-CHP products for the Japanese market by integrating CFCL's advanced fuel cell module with a Paloma home heating appliance.

CFCL will supply Paloma with a NetGenPlus™ unit for Paloma to operate at its site in Japan. The unit is expected to be delivered in mid 2008. Using the results of the real-world product operation CFCL and Paloma will design and develop integrated m-CHP products for the Japanese market.

## ***Fuel Cell Volume Manufacture***

The Company is continuing its progress on the large scale fuel cell plant at the Oberbruch industrial park in Heinsberg, Germany. The Company is continuing to finalise its project plans, including the scale up of the plant and the project timing and cost. The Company is also finalising partnerships with global suppliers to establish the supply chain for volume manufacturing. The Company will update shareholders on progress shortly.

## ***Cell and Stack Manufacturing***

During the quarter the Company continued to manufacture metal-ceramic stacks at its upgraded facilities in Melbourne. CFCL's Gennex™ fuel cell modules, comprising metal-ceramic stacks and new balance of plant components, are being integrated into NetGenPlus units for product development partners. The Company continues to make technical improvements in degradation and durability which are the key metrics for commercial fuel cells.

ENDS

**For further information please contact:**

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## **About CFCL**

**Ceramic Fuel Cells Limited** is a world leader in developing solid oxide fuel cell (SOFC) technology to provide reliable, highly efficient and low-emission electricity from widely available natural gas and renewable fuels. CFCL is developing SOFC products for micro combined heat and power (m-CHP) and distributed generation units that generate electricity and heat for homes.

CFCL is developing m-CHP products with leading appliance partners and utility customers in Germany, France, the United Kingdom, Holland, and Japan. CFCL is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU). [www.cfcl.com.au](http://www.cfcl.com.au)

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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 2007**

### 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	38	42
1.2 Payments for		
(a) staff costs <sup>1</sup>	(2,655)	(5,323)
(b) advertising and marketing <sup>2</sup>	(147)	(430)
(c) research and product development <sup>3</sup>	(2,049)	(3,011)
(d) leased assets	-	-
(e) other working capital	(834)	(2,469)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	656	1,271
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST Received/(Paid)	268	611
- Export Market Development Grant received	-	-
- Sundry income received	33	34
<b>Net operating cash flows</b>	<b>(4,690)</b>	<b>(9,275)</b>

#### 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 2007, 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 (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	<b>(4,690)</b>	<b>(9,275)</b>
<b>Cash flows related to investing activities</b>			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(1,302)	(3,716)
	(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 – Security deposits decreased (increased)	1	1
	<b>Net investing cash flows</b>	<b>(1,301)</b>	<b>(3,715)</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(5,991)</b>	<b>(12,990)</b>
<b>Cash flows related to financing activities</b>			
1.15	Proceeds from issues of shares, options, etc.	2	2
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) <sup>1</sup>	4,258	11,215
	Other - Share issue costs	-	-
	<b>Net financing cash flows</b>	<b>4,260</b>	<b>11,217</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,731)</b>	<b>(1,773)</b>
1.21	Cash at beginning of quarter/year to date	3,325	3,658
	Reclassification of security deposits <sup>2</sup>		(174)
1.22	Exchange rate adjustments on foreign currency cash balances	33	(84)
1.23	<b>Cash at end of quarter</b>	<b>1,627</b>	<b>1,627</b>
	Funds held in Financial Assets	45,440	45,440
	<b>Total Cash and Financial Assets</b>	<b>47,067</b>	<b>47,067</b>

1. The net proceeds from/(payments for) the disposal and purchase of the company's investments are at item 1.20.
2. Under AIFRS cash deposits held as security do not meet the definition of cash and cash equivalents.

**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	114
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.
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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

NIL
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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

NIL
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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	-	-
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	1,627	3,325
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,627</b>	<b>3,325</b>
Financial Assets	45,440	49,379
<b>Total Cash and Financial Assets at end of quarter</b>	<b>47,067</b>	<b>52,704</b>

1. Under AIFRS cash deposits held as security do not meet the definition of cash and cash equivalents.

### 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

- 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.
- This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: [24] January 2008

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.