



Smart Power

AUGUST 2005 - Vol 2

Clean, efficient, reliable energy for the world

Welcome to New CEO

CFCL's new CEO, Brendan Dow, has extensive experience in strategic business management, mergers and acquisitions and market development in electrical component manufacturing. Brendan Dow has worked for several multinational companies in countries around the world and now comes to CFCL to guide the company into commercialisation and sales.



Brendan joins CFCL following a nine-year stint as Managing Director of Ziehl-ebm Australia. Known for his strategic business acumen and negotiation skills, Brendan will lead CFCL toward our targets on product design refinement, volume manufacture, sales, revenue and strategic partnerships.

Brendan believes that there are several industries that will affect the way we live our lives in the future, and that electricity from fuel cells is one of them. He views his appointment to the position at CFCL as a great personal opportunity to make a difference.

THEY SAID

Ceramic Fuel Cell Limited's breakthrough technology will allow us to drive to a more sustainable energy future, one which is distributed, secure and affordable.

Greg Bourne, CEO of WWF-Australia, June 2005

CFCL's technology has immense appeal and significant market opportunities in the many countries around the world that have adopted policies and mechanisms that encourage more efficient energy distribution, lower network costs, and most importantly lower carbon emissions'.

*Australia Business Council for Sustainable Energy,
Media Release 22 June 2005.*

Ian Macfarlane, Federal Industry Minister, selected Ceramic Fuel Cells Limited to illustrate the fact that "Our research (in Australia) is at the forefront of areas such as advanced fuel cell technology" to cut greenhouse gas emissions.

Australian Financial Review, 15 July, 2005

First Australian Fuel Cell Launch

During June, CFCL gained valuable media industry and public attention with a ministerial launch of its fuel cell powered micro-CHP, just before the first unit was shipped to Powerco for a field trial.

On Wednesday 22 June 2005, Acting Premier of Victoria and Minister for the Environment, John Thwaites, unveiled the unit at CFCL's head office in Noble Park. Before a crowd of 60 supporters, staff and journalists, he said that it is clear that our current patterns of energy usage and production worldwide are unsustainable. He went on to say that the world needs a range of solutions to make deep cuts in greenhouse gas emissions, including technologies such as CFCL's fuel cells and micro-CHP. (All Launch documents are available on our website www.cfcl.com.au/news)



With flair, Acting Premier and Minister for the Environment, John Thwaites, unveils the fuel cell unit to go to Powerco, with Brendan Dow, CEO, CFCL watching from the side.

Market Moves

"British Gas predicts a rosy future for micro-CHP, saying that the technology will account for nearly 10 percent of all UK boiler installations by 2010, with annual sales of about 150,000 units. British Gas currently sells around 90,000 boilers per year. British Gas also predicts that 200,000 micro-CHP units will be installed in UK houses in less than five years.

*Platts E Source Micro-CHP News July 13, 2005
(Volume 2, Issue 7)*



Message from Executive Chairman

We at Ceramic Fuel Cells Limited are extremely pleased to see that our substantial work over the last year has been paying off. On the business front, we have signed four contracts for field trials, and agreed to collaborate on an ongoing basis with a major German utility, EWE. We have also improved power output, production processes and the fuel cell technology itself, all with the aim of increasing efficiency and reducing costs.

These technical and business achievements – and our activities planned for the coming financial year – will help build support for the company within industry (such as utilities and manufacturers) and also within the finance and investment sector.

We have also succeeded with our current round of capital raising thereby placing the company on a better footing to apply for admission to the Alternative Investment Market (AIM) of the London Stock Exchange.

I am also pleased to welcome our CEO Brendan Dow who started with the company in June. Brendan is working closely with the Board and senior management to drive the company's commercialisation strategy.

Finally, on behalf of the Board and the company, I invite all our shareholders to our Open Day in September (details enclosed).

Julian Dinsdale

Board Members

CFCL's Board farewells and thanks Mr Barry Braithwaite for his contribution to the Board and company.

Mr Braithwaite was appointed to the CFCL Board in November 2004 as a representative of Energex Limited, one of CFCL's substantial shareholders. With the expiry of Mr Braithwaite's term as an Energex director, Mr Braithwaite resigned as a director of CFCL from 30 June 2005.

Shareholder Open Day

Shareholders are offered the opportunity to visit CFCL's head office and factory to see fuel cells and stacks in production and the micro-CHP demonstrators before they go off on their field trials.

Wednesday 7 September, 10 - 11.30am

The session will begin with a presentation by key members in our management and scientific team, followed by a tour of the factory, and then conclude with refreshments and a final opportunity for questions and answers.

This offer is limited to two adults per shareholding. Pre-booking is essential as numbers are limited (if we are over subscribed we will establish a waiting list).

If you want to attend please fill in the form overleaf and return by fax or post. Alternatively, email your reply to reception@cfcl.com.au or call 03 9554 2300 during office hours. Be sure to provide your full name, shareholder HIN or SRN, email address and daytime phone number. We will notify you to confirm your place.

Interested members of the public (non-shareholders) are also welcome to contact CFCL to register for a future Public Open Day (date to yet be determined).

Continued From Page 1

Market Moves

"Within the next decade, fuel cells will be providing energy for cars and trucks, producing electricity for utilities, and heating and cooling homes and businesses. They may even replace the expensive batteries in personal computers with power sources that can run for almost a year on a teaspoonful of alcohol.

The advent of the fuel cell will transform the energy industry. Some market analysts predict that fuel cells will become a billion dollar market in the next decade."

Fuel Cell Technology News, July 2005, www.bccresearch.com

Powerco has invested in CFCL because we believe this cutting-edge technology represents the future of energy, not just in New Zealand or Australia, but across the world. We see fuel cells playing a major part both in energy supply and reduction of transmission constraints.

Jeff Kendrew, Powerco at the June Launch

Fuel Cell Field Trials

CFCL is one of a few companies in the world that have reached the stage of undertaking field trials of its domestic-scale fuel cell electricity generators. Field trials are an essential step in the commercialisation path of bringing a new technology to market. Through field trials, companies see how their products perform in the real world outside the factory, in different environments, in different locations.

CFCL's field trials will test the boundaries of the fuel cell stack, the balance of plant (control systems) and the operation of the micro-CHP appliance. The purpose of field trials is to test the units – so, while we look forward to some successes, we are also realistic enough to anticipate some challenges, or results we do not expect. The purpose is to learn as much as we can and apply this learning to our ongoing product development. These field trials also enable us to partner with significant companies to share the results, establish our credentials and develop further business opportunities.

We anticipate we will obtain useful data from the tests once they commence, and use the information in determining improvements in preparing the fuel cells for manufacture. In parallel with these field trials we will continue to build a pipeline of opportunities with utilities and application partners as part of an aggressive roll out strategy.

In eight months, CFCL has signed four field trial contracts with select organisations.

Powerco - Utility

The first of two units has been delivered to Powerco, in New Zealand, to be installed at Industrial Research Limited in Wellington. It is currently undergoing commissioning before its New Zealand Ministerial launch on 23 August.

Powerco is one of New Zealand's largest gas and electricity distributors, servicing some 400,000 consumers, representing 46% of New Zealand's gas connections and 16% of its electricity connections. Powerco has a growing investment presence in Australia and is wholly owned by Babcock and Brown Infrastructure (formerly Prime Infrastructure).

ETTA - Training

Energy and Telecommunications Training Australia (ETTA, part of GippsTAFE) is one of Australasia's largest and most prominent training institutions for the electricity, gas and telecom industries. CFCL and ETTA recognise that a skilled workforce in the installation and operation of fuel cells and micro-CHP are fundamental to bringing this technology to a broad market. ETTA will host one CFCL unit at its premises in Chadstone for three months.

EWE - German Utility

The contract with EWE – to evaluate two CFCL units for two years – is particularly important. Not only because EWE is one of the largest utilities in Germany (in the heart of CFCL's target market), but also because EWE is extensively involved in fuel cell technology and distributed energy.

EWE is adding CFCL's fuel cells to its existing fuel cell field trials with European companies Sulzer Hexis and Vaillant. Our relationship with EWE has been reinforced by our recent signing of a Letter of Intent; we both intend to work even closer together to develop and exploit our technology and the distributed generation market.



Key players gather to commemorate the contract signing between EWE and CFCL. (L to R) Andreas Wollkopf, EWE, Brendan Bilton, CFCL, Andreas Ballhausen, Jörn Machheit, EWE, Brendan Dow, CFCL, Tobias Barth, EWE, Willi Ahlmann, CFCL.

szencorp - Green Building

CFCL will install its fuel cell prototype micro-CHP in a revamped commercial building in Albert Road, South Melbourne. The evaluation is for two years, with options to extend by agreement. 40 Albert Road



is the first retrofit in Australia to receive a five star Australian Green Building rating (AGBR) and is on track to achieve a six star rating from the Green Building Council of Australia. Peter Szental, Chairman of szencorp, is well recognised in the sustainability field and is President of the Australian Business Council of Sustainable Energy.

Conclusion

CFCL aims to have a few prototype units under test in partnerships with select organisations. These four trials give CFCL a good range of installation types and locations – local and offshore - and a range of partners – from utilities to commercial building developers and training organisations.

News direct

Visit CFCL's website for facts and stats on our target markets, market drivers, the history, development and diverse application of fuel cells and more!

Everyone is welcome to 'subscribe' online to receive our news Announcements by email. www.cfcl.com.au/about

SPREADING THE WORD

CFCL has been watching the regulatory and policy environment, advocating alternative electricity technologies and distributed generation, and participating in key industry events.

SELECT PROFILE EVENTS:

23 August

Powerco Fuel Cell Launch, Wellington NZ

1 September

Embedded Generation Seminar, Melbourne Australia

5 September

Gas Industry Reform Conference, Wellington NZ

7 September

Shareholder Open Day, CFCL, Melbourne Australia

25 - 6 September

CHEMICA 2005, Brisbane Australia

4 - 6 October

Ninth Grove Fuel Cell Symposium, London UK

7 October

Launch of 40 Albert Rd Green Building, Melbourne Aust

Financial Results

CFCL has filed its financial report for the June 2005 quarter. The net cash outflow for the June quarter was \$3.618m which brings the net cash outflow for the year to 30 June 2005 to \$15.948m. The company's cash position at the end of the quarter was \$5.3m.

Following this quarterly financial report, in early August, CFCL announced the completion of a successful capital raising of AUD \$8.2m (€ 5.4m) by way of issuing unlisted secured convertible notes to a number of international and Australian investors.

Share Registry

CFCL has engaged Computershare to manage our share registry. To update your records and nominate to receive all formal correspondence by email (thereby saving printing, paper and postage costs) please visit www.cfcl.com.au/investors or go direct to www.computershare.com.

Computershare's phone numbers are 1300 85 05 05 (from within Australia) or +61 3 9415 5000 (from outside Australia).

Queries and contact:

Helen Millicer *Investor and Public Relations Manager*
helenm@cfcl.com.au

Shareholder Open Day

Yes, I would like to attend the Shareholder Open Day on Wednesday 7 September, 10-11.30am.

(Please print details clearly: fax 03 9790 5600, email: reception@cfcl.com.au, or ph 9554 2300.)

Full Name: _____ Numbers attending: 1 2

Shareholder HIN/SRN: _____

Daytime Phone: _____ Email: _____

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