



Smart Power

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CLEAN POWER FOR YOUR HOME

Ceramic Fuel Cells launches Gennex™ at Hannover Fair

CFCL's new fuel cell module on display at the world's leading showcase for industrial technology

CFCL was proud to participate at this year's Hannover Fair in Germany, held from 16-20 April.



CFCL's exhibit featured a model of CFCL's new Gennex™ fuel cell module.

The Gennex™ module is a combination of CFCL's new Pentra™ metal-ceramic stacks announced in September 2006, plus significantly improved 'balance of plant' components, such as a new burner (60% smaller), steam generator (50% smaller) and heat exchanger (40% smaller). The Gennex™ 1kW fuel cell modules are designed for integration inside micro-CHP units and other appliances.

The Gennex™ modules will be installed in NetGen Plus units for field trials and product development projects with our European customers and partners, including EWE & Bruns in Germany and Gaz de France & De Dietrich Thermique in France.



CFCL's Chief Technology Officer Dr Karl Föger with Minister for Economic Affairs and Energy of the German State of North Rhine-Westphalia, Ms Christa Thoben

HANNOVER MESSE Profile

Established sixty years ago, Hannover Messe today ranks as the leading international showplace for industrial technologies, materials and product ideas. The 2007 fair attracted more than 230,000 visitors, to see 6,400 different exhibitors (over 50% from outside Germany).

The Hannover Messe group described the Energy exhibition as "The flagship Energy fair" and with the high profile Hydrogen + Fuel Cells section a major part of the Energy fair the CFCL stand was heavily visited by a large number of the Energy exhibitor visitors.

www.hannovermesse.de

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For further information on any of these subjects go to CFCL's website: www.cfcl.com.au



Collaboration agreement with Jülich Research Centre of Germany

Also at the Hannover Fair, CFCL signed an agreement with Jülich Research Centre of Germany (FZ Jülich) to collaborate on researching and developing applications for solid oxide fuel cell systems. CFCL will also award an annual student prize for special achievements in fuel cell development.

FZ Jülich is one of the largest research institutions in Europe, with more than 4,000 staff, students and researchers and an annual budget of more than €360 million. FZ Jülich has been carrying out R&D in solid oxide fuel cell systems since the mid 1990s, including a strong focus on high-powered anode-supported cells.

Research projects to be conducted under the framework agreement are likely to include materials development, such as high-performance metals, and accelerated lifetime testing and modelling.

www.fz-juelich.de

UK Powder plant

In January 2007 CFCL secured a site on an industrial park in Bromborough, Merseyside, UK, for the development of a ceramic powder plant. In March the Company engaged an installation contractor, and on-site works began in April. The installation and commissioning project is scheduled to finish by the end of September 2007.

The Company has two managers based at the Bromborough site to oversee the installation and commissioning.

The plant is designed to make extremely high quality ceramic powders, using CFCL's proprietary process, for use in the Company's fuel cells and potential sale to other customers.



Equipment ready for installation at CFCL's UK powder plant

CFCL signs another European Product Development Agreement

In March 2007 CFCL signed a new product development agreement with EWE, one of Germany's top five energy suppliers, and Bruns Heiztechnik GmbH (Bruns), a specialist German boiler manufacturer. The project partners will design and develop a fully integrated m-CHP unit for the German residential market.

CFCL received an initial order for its field trial demonstration units from EWE in July 2005. At that time CFCL and EWE also signed a letter of intent to commercialise fuel cell based m-CHP units. In June 2006, CFCL received a second order from EWE, for ten NetGen™ prototype units, as part of an ongoing field trial program.

Under the terms of this product development agreement, CFCL will collaborate with Bruns to design and construct 1kW m-CHP units to meet EWE's specifications for the German market.

The first stage of the project is to design and operate an 'Alpha' unit, whereby a CFCL NetGen unit, a Bruns high efficiency condensing boiler and a thermal store will be integrated and operated via a single control unit. Work on this stage has begun and is expected to be completed in 2007. The second stage is to create a near-commercial 'Beta' unit, comprising a single physical unit in which a CFCL fuel cell module is fully integrated with a Bruns' boiler, without the thermal store.

This agreement builds on the agreement signed in December 2006 with Gaz de France and De Dietrich Thermique to develop a micro CHP product for the French market.

EWE ranks among Germany's largest energy services companies. The group's



business activities comprise electricity, natural gas and water supply, environmental technology as well as gas transmission and trade, telecommunication and information technology. In addition to its home region in the north west of Germany, EWE is expanding its operations in Eastern Germany and other European markets. EWE employs around 5,200 people and in 2005 the EWE Group recorded sales of €7.4 billion.

www.ewe.de

Bruns Kesselbau has been located in Saterland for over 40 years and in 2006 employed over 200 staff. Bruns products are known under various brand names in the heating market. With its own R & D section, Bruns is capable of developing products known for their simplicity, reliability and maintainability.



www.bruns-heiztechnik.de

Quarterly Financial Review

On 23 April CFCL released its quarterly cashflow statement and trading update for the third financial quarter, ending 31 March 2007.

Net operating cash outflow for the quarter was A\$3.3 million, which was lower than the previous quarter, due to slightly lower expenditure on staff costs and product development costs and higher interest payments received. Receipts from customers were lower than the first and second quarters, due to the timing of field trial unit shipments. Further field trial units, incorporating the Company's new Gennex™ fuel cell modules, will be shipped during the second half of the calendar year.

"With both utility and appliance partners now secured in the key European markets of Germany and France, the Company has clearly moved into the Product Development phase of its commercialisation strategy...."



Commenting in the trading update, Brendan Dow, CFCL Managing Director, said:

"With both utility and appliance partners now secured in the key European markets of Germany and France, the Company has clearly moved into the Product Development phase of its commercialisation strategy. The launch of Gennex™ at the Hannover Messe this month represents an important milestone, demonstrating the Company's ability to deliver commercially focused products. CFCL also continues to address critical technology areas such as improved stack reliability and power density. An important element underpinning accelerated stack reliability testing, is the collaboration with Jülich who have considerable expertise in lifetime modelling, metals technology and fuel cell applications. We expect this collaboration to assist in reducing technology risk and speed up development of commercial products. Finally, the progress with equipment installation and commissioning at our Powder manufacturing facility in Merseyside UK is evidence that CFCL can deliver its technology while effectively managing the risks associated with transferring processes from the laboratory to commercial scale".

As expected, capital expenditure was higher in the quarter as the Company upgraded its Melbourne plant and commissioned its UK powder plant. Capital expenditure was A\$2.2 million for the third quarter, as against A\$1.5 million for the second quarter.

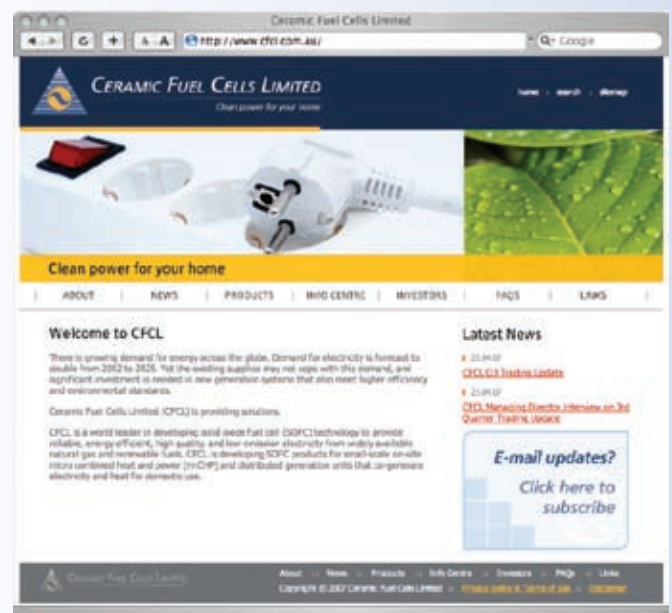
Total cash and financial assets at the end of the quarter was A\$68 million.

Newsletter goes on-line!

Dear Shareholder,

This is the 9th edition of the CFCL shareholder newsletter since it was launched two years ago. The Company has changed a lot in that time. Most notably we listed on the London AIM market, and we now have many shareholders outside Australia.

To make sure we continue to communicate effectively and efficiently with our diverse and growing shareholder base, last year we significantly upgraded our website and started to provide webcasts through the Boardroomradio service.



We also provide an email service to alert shareholders when we release news to the market – you can easily sign up or amend your details at www.cfcl.com.au/investors.

We are now taking more steps to give shareholders electronic communications – accessible from anywhere, 24/7, via the internet or podcast. These changes will also help save natural resources, as well as saving the Company significant printing and mailing costs.

From the next quarter we will replace this 'hard copy' newsletter with a quarterly update to shareholders via a webcast interview on Boardroomradio. The webcast will also be available on www.cfcl.com.au and a link will be provided through our email alert service.

We are also pleased to announce that we have joined Computershare's e-tree program – details on page 4.

Of course, if you don't have internet access and still want to receive 'hard copy' updates, we will be happy to mail the material to you – just write to us or phone us on 613 9554 2300.

I trust that you have found the newsletter informative, and look forward to you joining us on-line!

Andrew Neilson

Legal & Commercial Manager (Company Secretary)

ETree - Conserving the environment & waterways



Ceramic Fuel Cells Limited is proud to support eTree, an environmental scheme provided by Computershare which encourages securityholders to register to access all their securityholder communications electronically. Although the program was first launched in Australia, for CFCL shareholders, Computershare

has generously agreed to extend the program to our AIM shareholders.

Our partnership with eTree is an ongoing commitment to driving sustainable initiatives that help securityholders contribute to a greener future.

For every CFCL shareholder who registers for eTree, a donation of up to \$2 will be made to Landcare Australia to support reforestation projects that will help restore degraded plant, animal and water resources across Australia and New Zealand. For AIM shareholders who register, CFCL will contribute £1 to the Woodland Trust for similar projects in the United Kingdom.

Your effort goes a long way to help save paper, reduce company costs, and importantly conserve water and preserve our natural environment.

We also encourage you to visit eTree if your email address has changed and you need to update it.

Register now...

Register your email address at www. etree.com.au/ceramicfuelcells (AU) or www. etreeuk.com/ceramicfuelcells (UK) to receive your annual report and other securityholder communications from us electronically, or alternatively, simply fill in the form mailed out with this newsletter and return it to Computershare at the address on the form.

You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) to register for the service.

Your action helps us to help the environment.

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Webcasts

Ceramic Fuel Cells announcements, webcasts and podcasts are available through leading investor communications portal Boardroomradio - www.brr.com.au. Links to the webcasts will also be available on www.cfcl.com.au.



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Clean power for your home

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