28 August 2008

CERAMIC FUEL CELLS LIMITED

PRELIMINARY RESULTS FOR THE 12 MONTHS ENDED 30 JUNE 2008

Ceramic Fuel Cells Limited (AIM / ASX: CFU), a leading developer of high efficiency and low emission microgeneration products for homes, today announces its preliminary results for the year ended 30 June 2008.

Highlights in the period and year to date

Customers and Products

- In July 2007, signed product development agreements with major energy company customers and appliance partners, E.ON UK and Gledhill Water Storage Ltd for the United Kingdom market, and Nuon and Remeha / De Dietrich Thermique for the Benelux markets
- In January 2008, entered the Japanese market through a product evaluation and development agreement with the Paloma Group
- In February 2008, announced first volume order for 50,000 mCHP units from Nuon, based on meeting agreed performance and price targets
- By June 2008, installed six NetGenPlus™ units with European customers and partners

Manufacturing and Supply Chain

- Built and commissioned a £3.1 million plant in Merseyside, UK, to make high quality ceramic powders using the Company's proprietary technology
- Confirmed investment of €12.4 million for a large scale fuel cell plant in Heinsberg, Germany.
- Secured long term supply agreements for fuel cell components with two leading German advanced ceramics suppliers, HC Starck and CeramTec
- Entered commercial relationships with suppliers of mCHP balance of plant components, achieving significant cost savings and size reductions

Technology

- Obtained European 'CE' safety approval for the NetGenPlus™ unit
- Strong progress in cell power density, efficiency and fuel cell stack lifetime
- Extensive intellectual property portfolio supplemented with further patents granted

Financial

- Sales revenue from customers up 42% to A$617k / £288k (2007: A$435k / £203k)
- Operational cash outflow increased by A$834k / £389k to A$19.8 million / £9.3 million to fund expanded product development, supply chain and manufacturing scale up
- Net loss increased by A$4 million / £1.8 million to A$23.7 million / £11.1 million, largely due to a non-cash impairment charge and staff option expenses
- Raised A$14.7 million / £7 million in a placement of new shares in May 2008
- Total cash and investments at 30 June 2008 of A$43.3 million / £20.3 million (30 June 2007: A$60.2 million / £28.2 million)

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

"This has been another year of considerable progress for CFCL. We have continued to make progress in developing products with our partners and, significantly, have received our first volume order with agreed targets from Nuon. Our progress in increasing our manufacturing capacity and enhancing our supply chain gives us confidence that we can transition from product development to commercialistion from the second half of 2009."

ENDS

Managing Director Mr Brendan Dow discusses the preliminary results in a webcast interview on Boardroomradio – available at www.brr.com.au/cfu.

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Ceramic Fuel Cells Limited is a world leader in developing solid oxide fuel cell (SOFC) technology to provide 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 (mCHP) and distributed generation units that generate electricity and heat for homes.

CFCL is developing mCHP products with leading appliance partners and utility customers in Germany (EWE and Bruns Heiztechnik), France (Gaz de France and De Dietrich Thermique), the United Kingdom (E.On UK Ltd and Gledhill Water Storage Ltd), Holland (Nuon and Remeha), and Japan (Paloma). CFCL is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU). www.cfcl.com.au

Operational Review

Introduction

CFCL is continuing to deliver on a clear and focused strategy, by developing mCHP products with leading energy customers and appliance partners in five large markets.

Significantly, CFCL's first volume order was secured during the year with partner Nuon, based on meeting agreed targets. During the financial year the Company opened a new plant in Bromborough to produce high quality ceramic powders, and entered into partnerships to outsource volume component manufacturing, to increase capacity and reduce unit costs. The Company also confirmed a €12.4 million investment in a new plant in Heinsberg, Germany. The Company has continued to develop its technology, with further advances in fuel cell power density, efficiency and lifetime.

The Company raised £7 million in a placement of new shares in May 2008, with a good response from existing and new investors. The Company is now designing and developing fully integrated mCHP units with its European appliance partners. The Company expects to complete its first fully integrated products by the end of 2008 and is on track to produce units from its Heinsberg plant from the second half of 2009.

Customers and Products

The first product to be powered by CFCL fuel cells will be combined heat and power (mCHP) units for homes. The product will replace a standard home heating system, using the existing natural gas network to provide high efficiency and low emission power and heat, as well as exporting excess power to the electricity network.

The Company is developing mCHP products with leading utility customers and appliance partners in five key markets: Germany, France, the United Kingdom, the Benelux markets and Japan.

In February 2008 the Company announced that leading Dutch energy supplier Nuon had agreed to place an order for 50,000 mCHP units, on the achievement of agreed performance targets. These targets encompass physical weight and size, power and heat output, efficiency, lifetime, CO_2 savings and selling price of the mCHP unit. The Company has made strong progress toward meeting key technical targets and in July 2008 announced further advances in fuel cell stack efficiency and lifetime. This agreement with Nuon is a milestone achievement for the Company, with the potential to deliver significant revenue over many years.

During the financial year the Company continued to make progress with its product development projects.

In late 2007 the Company obtained European 'CE' approval for its NetGenPlus™ units, and then shipped units to the Company's appliance partners in Germany and the UK. By the end of the financial year a total of six NetGenPlus units were installed with the Company's European partners, as follows:

- Two units installed at EWE's facilities and one unit with Bruns Heiztechnik in Germany.
- Two units installed with De Dietrich Thermique in France (one each for the projects with Gaz de France and Nuon).
- One unit installed with Gledhill Water Storage Ltd in the UK.

These NetGenPlus units are connected to existing heating units and tested and operated in real world conditions, using existing natural gas, water and telecommunications connections and the local electricity grids. These programs allow the Company and its partners to monitor the performance of the units in order to optimise the design of the fully integrated unit and commercial products.

In January 2008, the Company entered the Japanese market through a product evaluation and development agreement with Paloma Industries Ltd.

Japan is one of the world's leading and fastest growing markets for fuel cells, with over 2,000 residential low-temperature fuel cell systems installed, more than any other country in the world. The Japanese Government has a long term funding and strategic program to support the commercialization of residential solid oxide fuel cell (SOFC) CHP units. Japan is also a large market for home heating appliances, with approximately 4.2 million units sold per year into a market of 47 million households.

The Paloma Group is a leading global producer of gas appliances for residential and commercial applications, and owns the Rheem, Raypak and Solahart brands. The Group has annual revenues of approximately US$2.5 billion and serves more than 10 million homes in Japan.

Under the agreement, CFCL will supply Paloma with a NetGenPlus™ unit for Paloma to operate at its site in Japan. The unit is ready to be shipped to Paloma within the next week. Using the results of the real-world product operation, which is expected to run for up to 12 months, CFCL and Paloma will design and develop integrated mCHP products for the Japanese market.

The Company also continues to assess a range of opportunities to enter new markets and develop additional products.

Manufacturing and Supply Chain

In February 2008 and in line with CFCL's strategy, the Company announced that it is investing €12.4 million in the construction of a manufacturing plant in Heinsberg, Germany for the commercial production of its fuel cell systems. The plant will have an initial capacity of 10,000 units per year.

By June 2008 the Company had received full environmental and building permit approvals for the plant from the appropriate German government bodies. The Company had also signed contracts and placed orders for the three largest cost pieces of equipment, comprising furnaces, ink skids and robotic assembly units.

The project is on budget and on schedule for the plant to be operational by June 2009.

During the financial year the Company also developed partnerships with leading global suppliers to establish the supply chain for the Heinsberg plant.

Early in 2008 the Company signed long term fuel cell supply and co-operation agreements with each of H.C. Starck and CeramTec, leading German-based manufacturers of advanced ceramic components. Under each of these agreements, the companies will share relevant intellectual property and technical expertise to continually improve the performance of the supplier's cells, improve manufacturing processes and reduce unit costs. Each supplier has agreed to supply the Company with fuel cell components at fixed prices through to December 2011. The Company will continue to produce fuel cells at its Melbourne R&D and pilot manufacturing facility to drive continued improvements in cell and stack performance.

The Company also entered commercial relationships with suppliers of the 'balance of plant' components, which are integrated with the fuel cell stack to create CFCL's fuel cell module. The Company has developed and sourced compact and highly efficient components from low cost commercial suppliers, with significant cost savings and size reductions.

UK Powder Plant

In late 2007 the Company finished building and commissioning a plant in Bromborough, Merseyside, UK, designed to make high quality ceramic powders using the Company's proprietary technology. Since then the Company has been optimising the processes and equipment used at the plant to make zirconia powders. Zirconia is a key input into the

Company's fuel cell components and is also used in a wide range of other products and applications.

In early 2008 the first shipment of zirconia powder from the Bromborough plant was received in Noble Park, Victoria. The powder passed all the Company's quality control and powder characterisation tests and has been used to make the Company's fuel cells.

CFCL has also continued to develop powder samples for several potential customers.

The Company believes that the plant is capable of making a range of high quality powders for several large and growing markets, and that the plant and the associated intellectual property can provide a range of options to maximise shareholder value.

Technology

During the year the Company continued to improve the performance of its fuel cell technology to meet commercial targets. In early July the Company presented its latest technical advances at the 8th annual European Solid Oxide Fuel Cell Forum, including:

- a 50% increase in cell power density from June 2007 to June 2008;
- an increase in fuel cell stack lifetime. Degradation has reduced by 35%, from 1.53% / 1000 hours reported in February 2008 to less than 1% / 1000 hours, when operating a 1kW stack in a test station at 750^{o}C on natural gas.

These results have been achieved through advances made in cells, glass technology, interconnect metals, protective coatings on metals and contact technology.

In July 2008 the Company was granted a further patent in Europe, for a way of reforming fuels for a fuel cell system. The patent is for an advanced fuel cell pre-reforming system. This system allows CFCL to control the proportion of methane and remove all higher hydrocarbons from the fuel used for the fuel cell. This invention allows CFCL to use a wide variety of fuels for its fuel cells, including liquid hydrocarbon fuels and bio-fuels, and also maintain a very high system efficiency. The invention is also patented in Australia and China, and applications are in progress in the USA and Japan.

Financial Review

The summary financial results for the year from 1 July 2007 to 30 June 2008 are as follows:

(All currency figures are shown in thousands)

Financial Highlights					
	12 months to:				**Change**
	30-June-2008		***30-June-2007***		
Income (Expense)	A$000	£000	A$000	£000	
Sales Revenue	**617**	**288**	**435**	**203**	***41.9%***
EBIT - profit (loss)	**(26,807)**	**(12,545)**	**(23,669)**	**(11,077)**	***13.3%***
Interest & Other Income	**3,128**	**1,463**	**3,991**	**1,867**	***-21.6%***
Net Profit (Loss) - after tax	**(23,679)**	**(11,081)**	**(19,678)**	**(9,209)**	***20.3%***
Cash Outflow from:					
- Operations	**(19,845)**	**(9,287)**	**(19,011)**	**(8,897)**	***4.4%***
- Capital Expenditure	**(6,855)**	**(3,208)**	**(7,501)**	**(3,510)**	***-8.6%***

Revenue

The Group's business revenues increased during the period by 41.9%, to A$617K (£288K) (2007: A$435k / £203k) as the Group supplied its NetGenPlus units to its European utility and appliance partners.

Interest and other income was A$3,128K (£1,463K) this year compared to A$3,991K (£1,868K) last year. The Group received A$1,174K (£549K) less in interest income for the year, as the Company liquidated some investments over the year.

Expenses

The Group spent A$12,310K (£5,761K) on Research and Product Development (R&PD) activities, which was broadly in line with the prior year (2007: A$12,050K / £5,639K).

These activities focused on optimising the fuel cell stack and systems, building and deploying NetGenPlus systems to utility and appliance partners, and then integrating those units with the appliance partners' heating units. During the year 12 NetGen Plus systems were built for deployment to partners and internal testing and development. In accordance with accounting standards the costs of these prototype units are expensed as incurred. The Company receives revenue from its partners for building and deploying these units. This revenue is recognised progressively as contractual milestones are met.

The Group employed 72.4 full time equivalent staff in R&PD and production activities, which was slightly lower than last year.

Sales and Marketing costs increased 5.4%, to A$2,150K (£1,006K). Most of these costs relate to business development and commercialisation activities, focused in Europe.

The Group's expenditure on General and Administrative costs rose from A$10,015K (£4,687K) last year to A$12,964K (£6,067K) this year. The main reasons for the increase were:

- The fuel cell plant in Germany and the UK powder plant only operated for part of the prior year, and activity at both plants increased this year. The increased costs in the current year amounted to A$979K (£458K);
- The charge for the expensing of employee share options increased by A$1,400K (£655K) in the current year, to A$1,812K (£848K); and
- One of the Group's investments suffered a downgrading in its Standard & Poor's credit rating to below investment grade. Although the investment is still currently meeting its obligations on interest payments, an impairment charge of A$3,267K (£1,528K) was taken up - which represents near the full value of the investment. (All other investments remain at their original credit ratings of A or above).

Net Loss After Tax

The net loss for the year was A$23,679K (£11,081K), an increase of A$4,001K (£1,872K) over the past year.

The main reasons for the increased loss are outlined above and can be summarised as:

		£ equivalent
• Reduction in interest income	A$1,174K	(£549K)
• Increase in reported P&L expenses	A$3,320K	(£1,553K)

The net loss represents a loss of 7.52 cents per share (3.5 pence) compared to 6.36 cents (2.9 pence) last year.

Cashflow and Balance Sheet

The Group's cash outflow from operations increased by $834K to A$19,845K (£9,287K), to fund the expanded product development and manufacturing activities.

Cash outflow from investing activities was A$6,883K (£3,221K) which was A$609K (£285K) lower than last year. The reduction is mainly due to the completion of the UK powder plant and the timing of project payments for the fuel cell plant in Germany, which began in February 2008.

The project to build and commission the UK powder plant took just over a year, and was completed in October 2007 for a total cost of A$6,507K (£3,045K).

The construction of the fuel cell plant in Germany is progressing in line with the budgeted timeline and costs. At 30 June 2008 the value of the plant in the balance sheet was A$2,278 (£1,066K).

Cash inflow from financing activities was A$36,008K (£16,851K), which was A$16,696K (£7,813K) higher than last year. This was largely due to a share placement in May 2008, which raised A$13,923K (£6,515K) net of costs by the issue of 35 million shares.

At 30 June 2008 the Group had cash and investments of A$43,300K (£20,264K).

Outlook 2008- 09

Over the 2008-09 financial year the Company will continue to develop products with its utility customers and appliance partners. The Company will operate semi-integrated units at its partners' facilities, and will progress into building fully integrated units for deployment with European customers.

The Company will also build up its manufacturing capacity, through partnerships with suppliers for fuel cells and commercial balance of plant components, and through the Company's fuel cell assembly plant in Germany, which is on schedule to be operational in June 2009. The Company will also make high quality zirconia powder at its UK plant, for internal use and for other customers, as well as identifying further opportunities to commercialise the Company's intellectual property.

Finally the Company will continue its technical advances in efficiency and durability which are the key technical targets required for commercial fuel cell products.

ENDS

ASX Preliminary Final Report

Year ended 30 June 2008

Lodged with the ASX under Listing Rule 4.3A

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Results for announcement to the market

Year ended 30 June 2008

(Previous corresponding period: Year ended 30 June 2007)

	Movement	***%***		***$***
Revenue from continuing operations	Up	41.9	to	617,313
Loss after tax attributable to members	Up	20.3	to	23,678,932
Net Loss for the period attributable to members	Up	20.3	to	23,678,932

Dividend type	Amount per security	Franked amount per security
Final dividend	None	Not applicable
Interim dividend	None	Not applicable

No dividends were recommended, declared or paid during the period.

The Directors do not propose to recommend the payment of a dividend in respect of the period.

There is no dividend re-investment plan in operation.

Brief Explanation of Results

Refer to attached announcement

Preliminary Income Statements

For the year ended 30 June 2008

		Consolidated		Parent	
	Note	**2008** **$**	*2007* *$*	**2008** **$**	*2007* *$*
Revenue from continuing operations	2	**617,313**	435,112	**132,934**	78,503
Other income	3	**3,127,863**	3,991,243	**3,801,931**	3,989,131
Research & Product Development		**(12,310,064)**	(12,050,080)	**(12,310,064)**	(12,050,080)
General & Administration	4	**(12,964,389)**	(10,014,505)	**(11,466,924)**	(9,615,666)
Sales & Marketing		**(2,149,655)**	(2,039,953)	**(2,345,013)**	(2,744,407)
Profit/(loss) before income tax		**(23,678,932)**	(19,678,183)	**(22,187,136)**	(20,342,519)
Income tax expense		-	-	-	-
Profit/(loss) for the year attributable to members of Ceramic Fuel Cells Limited	7	**(23,678,932)**	(19,678,183)	**(22,187,136)**	(20,342,519)

		Cents	*Cents*
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company			
Basic and diluted earnings per share	8	**(7.52)**	(6.36)

The above preliminary income statements should be read in conjunction with the accompanying notes.

Preliminary Balance Sheets

As at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
ASSETS					
Current Assets					
Cash and cash equivalents		**12,650,750**	3,484,004	**12,500,477**	3,331,210
Trade and other receivables		**712,188**	379,070	**91,795**	269,859
Financial assets	5	**-**	8,641,403	**-**	8,641,403
Other		**417,932**	378,799	**363,831**	333,521
Total Current Assets		**13,780,870**	12,883,276	**12,956,103**	12,575,993
Non-Current Assets					
Financial assets	5	**30,649,431**	48,067,849	**30,649,431**	48,067,849
Other financial assets		**-**	-	**10,074,503**	4,677,378
Plant and equipment		**14,161,748**	9,324,207	**5,189,152**	4,669,368
Intangibles		**1,000**	1,000	**1,000**	1,000
Total Non-Current Assets		**44,812,179**	57,393,056	**45,914,086**	57,415,595
Total Assets		**58,593,049**	70,276,332	**58,870,189**	69,991,588
LIABILITIES					
Current Liabilities					
Trade and other payables		**1,588,346**	2,566,972	**1,211,834**	2,248,948
Provisions		**916,220**	771,270	**916,220**	771,270
Deferred revenue		**717,409**	370,879	**57,293**	103,339
Total Current Liabilities		**3,221,975**	3,709,121	**2,185,347**	3,123,557
Non-Current Liabilities					
Provisions		**418,624**	224,195	**92,136**	95,617
Total Non-Current Liabilities		**418,624**	224,195	**92,136**	95,617
Total Liabilities		**3,640,599**	3,933,316	**2,277,483**	3,219,174
Net Assets		**54,952,450**	66,343,016	**56,592,706**	66,772,414
EQUITY					
Contributed equity	6	**199,583,570**	185,660,994	**199,583,570**	185,660,994
Reserves	7	**(1,378,867)**	255,343	**(1,638,844)**	276,304
Retained profits/(losses)	7	**(143,252,253)**	(119,573,321)	**(141,352,020)**	(119,164,884)
Total Equity		**54,952,450**	66,343,016	**56,592,706**	66,772,414

The above preliminary balance sheets should be read in conjunction with the accompanying notes.

Preliminary Statements of Changes in Equity

For the year ended 30 June 2008

		Consolidated		Parent	
	Note	**2008**	*2007*	**2008**	*2007*
		$	*$*	**$**	*$*
Total equity at the beginning of the year		**66,343,016**	85,753,951	**66,772,414**	86,840,543
Changes in the fair value of financial assets	7	**(3,727,022)**	(248,802)	**(3,727,022)**	(248,802)
Exchange differences on translation of foreign operations	7	**280,938**	(7,143)	**-**	-
Net income/(expense) recognized in equity		**(3,446,084)**	(255,945)	**(3,727,022)**	(248,802)
Profit/(loss) for the year		**(23,678,932)**	(19,678,183)	**(22,187,136)**	(20,342,519)
Total recognized income/(expense) for the year		**(27,125,016)**	(19,934,128)	**(25,914,158)**	(20,591,321)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity (net of transaction costs)	6	**13,922,576**	111,101	**13,922,576**	111,101
Employee share options	7	**1,811,874**	412,092	**1,811,874**	412,092
		15,734,450	523,193	**15,734,450**	523,193
Total equity at the end of the year		**54,952,450**	66,343,016	**56,592,706**	66,772,414

Total recognized income/(expense) for the year is entirely attributable to members of Ceramic Fuel Cells Limited.

The above preliminary statements of changes in equity should be read in conjunction with the accompanying notes.

Preliminary Cash Flow Statements

For the year ended 30 June 2008

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Cash Flows from Operating Activities				
Receipts from customers (inclusive of goods & services tax)	**1,962,253**	1,159,875	**1,053,633**	921,874
Payments to suppliers and employees (inclusive of goods & services tax)	**(21,914,921)**	(20,176,309)	**(19,471,578)**	(18,759,746)
	(19,952,668)	(19,016,434)	**(18,417,945)**	(17,837,872)
Grant revenue	**81,477**	-	**81,477**	-
Other revenue	**26,265**	5,392	**26,265**	5,392
Net cash inflow (outflow) from operating activities	**(19,844,926)**	(19,011,042)	**(18,310,203)**	(17,832,480)
Cash Flows from Investing Activities				
Decrease/(increase) in security deposits	**(28,078)**	9,166	**(31,207)**	(2,256)
Loans to subsidiaries	**-**	-	**(5,956,969)**	(5,948,390)
Proceeds from sale of plant and equipment	**-**	227	**-**	227
Payments for plant and equipment	**(6,854,552)**	(7,501,417)	**(2,424,644)**	(2,856,451)
Net cash inflow (outflow) from investing activities	**(6,882,630)**	(7,492,024)	**(8,412,830)**	(8,806,870)
Cash Flows from Financing Activities				
Net proceeds from/(payments for) financial assets	**19,282,116**	15,666,047	**19,282,116**	15,666,047
Proceeds from issue of shares	**14,702,361**	-	**14,702,361**	-
Share issue costs	**(779,785)**	(30,566)	**(779,785)**	(30,566)
Interest received	**2,803,263**	3,676,413	**2,801,251**	3,674,301
Net cash inflow from financing activities	**36,007,955**	19,311,894	**36,005,943**	19,309,782
Net increase (decrease) in cash and cash equivalents	**9,280,399**	(7,191,172)	**9,282,920**	(7,329,568)
Cash and cash equivalents at the beginning of the financial year	**3,484,004**	11,184,443	**3,331,210**	11,170,045
Effects of exchange rate changes on cash and cash equivalents	**(113,653)**	(509,267)	**(113,653)**	(509,267)
Cash and cash equivalents at the end of the year	**12,650,750**	3,484,004	**12,500,477**	3,331,210

The above preliminary cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Preliminary Financial Statements
Year ended 30 June 2008

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Notes to the Preliminary Financial Statements
Year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies

There have been no material changes in the company's application of its significant accounting policies as presented in the company's consolidated financial statements for the year ended 30 June 2007. Readers of this report should refer to Note 1, *Summary of Significant Accounting Policies,* in the aforementioned financial statements for details of these accounting policies.

	Consolidated		***Parent***	
	2008	*2007*	***2008***	*2007*
	$	*$*	***$***	*$*
Note 2. Revenue				
From continuing operations				
Sales revenue				
Field trial income	**584,379**	402,535	**100,000**	45,926
Licensing income	**32,934**	32,577	**32,934**	32,577
Total revenue from continuing operations	**617,313**	435,112	**132,934**	78,503
Note 3. Other Income				
Interest	**2,811,984**	3,985,851	**2,809,972**	3,983,739
Net foreign exchange gain (loss in 2007 – refer Note 4)	**189,208**	-	**180,933**	-
Export Market Development Grant (see below)	**81,477**	-	**81,477**	-
Sundry income	**45,194**	5,392	**729,549**	5,392
Total other income	**3,127,863**	3,991,243	**3,801,931**	3,989,131

Export Market Development Grant
There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit from any other forms of government assistance.

Note 4. General & Administration Expenses

General & Administration expenses includes the following specific expenses:

	Consolidated 2008 $	*Consolidated 2007 $*	***Parent 2008 $***	*Parent 2007 $*
Impairment charges				
On financial assets	**3,267,032**	-	**3,267,032**	-
On investment in related entity	**-**	-	**1,339,604**	1,775,487
	3,267,032	-	**4,606,636**	1,775,487
Share options expense	**1,811,874**	412,092	**1,569,149**	412,092
Net foreign exchange loss (gain in 2008 – refer Note 3)	**-**	2,901,032	**-**	2,901,032

Notes to the Preliminary Financial Statements

Year ended 30 June 2008
(continued)

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$

Note 5. Financial Assets - Investments

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Current assets				
Financial assets	**-**	8,641,403	**-**	8,641,403
Non-current assets				
Financial assets	**30,649,431**	48,067,849	**30,649,431**	48,067,849
	30,649,431	56,709,252	**30,649,431**	56,709,252
Investments include the following revaluation surplus/(deficit) *(transferred to equity)* as at reporting date:	**(3,898,009)**	(170,987)	**(3,898,009)**	(170,987)
Unlisted securities				
Interest-bearing securities denominated in:				
Australian dollars	**4,850,925**	12,050,768	**4,850,925**	12,050,768
European euros	**20,911,477**	28,498,086	**20,911,477**	28,498,086
UK pounds sterling	**4,887,029**	16,160,398	**4,887,029**	16,160,398
	30,649,431	56,709,252	**30,649,431**	56,709,252

Reconciliation	
Opening balance at 1 July 2007	56,709,252
Disposals	(19,282,116)
Impairment charge	(3,267,032)
Decrease in investments revaluation reserve	(3,727,022)
Foreign exchange gain	216,349
Closing balance at 30 June 2008	**30,649,431**

Note 6. Contributed Equity

(a) Share capital

The share capital account of Ceramic Fuel Cells Limited (the company) consists of 344,745,674 fully paid up, ordinary shares as at 30 June 2008.

(b) Movements in ordinary share capital

Movements in ordinary share capital of the company during the past two years were as follows:

Date	Details	Number of shares	Issue price	Amount $
1-7-2006	Opening balance	309,505,559		185,549,893
2-3-2007	Issued for services rendered	236,111	$0.60	141,667
	Less: Transaction costs arising on share issues	-		(30,566)
30-6-2007	Balance	309,741,670		185,660,994
23-10-2007	Issued to employee on exercise of options	4,000	$0.59	2,360
9-5-2008	Share placement	35,000,004	$0.42	14,700,001
	Less: Transaction costs arising on share issues	-		(779,785)
30-6-2008	Balance	**344,745,674**		**199,583,570**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and the proceeds on winding up of the company, in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting of the company, either personally or by duly authorised representative, proxy or attorney, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the Preliminary Financial Statements
Year ended 30 June 2008
(continued)

Note 7. Reserves and Retained Profits/(Losses)

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Reserves				
Investments revaluation reserve	**(3,898,009)**	(170,987)	**(3,898,009)**	(170,987)
Share-based payments reserve	**2,259,165**	447,291	**2,259,165**	447,291
Foreign currency translation reserve	**259,977**	(20,961)	**-**	-
Total reserves	**(1,378,867)**	255,343	**(1,638,844)**	276,304
Investments revaluation reserve				
Balance at 1 July	**(170,987)**	77,815	**(170,987)**	77,815
Revaluation - gross	**(3,727,022)**	(248,802)	**(3,727,022)**	(248,802)
Balance at 30 June	**(3,898,009)**	(170,987)	**(3,898,009)**	(170,987)
Share-based payments reserve				
Balance at 1 July	**447,291**	35,199	**447,291**	35,199
Option expense	**1,811,874**	412,092	**1,569,149**	412,092
Share options issued to subsidiary employees	**-**	-	**242,725**	-
Balance at 30 June	**2,259,165**	447,291	**2,259,165**	447,291
Foreign currency translation reserve				
Balance at 1 July	**(20,961)**	(13,818)		
Currency translation differences arising during the year	**280,938**	(7,143)		
Balance at 30 June	**259,977**	(20,961)		
(b) Retained profits/(losses)				
Movements in retained profits/(losses) were as follows:				
Balance at 1 July	**(119,573,321)**	(99,895,138)	**(119,164,884)**	(98,822,365)
Net profit/(loss) for the year	**(23,678,932)**	(19,678,183)	**(22,187,136)**	(20,342,519)
Balance at 30 June	**(143,252,253)**	(119,573,321)	**(141,352,020)**	(119,164,884)

Note 8. Earnings Per Share

	Consolidated	
	2008	2007
	Cents	*Cents*
Basic and diluted earnings per share	**(7.52)**	(6.36)
	Number	*Number*
Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	**314,717,091**	309,583,185
	$	$
Earnings used in calculating basic and diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company	**(23,678,932)**	(19,678,183)

Net tangible asset backing

	Consolidated	
	2008 cents	*2007 cents*
Net tangible asset backing per ordinary share	**15.9**	21.4

Control over other entities

No control was gained or lost over any entity during the period.

Associates and joint venture entities

The company has no associates, nor has it formed any joint ventures with any other entity/s during the period.

Compliance statement

This report is based on accounts which are in the process of being audited.