



Smart Power

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Clean, efficient, reliable energy for the world

NetGen™ launched in London



CFCL's Dr Karl Foger demonstrates the dramatic reduction in size from the demonstration CHP unit to NetGen.

In early October CFCL launched **NetGen™**, a prototype micro fuel cell system for domestic applications, at the Ninth Grove Fuel Cell Symposium in London, one of the fuel cell industry's premier events for leading developers of fuel cell systems and suppliers of component products and services from around the world.

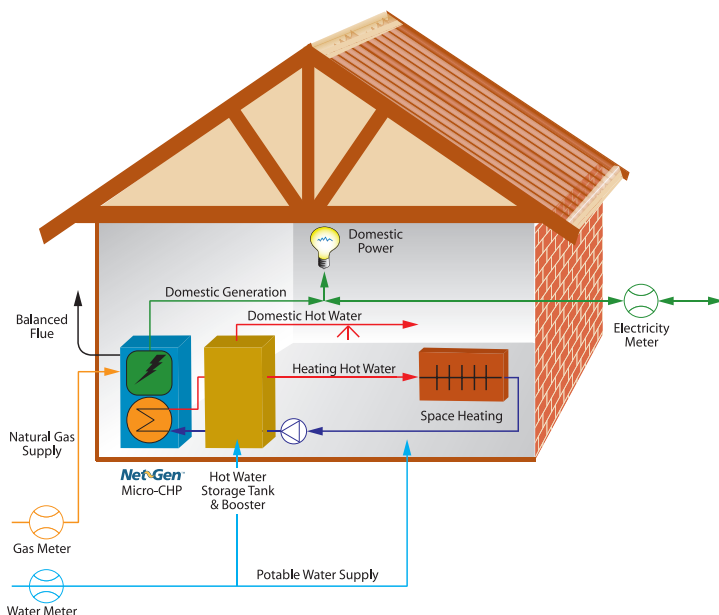
NetGen™ represents a major breakthrough in the development of fuel cell power generation systems for the household. Net-Gen™ is designed to produce the same output as CFCL's previous micro-CHP demonstration units - 1 kW electrical energy and 1 kW of heat - but Net-Gen™ is much smaller and simpler than the previous demonstration units. In fact Net-Gen™ is only about 40 percent of the size of the demonstration units.

"NetGen™ is the next step along from these demonstration units to a smaller commercial unit. So we've tried to simplify the unit, use a lot fewer components, and focus on the fuel cell stack and essential support components. We've also shortened our development time - from the first Net-Gen™ concept design to having a prototype unit ready for display took only four months, so we're getting more efficient at integrating our stacks into complete systems", said Brendan Dow, CEO.

As well as being highly efficient, NetGen™ emissions are low, the unit makes little noise and is vibration-free. NetGen™ produces grid parallel power, which can be distributed to other users via the low voltage network. The unit can also be monitored and controlled remotely over the internet - providing networked distributed generation.

"We plan to deploy a limited number of Net-Gen™ units in field trials with the objective of gaining acceptance by the appliance manufacturers and electricity distributors of our fuel cell as a reliable and efficient electricity generator" concluded Mr Dow.

NetGen™ generated significant interest from visitors and other fuel cell developers at the Grove conference.





AGM

A reminder that CFCL's AGM will be held at 10.00 am on Wednesday, 23 November 2005 at the offices of Phillips Fox, Lawyers, Level 21, 140 William Street, Melbourne.

Shareholders should have received a notice of meeting and proxy form with the 2005 Annual Report.

If you have not received a notice please contact CFCL's share registry, Computershare, on phone **1300 850 505** (outside Australia +61 3 9415 4000) or email **web.queries@computershare.com.au**.

We look forward to seeing you at the meeting.

CFCL presents to Global Fuel Cell industry

CFCL was well represented at the Grove Fuel Cell Symposium in London.

Chris Wilcox, Business Development Manager for Ceramic Fuel Cells Europe, was invited to present to industry peers and conference visitors on **CFCL Fuel Cell Technology and The Road to Commercialisation**. The presentation gives an overview of CFCL technology and includes photos, specifications and features of CFCL's NetGen unit launched at the Grove conference.

CFCL's Chairman Julian Dinsale was also invited to present on **Challenges For Fuel Cell Companies Over The Next Decade** to an audience of investors, brokers and other industry participants, at a seminar on **New Energy - The Emerging Sector**.

Copies of both presentations are available from CFCL.



Chris Wilcox, CFCL Europe's Business Development Manager at the Grove conference.

Shareholder Open Day



CFCL was delighted to hold our first Shareholder Open Day on Wednesday 7 September. We welcomed over 50 investors to a presentation by David Peck, our Business Development Manager, and a tour of the factory led by our able tour guides (aka senior managers!) It was a great opportunity to meet some of our shareholders and introduce them to our technology and facilities.

We were overwhelmed by the demand for places, so those shareholders who missed out in September will be top of the list for our next Open Day, on:

Wednesday 7 December 2005, 10 - 11.30 am.

This offer is limited to two adults per shareholding. Pre-booking is essential as numbers are limited. (We'll be contacting shareholders who missed out last time to offer them priority bookings.)

If you would like to attend please email **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.

2005 Financial Results

In September CFCL lodged its Statutory Accounts, including Directors Report and Review of Operations, for the financial year ended 30 June 2005. These accounts are included in the Annual Report that was mailed to shareholders in October.

CFCL was pleased to report its first customer revenue of A\$168,000 from the company's first external field trial of its prototype fuel cell system, whilst the net loss for the year was A\$17.2m.

In the Review of Operations and Activities, Brendan Dow notes: "In 2004-5 CFCL took important steps towards commercialising electricity generators powered by fuel cells. CFCL embraced the European market and increased its focus on products and customers. Specifically CFCL completed the design and production of fuel cell powered micro-CHP demonstration units, successfully integrating its fuel cells into an operating appliance generating electricity and heat. We have signed contracts to demonstrate these units with a number of customers and in a range of locations."

UK market moves

In this issue of Smart Power we look at some high profile examples of how the financial markets - including in the UK - are recognising the risks of climate change and the opportunities for 'clean technology'.

Financial Risks of Climate Change

The Association of British Insurers (ABI) has around 400 members, which provide 94% of domestic insurance services sold in the UK and account for almost 20% of investments in the London stock market.

ABI's June 2005 report on the Financial Risks of Climate Change outlines how climate change could increase the financial costs of extreme weather around the world. This report shows the UK insurance industry recognises the need to adopt technologies that reduce emissions.

The report was launched by the Rt Hon Margaret Beckett, UK Secretary of State for Environment, Food and Rural Affairs, who noted " ...the need for the rapid commercialisation of new technologies many of which are already developed. One aspect of the economics of climate change is that with new technologies come new business opportunities and often new jobs. ..." The report is available at www.abi.org.uk

Investment Trends in UK Clean Technology 2000-2004: Generating Returns from Clean Technology?

"Clean technology may have the potential to replicate the growth stages of sectors such as biotech and telecoms. We at the Carbon Trust clearly believe so."

The UK Carbon Trust report, from May 2005, notes that total investment in the UK clean technology sector from 2000-2004 has been over GBP£1 billion - which excludes research grants, other donations or bank debt. "From a low base level in 2000, the clean technology sector has maintained a compound annual growth of annual inward capital flow of 30%."

www.thecarbontrust.co.uk

How clean is your super?

In October 2005 CFCL attended a CEDA briefing on **Managing Carbon Disclosure, Risks and Opportunities: Global and Australian Perspectives**.

The focus was on the **Carbon Disclosure Project** - whereby 155 of the world's largest investors, who control over **US\$21 trillion** in assets, collectively ask the top 500 global companies what they are doing about climate change and carbon risk.

The executive summary of the report notes that "Investment in 'clean technology' continues to rise as investors seek to hedge their exposure to anticipated increases in carbon costs." According to Cleantech Venture Network, global clean tech investment in 2004 was US\$1.2 billion, up 11% from 2002.

The Carbon Disclosure report is available at www.cdproject.net, and provides an excellent guide to investors' increased awareness of carbon risks and opportunities.

This awareness is reflected in similar moves by significant Australian investors - including Vic Super, BT Financial, National Australia Bank, and AMP Capital Investors - through the Investor Group on Climate Change Australia / New Zealand (www.igcc.org.au).

The Carbon Disclosure Project was also featured in an ABC Radio National Background Briefing on **The Business of Climate Change**, Sunday 16 October 2005: "In a greenie free zone, global big business and insurance companies are taking global warming seriously. There's money to be lost and made, and there are risks to be costed in. The world will change, and business wants to know about it." CFCL is also mentioned in the broadcast. The program is available on www.abc.net.au, then search for 'carbon disclosure'.

It seems clear that climate change and carbon risk is now firmly on the agenda of mainstream financial institutions and that fund trustees and other investors will increasingly feel compelled to consider carbon risks and opportunities when investing - which should create more opportunities for 'clean technologies'.

Board Members

Mr James Pullar and Dr Colin Adam resigned as directors in August 2005.

"I have appreciated the opportunity to serve on the Board of Directors and to work with the members of the Executive Management Team on the commercialization of some very promising and ground breaking Australian research", said Mr Pullar.

Dr Adam had been a Director of the Company since its inception in 1992. "After 13 years, I believe I have reached

the point where I have contributed what I can, and the Company would benefit from the injection of new expertise and new vision as it proceeds with its commercial expansion", said Dr Adam. "It has been a privilege to serve as a Director, and I wish the Company well in the future."

CFCL's Board farewells James and Colin and thanks them for their contribution to the Board and company. The Board is currently identifying appropriate new directors.

Field Trials

In our last newsletter we summarised the contracts CFCL has signed to conduct field trials of its demonstration micro CHP unit. We have delivered units to Powerco in New Zealand and to ETTA and szencorp in Melbourne. The remaining demonstration units are due to be delivered to EWE in Germany, and Powerco in Tasmania, by the end of December 2005.

The purpose of these field trials is to test the units - so, while we look forward to some successes, we are also realistic enough to anticipate some challenges. The important point is to learn as much as we can and apply this learning to our ongoing product development.

"One of the key challenges in bringing fuel cells to market is that meaningful data takes time to collect and analyse and then integrate back into product design innovations. Whilst we recognise that there is a lot of interest in our field trials, we want to make sure we communicate meaningful results, which don't jeopardise our long term competitive position", explained CEO Brendan Dow, in an Open Briefing released to ASX on 4 October.



"So we don't plan to announce the status or results of individual field trials - we want to gather a meaningful amount of data from a range of trials. We also need to be mindful of the commercial sensitivity of field trial programs and the potential commercial value - for us and our partners - of what we learn during the trials. Within those constraints, we would hope to communicate some results of the trials during 2006."

In parallel with these field trials CFCL will continue to build a pipeline of opportunities with utilities and application partners.

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, or call Computershare on 1300 85 05 05 (from within Australia) or +61 3 9415 5000 (from outside Australia).

News direct

Visit CFCL's website for facts and stats on the fuel cell industry, the history, development and diverse application of fuel cells and more. You can also 'subscribe' online to receive significant announcements by email. www.cfcl.com.au

SPREADING THE WORD

CFCL is continuing to raise its profile by participating and presenting at key industry events.

13 October

Victorian Engineering Excellence Awards, Melbourne

14-18 November

Fuel Cell Seminar, Palm Springs, USA

22-23 November

Business of Energy Efficiency Conference, Melbourne

29 November

Cleantech Finance and Investment Forum, Melbourne

Queries?

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