



CERAMIC FUEL CELLS LIMITED

Clean power for your home

30 January 2009

Ceramic Fuel Cells Limited ("CFCL" or "the Company")

Quarterly Update and Cash Flow Report

Ceramic Fuel Cells Limited, (AIM / ASX: CFU) a leading developer of high efficiency and low emission power products for homes, today releases its quarterly cash flow report for the period ended 31 December 2008.

Operational Review

In December 2008 CFCL produced its first fully integrated fuel cell boiler unit in preparation for European product deployment in 2009, having successfully operated semi-integrated units during 2008. From Q1 2009 CFCL will ship Gennex fuel cell modules to its European appliance partners for integration into new generation boiler units.

These units produce highly efficient power as well as heat for homes, generating significant savings to utility customers and homeowners. The Company's UK market modeling indicates that its fuel cell units can produce electricity with a net cost 44% lower than traditional electricity generation by capturing and using 'waste' heat, avoiding transmission losses and capturing carbon savings.

The Company's UK modeling also shows that widespread deployment of its fuel cell units can generate strong financial returns for utilities: 14% internal rate of return for existing customers and 30% for new customers – before the benefit of any Government subsidies or carbon savings.

CFCL has identified a potential revenue opportunity of c.€1 billion per year from sales of micro CHP units, with 5% market penetration in its initial target markets of the UK, Germany, Holland, France and Japan.

Whilst the Company's development effort has been focused on micro CHP units in these key markets, market-leading electrical efficiency makes CFCL's technology suitable for many applications and global markets. The Company is currently reviewing several opportunities for new products and new markets.

CFCL's technology is rapidly approaching, and in many cases, exceeding commercial targets. CFCL is now achieving 55% electrical efficiency whilst exporting 1.5 kW to the local power grid. This exceeds CFCL's commercial targets and is far higher than the electrical efficiency of the current grid as well as other microgeneration technologies.

The Company has invested approximately A\$220 million in developing its technology and is now within 12 months of commercial production. The Company currently forecasts that it will be cash flow breakeven on a run rate of approximately 3,000 units sold per year, which on current forecasts is expected to be achieved by December 2010.

Financial Review

Net operating cash outflow for the December quarter was A\$4.0 million (£1.9 million), which was A\$1.9 million (£0.9 million) higher than the previous quarter, due to the timing of working capital payments.

During December, quarter cash outflow from investing activities was A\$2.6 million (£1.2 million). This largely related to building the Company's manufacturing plant in Heinsberg, Germany.

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Website	www.cfcl.com.au		

At the end of December 2008, CFCL held cash of A\$4.7 million / £2.2 million, and investments with an economic value of A\$14.9 million / £6.9 million. The Company has no debt.

The Company expects net cash outflow in the March quarter to be less than the outflow in the December quarter.

As previously announced, the Company has sufficient cash without having to sell another unimpaired investment to fund its operations to the end of the first quarter 2009.

The Company and its advisors are continuing to pursue several options to secure additional funding, including seeking new cornerstone investors in a number of countries.

CFCL is also seeking financial support from governments. Since late December the Company has had a number of meetings and discussions with senior representatives of the Victorian and Federal governments in Australia and the North Rhine Westphalia regional government in Germany.

Those discussions are continuing and the Company will provide further updates as soon as it is able to.

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A presentation of the Operational Review highlights is available on www.cfcl.com.au

Managing Director Mr Brendan Dow also discusses the presentation in a webcast on [Boardroomradio](#) – [click here](#) or go to www.brr.com.au/cfu.

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About CFCL

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 products for micro combined heat and power (m-CHP) and distributed generation units that generate electricity and heat for homes.

CFCL is developing products with leading appliance partners and utility customers in Germany (EWE and Bruns Heiztechnik), France (GdF/Suez 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

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 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1.1 Receipts from customers	1,569	1,783
1.2 Payments for		
(a) staff costs ¹	(2,949)	(5,776)
(b) advertising and marketing ²	(227)	(395)
(c) research and product development ³	(945)	(1,405)
(d) leased assets	-	-
(e) other working capital	(1,820)	(1,876)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	391	1,228
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST/VAT Received/(Paid)	(44)	266
- Export Market Development Grant received	-	-
- Sundry income received	13	37
Net operating cash flows	(4,012)	(6,138)

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 2008, 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)	(4,012)	(6,138)
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	(2,587)	(5,207)
	(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)
	Net investing cash flows	(2,587)	(5,208)
1.14	Total operating and investing cash flows	(6,599)	(11,346)
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	2,451	2,451
	Other - Share issue costs	-	-
	Net financing cash flows	2,451	2,451
	Net increase (decrease) in cash held	(4,148)	(8,895)
1.21	Cash at beginning of quarter/year to date	8,418	12,651
1.22	Exchange rate adjustments on foreign currency cash balances	396	910
1.23	Cash at end of quarter	4,666	4,666
	Funds held in Financial Assets ²	14,900	14,900
	Total Cash and Financial Assets	19,566	19,566

1. The net proceeds from/(payments for) the disposal and purchase of the company's investments are at item 1.20
2. Funds held in Financial Assets reflects the economic value of non-impaired investments. In the current market, the realisable value of these investments is likely to be substantially below their economic value.

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	118
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	4,666	5,452
4.2 Cash equivalents	-	2,966
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	4,666	8,418
Financial Assets ¹	14,900	22,086
Total Cash and Financial Assets at end of quarter	19,566	30,504

1. Financial Assets excludes the Group's investment in credit linked notes. It was announced on 17 October 2008 that this investment is likely to be subject to an impairment charge in the accounts for the half-year to 31 December 2008.

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: 30 January 2009

Print name: Jeff Harding
 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.