



29 April 2010

Ceramic Fuel Cells Limited

Quarterly Cashflow Report and Trading Update

Ceramic Fuel Cells Limited (AIM / ASX: CFU) a leading developer of high efficiency and low emission power products for homes, today released its quarterly cashflow report for the period ended 31 March 2010.

Operational Review

Integrated mCHP

During the March quarter the Company continued to operate complete integrated power and heating (mCHP) units with its appliance partners in Germany, the United Kingdom and France. In these partnerships Ceramic Fuel Cells supplies its Gennex fuel cell modules to appliance partners, which integrate them with high efficiency boilers into single units which convert natural gas into power, hot water and space heating for homes. These units are highly efficient and have low emissions.

BlueGen sales

In parallel with the integrated mCHP product, in 2009 the Company developed a modular product called BlueGen. BlueGen uses the same Gennex fuel cell module to generate power and heat for hot water. It is ideal for customers and markets that do not need space heating, or already have an adequate space heating solution. One BlueGen unit can provide about double the power the average home needs – excess power can be exported to the grid – plus hot water for an average family's needs.

During the March quarter the Company received a number of orders for BlueGen units from a range of leading energy companies and other foundation customers. This very strong interest in the BlueGen product has continued in April.

As at 29 April the BlueGen order book is:

<i>Month</i>	<i>Customer</i>	<i>Country</i>	<i>Number of units</i>
Oct 2009	Energy Australia	Australia	1
Nov 2009	VicUrban	Australia	3
Nov 2009	Paloma	Japan	1
Jan 2010	EWE	Germany	3
Feb 2010	Kiwa-Gastec / Gasterra	The Netherlands	1
Feb 2010	RheinEnergie	Germany	1
Feb 2010	E.ON Ruhrgas	Germany	1
Feb 2010	Alliander	Germany	1
Feb 2010	Cosvegas	Switzerland	1
March 2010	Mitsui / Osaka Gas	Japan	1
March 2010	German Gas Association	Germany	2

April 2010	Ideal Boilers	United Kingdom	1
<i>Totals</i>	<i>12 customers</i>	<i>6 countries</i>	<i>17 units</i>

During the quarter the Company received particularly strong interest from energy companies in Germany.

In addition to the orders previously announced, in March the Company secured orders for two BlueGen units from institutes of the German Gas Association (DVGW). One BlueGen will be demonstrated at the “primary Energy House” of the Gas Wärme Institut (GWI) in Essen and another BlueGen will be tested at the laboratory of the Gastecnologisches Institut (DBI-GTI) in Freiberg. The demonstrations of BlueGen units are part of the German Gas Association’s “Innovation Campaign for Gas technology”, which aims to promote the use of highly efficient and lower emission natural gas products. The membership of the German Gas Association comprises more than 1700 utilities, 1300 companies from the gas and water industry, 200 research institutions and 9000 personal members.

The Company will continue to announce future BlueGen orders which are material or price sensitive, including orders in larger volumes or new markets or with strategically important customers. Any other orders which are not announced when they are entered will be reported in quarterly updates.

The Company continues to receive very strong interest from prospective BlueGen customers and sales partners in many markets around the world. There are large global markets for highly efficient home power and heating products. By way of illustration, each year there are more than 6.5 million home hot water units sold in Europe, more than 4 million sold in Japan, and almost 8 million sold in the USA. There are also very large markets for home power and heating units in developing markets such as India and China.

The Company has installed its first BlueGen with VicUrban in Melbourne. VicUrban and the Company have finalised the site preparation and BlueGen connections and expect to start up the unit shortly.

The Company is now building additional BlueGen units for delivery to customers from May.

BlueGen CE approval

In early April the Company announced that it had obtained ‘CE’ safety approval for BlueGen, after undergoing rigorous testing at the laboratories of independent certification specialist Kiwa Gastec in The Netherlands. This is a significant achievement for the Company. Once a product has ‘CE’ safety approval it can be sold to customers and put into service throughout Europe. The Company has now received the formal CE certificate for the BlueGen product.

UK Feed-in Tariff

During the quarter the United Kingdom Government announced a feed-in tariff for small low-emission electricity generators, including small scale power and heating products. Under the feed-in tariff, energy retailers are required to pay homeowners ten pence for every kilowatt hour of electricity generated by small scale power and heating products, plus an additional tariff of three pence for every kilowatt hour of electricity exported to the local power grid.

The UK tariff came into force on 1 April 2010 and will last for ten years. The tariff is available for the first 30,000 micro power and heating products that generate 2 kilowatts of power or less, with a Government review when 12,000 units have been installed. To be eligible for the tariff, the power and heating product must be certified under the Microgeneration Certification Scheme (MCS). The Company is working with industry partners to apply the relevant MCS standards to the Company’s products.

As with existing feed-in tariffs in many other markets (including Germany, France and The Netherlands), the Company believes the UK feed-in tariff will help accelerate the market entry of Ceramic Fuel Cells’ low emission power generation products.

Financial Review

Underlying net operating cash outflow for the March quarter was AUD 4.5 m (GBP 2.7 m) which is higher than last quarter due mainly to the costs of buying components to meet BlueGen sales orders.

Receipts from customers for the quarter were AUD 0.5 m (GBP 0.3 m) including initial payments by customers on the signing of BlueGen orders.

During the quarter cash outflow from investing activities was AUD 1.4 m (GBP 0.8 m) for payments relating to the commissioning of automated manufacturing equipment at the Company's manufacturing plant in Germany.

The net cash outflow for the quarter was AUD 6.6 m (GBP 4.0 m). This includes AUD 1.4 m (GBP 0.9 m) 'outflow' resulting from the impact of translating foreign currency cash balances in EUR and GBP back to AUD for reporting purposes. The AUD has appreciated strongly against both currencies during the quarter.

The Company expects that in the June quarter receipts from customers will be higher and expenditure on inventory purchases and capital expenditure on the Heinsberg plant will be significantly lower than in the March quarter.

Cash at the end of the quarter was AUD 16.8m (GBP 10.1m).

The quarterly cashflow report is also available on the Company's website at www.cfcl.com.au.

Managing Director Brendan Dow discusses the quarterly review in a webcast interview on [Boardroomradio](http://www.cfcl.com.au/webcasts/Boardroomradio) – available at <http://www.cfcl.com.au/webcasts/>

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About Ceramic Fuel Cells Limited:

Ceramic Fuel Cells Limited is a world leader in developing solid oxide fuel cell technology to provide highly efficient and low-emission electricity from widely available natural gas. The company is developing micro combined heat and power and distributed generation units that generate electricity and heat for homes and other buildings. Ceramic Fuel Cells is developing products with leading appliance partners and utility customers in Germany, France, the United Kingdom and Japan. In 2009 the company launched its BlueGen gas-to-electricity product. Ceramic Fuel Cells is headquartered in Melbourne, and has operations in the UK and Germany. The company 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 MARCH 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	513	1,228
1.2 Payments for		
(a) staff costs ¹	(2,514)	(7,409)
(b) advertising and marketing ²	(146)	(345)
(c) research and product development ³	(864)	(2,403)
(d) leased assets	-	-
(e) other working capital	(1,635)	(3,219)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(37)	(37)
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST/VAT Received/(Paid)	239	549
- German (NRW) government grant received	-	2,221
- Sundry income received	(8)	83
Net operating cash flows	(4,452)	(9,332)

Notes

1. 'Staff costs' includes all 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 2009, 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)	(4,452)	(9,332)
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	(1,391)	(4,600)
(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)	(4)	(4)
Net investing cash flows	(1,395)	(4,604)
1.14 Total operating and investing cash flows	(5,847)	(13,936)
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	-	2,450
1.18 Repayment of borrowings	(66)	(66)
1.19 Dividends paid	-	-
1.20 Other - Financial assets: Net proceeds/(Net payments) ¹	(29)	7,058
Other - Share issue costs	-	-
Other - Interest received	30	301
Other - FX on inter-company loans	(677)	(1,920)
Net financing cash flows	(742)	7,823
Net increase (decrease) in cash held	(6,589)	(6,113)
1.21 Cash at beginning of quarter/year to date	24,106	25,527
1.22 Exchange rate adjustments on foreign currency cash balances	(755)	(2,652)
1.23 Cash at end of quarter ²	16,762	16,762

- The net proceeds from/(payments for) the disposal and purchase of the company's investments are at item 1.20
- An amount of A\$2.637m (€1.8m) remains in a CFCL Group bank account which is pledged to support a bank guarantee issued in relation to a government grant received during the previous quarter.

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	102
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Item 1.24 - 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	16,762	10,501
4.2 Bank term deposits	-	13,605
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	16,762	24,106
Financial Assets	-	-
Total Cash and Financial Assets at end of quarter	16,762	24,106

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: [28] April 2010

Print name: John Dempsey
 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.