



28 April 2009

Ceramic Fuel Cells Limited

Quarterly Update and Cashflow Report

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 2009.

Operational Review

In February the Company announced that it had achieved electrical efficiency of 60% from one of its natural gas powered fuel-cell home appliances while exporting electricity to the grid. Because the unit will be installed in homes, there are no electricity transmission or distribution losses, making this the highest electrical efficiency ever achieved, worldwide, from any technology – including other fuel cell technologies – that converts hydrocarbon fuels into electricity.

The Company believes that achieving the industry's highest electrical efficiency is a compelling competitive advantage in the very large emerging market for products that generate electricity in homes and other buildings. The very high electrical efficiency of the Company's technology also opens up potential new products such as a 'generator' product for homes.

During the quarter the Company also continued to develop micro combined heat and power products (mCHP) with its partners in Europe and Japan.

In February the Company announced that it had extended its exclusive agreement with leading utility E.ON to further develop and deploy fuel cell mCHP products in Great Britain. E.ON and CFCL will collaborate on a joint development project to commercialise mCHP units designed specifically for the Great Britain market. The commercialisation project is currently scheduled to run from 2009 to 2012 in a number of stages subject to performance criteria, with the Great Britain market launch expected to follow thereafter. Subject to CFCL's achievement of agreed price and performance targets, E.ON and CFCL have agreed a potential future order profile, which would secure E.ON's exclusive distribution rights for CFCL micro CHP units within Great Britain. A minimum order of 100,000 units over six years from 2012 would be required for E.ON to continue to retain exclusivity.

During the quarter the Company and its utility partner for the Benelux market, Nuon, completed a joint review of the project to develop mCHP products for that market. In February Nuon announced that it had agreed to a takeover by Swedish utility Vattenfall. During the project a semi-integrated mCHP unit was installed in September 2008. Nuon confirmed that the mCHP unit successfully met or exceeded all technical targets set by the partners, including power export, electrical efficiency, and lifetime, however in order to keep focus in its current product development portfolio, Nuon decided not to continue with the development of a fuel cell based mCHP product. The Company is in discussions with a number of other utilities operating in the Benelux region to undertake a similar development of a commercial product.

As previously announced, during the quarter the Company slowed the construction activity at its manufacturing plant in Germany and deferred the plant opening date from June to October 2009. Construction activity was increased towards the end of the quarter in line with the revised project timeline.

Financial Review

Net operating cash outflow for the March quarter was A\$3.4m (£1.7m). This was A\$1.0m (£0.5m) lower than last quarter reflecting a reduction in expenditure of A\$1.5m (£0.7m), partially offset by a reduction in receipts of A\$0.5m (£0.2m).

During the quarter cash outflow from investing activities was A\$1.7m (£0.8m). This largely related to payments arising from building the Company's manufacturing plant in Germany.

Cash inflows from financing activities during the quarter totalled A\$1.9m (£0.9m), including the previously announced sale of one of the Company's investments.

Cash at the end of the quarter was A\$1.4m (£0.7m). In April the Company successfully closed a series of equity fundraisings, which together raised approximately A\$33.5m (£15.5m) before costs.

After the end of the quarter the Company has completed a review of its organisational structure. As a result of that review the Company is reducing its total headcount from 106 staff to approximately 88 staff.

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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 and renewable fuels. The company is developing micro combined heat and power and distributed generation units that generate electricity and heat for homes. Ceramic Fuel Cells is developing products with leading appliance partners and utility customers in Germany, France, the United Kingdom and Japan. 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 2009

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	59	1,423
1.2 Payments for		
(a) staff costs ¹	(2,363)	(8,139)
(b) advertising and marketing ²	(159)	(554)
(c) research and product development ³	(891)	(2,296)
(d) leased assets	-	-
(e) other working capital	(1,019)	(2,857)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	853	2,081
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other		
- Net GST/VAT Received/(Paid)	82	348
- Export Market Development Grant received	-	-
- Sundry income received	8	45
Net operating cash flows	(3,430)	(9,949)

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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(3,430)	(9,949)
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	(1,725)	(6,551)
(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	(1,724)	(6,551)
1.14 Total operating and investing cash flows	(5,154)	(16,500)
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	1,855	4,306
Other - Share issue costs	-	-
Net financing cash flows	1,855	4,306
Net increase (decrease) in cash held	(3,299)	(12,194)
1.21 Cash at beginning of quarter/year to date	4,666	12,651
1.22 Exchange rate adjustments on foreign currency cash balances	(14)	896
1.23 Cash at end of quarter	1,353	1,353
Funds held in Financial Assets ²	4,753	4,753
Total Cash and Financial Assets	6,106	6,106

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 current market value of non-impaired investments.

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	85
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	1,353	4,666
4.2 Cash equivalents	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.23)	1,353	4,666
Financial Assets	4,753	6,950
Total Cash and Financial Assets at end of quarter	6,106	11,616

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

- 1 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.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 28 April 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.