

29 October 2014

## **Cashflow Report for the September Quarter**

Ceramic Fuel Cells Limited (ASX/AIM: CFU), today released its quarterly cashflow report for the September 2014 quarter.

### **Summary of the Quarter**

- Sales volume – 23 units sold this quarter.
- Significantly expanded CFU's distribution and installation network in Germany, enabling much greater potential for market penetration.
- Fundraising – issued equity of A\$0.62M (£0.34M) and convertible notes of A\$0.38M (£0.21M) under the Investor Agreement (as announced to the market on 24 March 2014).
- Announcement of pro-rata Renounceable Rights Issue with offer of Options – on 29 September the Company announced a 3 for 5 Rights Issue at an offer price of \$0.009 (0.9 cents) per share and the granting of one option for every two New Shares subscribed for at an exercise price of \$0.011 (1.1 cents) per share exercisable on or before 30 October 2015.
- Installed two units in China – The Company installed its first 2 BlueGEN units in China at a company, listed on the Hong Kong Stock Exchange, which is focussed on the energy sector. Both units are currently running at greater than 60% electrical efficiency.
- Operational costs – these continue to be managed at a level that is 20% below those of 7 months ago.
- Cash position at 30 September 2014 - A\$1.44M (£0.79M).

### **Operational Review**

#### **Overview**

CFU makes small-scale generators that use proprietary fuel cell technology to convert natural gas into electricity and heat for homes and small commercial buildings. CFU has fully commercialised its technology into products, and in addition to selling these products to commercial customers in Europe, is focussing on developing a product that can undertake thermal cycling.

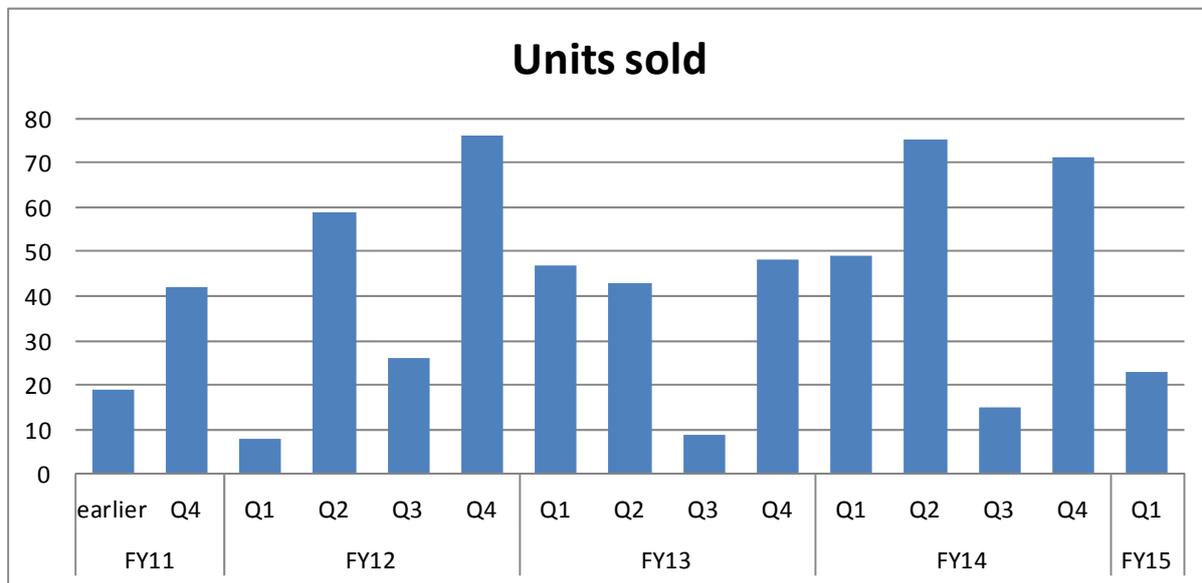
The research and product development team continues to refine the product in order to improve both its robustness to thermal cycling events and the unit's ability to continuously power modulate across the entire operating range. In-house validation testing of enhanced stack technology has demonstrated successful thermal and power cycling under a range of operating conditions. Significant progress continues to be made to fully validate and deliver these refinements into production. A limited number of stacks with enhanced thermal and power cycling performance have commenced being produced in our Heinsberg facility for early introduction to selected customer sites.

#### **Market Developments and Sales**

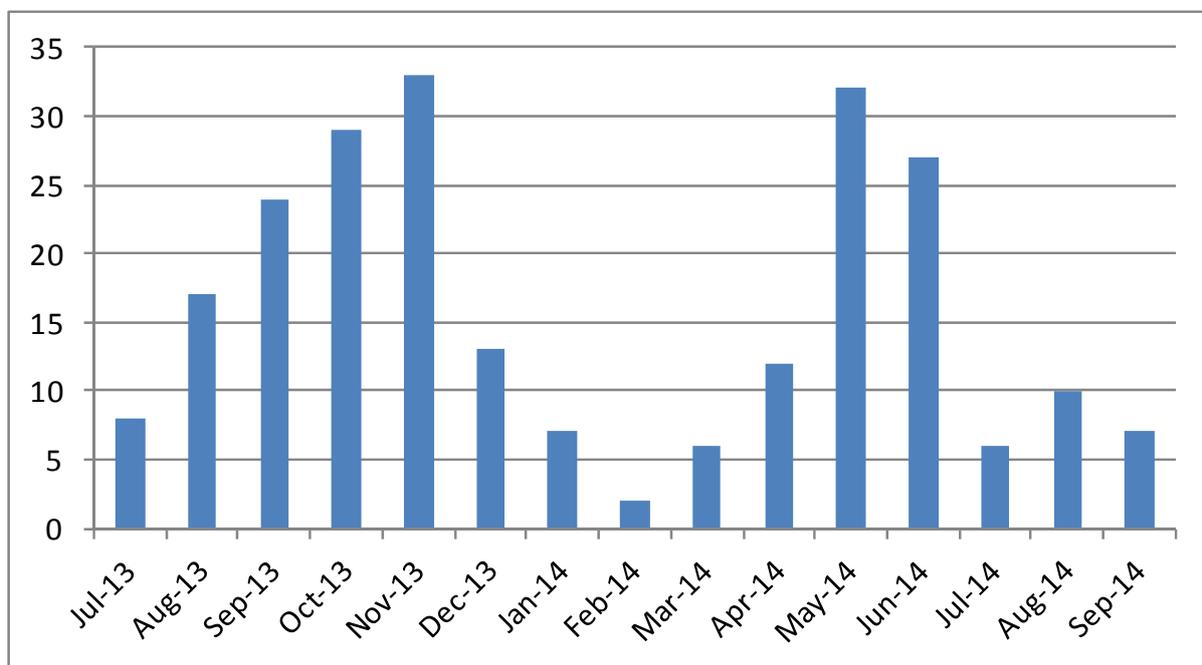
During the September quarter 23 BlueGEN units were sold which is less than the previous September quarter's 49 units. This reduction in unit sales is likely to be due to the restructuring that took place in February/March 2014 when it was decided to reduce the direct sales force in Germany and concentrate resources on appointing distributors and installers to do the direct selling as well as concentrate on large, project-based sales. The Company has previously acknowledged that this level of sales will not sustain the business and continues to focus its limited sales resources on large, project-based sales. Development of these large-scale projects is progressing and the Board remains confident that a number of these targeted projects will be converted into orders in the near future. It is also anticipated that bringing a number of these to a successful conclusion will demonstrate clear market potential for this type of contractual structure.

As mentioned in previous announcements the Company acknowledges that, whilst there is the basis to significantly increase sales volumes through project-based schemes, there is also the opportunity to secure the business' future viability through actively pursuing strategic partnerships with a number of key distribution partners in Europe, Asia and North America. In addition to distribution partners, the Company has been approached to develop larger capacity units for certain markets. Such developments require additional resources and discussions continue with a number of organisations to secure the appropriate financial support. These activities may lead to the Company becoming a multiple product business.

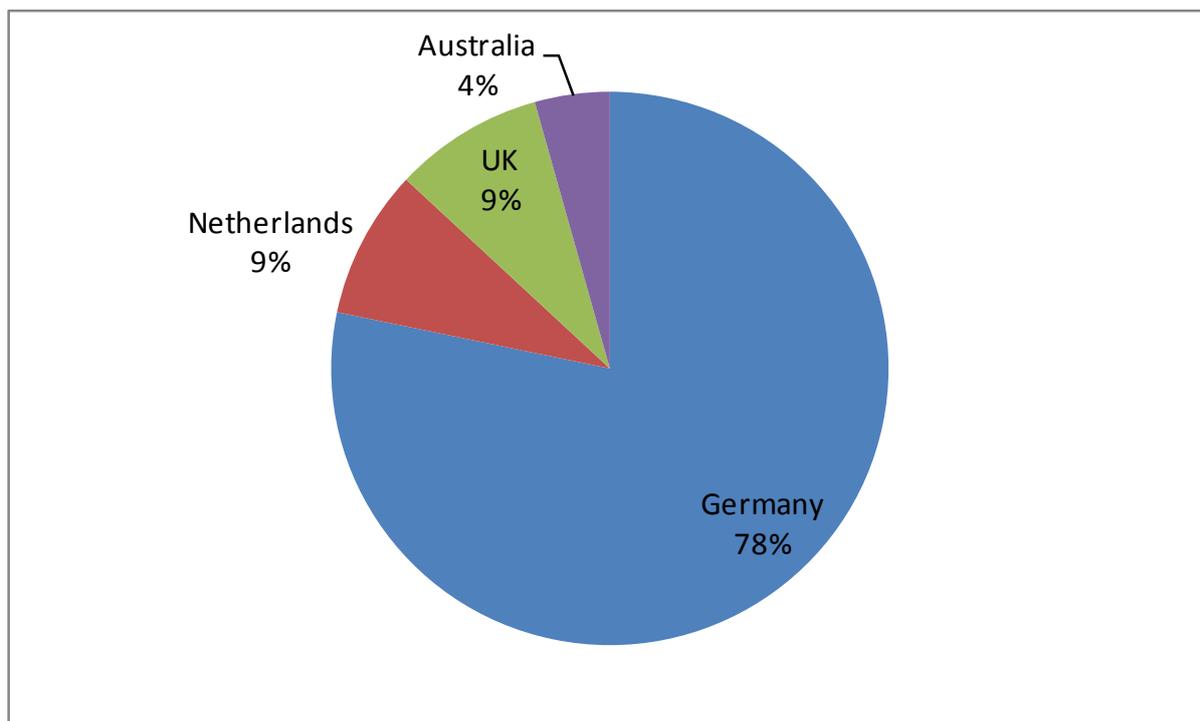
A summary of the Company's sales performance by quarter since FY11 is as follows:



Monthly sales for the 15 months to 30 September 2014 were as follows:



Sales by geographical sales force for the 3 months to 30 September 2014 were as follows:



During the September quarter two installation partners in Germany sold three units each, a further two sold two units each, and one partner in the Netherlands sold two units. The remainder were single unit sales. CFCL sold its first unit to Poland during the quarter.

## Financial Review

### September Quarter Cash Flows

Net operating cash outflow for the September quarter was A\$4.59M (£2.52M). During the quarter, receipts from customers amounted to A\$0.60M (£0.33M) and operating expense cash outflow was A\$5.34M (£2.94M). The quarter's net operating cash outflow compares to the June 2014 quarter's net operating cash outflow of A\$2.95M (£1.62M). The operating expense cash outflow for the two quarters was similar, however, the customer receipts in the June quarter were significantly higher due to the receipt of the proceeds from the 45 unit Ameland sale. March 2014 quarter's operating cash outflow was A\$8.06M (£4.43M), December 2013 quarter's outflow was A\$1.22M (£0.67M) and September 2013 quarter's outflow was A\$6.03M (£3.32M). December 2013 quarter's net operating cash outflow was materially reduced by the receipt of a tax refund of A\$4.02M (£2.21M) for research and development expenditure for FY2013, hence the operating cash outflow before the tax receipt was A\$5.24M (£2.88M). It is anticipated that a research and development tax refund of approximately A\$4.10M (£2.26M) will be received for FY2014 in the last quarter of CY2014.

The Board continues its strategic review of the Company's financial and operational needs along with its pursuit of joint venture possibilities with partners who are willing to pay for the Company's technology or can add significant synergies to the Company's operations.

Net investing cash flow for the quarter was an outflow of A\$5K (£3K). The outflow was for the acquisition of plant and equipment.

Net financing cash flow for the quarter was an inflow of A\$0.62M (£0.34M). Of the gross amounts, A\$0.62M (£0.34M) was received from the issue of shares under the Investor Agreement and A\$0.38M (£0.21M) from the issue of an unsecured convertible note under the same agreement. The capital raise expenses disclosed in the Appendix 4C relate mainly to the June quarter's Share Placement and the cost of issuing shares under the Investor Agreement.

Cash on hand at 30 June 2014 was A\$5.31M (£2.92M).

Cash on hand at 30 September 2014 was A\$1.44M (£0.79M).

**For more information please contact:**

**Ceramic Fuel Cells Limited**

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**About Ceramic Fuel Cells Limited:**

Ceramic Fuel Cells is a world leader in developing fuel cell technology to generate highly efficient and low-emission electricity from widely available natural gas. Ceramic Fuel Cells has deployed its BlueGEN gas-to-electricity generator to major utilities and other foundation customers in Germany, the United Kingdom, Switzerland, The Netherlands, Belgium, France, Italy, Poland, Australia, Japan, South Korea, China and the USA. Ceramic Fuel Cells is now focusing on markets in Germany, the United Kingdom and Benelux.

The company is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU).

[www.cfcl.com.au](http://www.cfcl.com.au)

[www.bluegen.info](http://www.bluegen.info)

# 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")

**30 SEPTEMBER 2014**

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	601	601
1.2 Payments for		
(a) staff costs <sup>1</sup>	(2,784)	(2,784)
(b) advertising and marketing <sup>2</sup>	(147)	(147)
(c) research and product development <sup>3</sup>	(451)	(451)
(d) leased assets	-	-
(e) other working capital <sup>4</sup>	(1,956)	(1,956)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest paid	(1)	(1)
1.6 Income taxes	-	-
1.7 Other		
- Net GST/VAT received/(paid)	128	128
- Government grants received/(repaid)	-	-
- Sundry income received	23	23
<b>Net operating cash flows</b>	<b>(4,587)</b>	<b>(4,587)</b>

#### Notes

1. 'Staff costs' includes all labour and associated headcount costs, and therefore incorporates all Research & Product Development (R&PD) staff, Manufacturing 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 Consolidated Financial Statements for the year ended 30 June 2014, but excludes all R&PD staff costs (as per note 1 above) and all prototype manufacturing costs, which are included within other working capital costs (as per note 4 below).
4. 'Other working capital' includes all non-staff Manufacturing costs (as defined in Note 1(e) to the Consolidated Financial Statements for the year ended 30 June 2014).

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(4,587)</b>	<b>(4,587)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(7)	(7)
(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)	2	2
<b>Net investing cash flows</b>	<b>(5)</b>	<b>(5)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(4,592)</b>	<b>(4,592)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares	618	618
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings		
– convertible loan notes (secured)	-	-
– convertible loan notes (unsecured)	372	372
1.18 Repayment of borrowings – finance lease	(85)	(85)
1.19 Dividends paid	-	-
1.20 Other - Financial assets: Net proceeds/(Net payments) <sup>1</sup>	-	-
Other - Share issue costs	(105)	(105)
Other - Convertible loan notes (secured) issue costs	-	-
Other - Convertible loan notes (unsecured) issue costs	-	-
Other - Interest received	2	2
Other - Interest paid on borrowings (convertible notes)	(169)	(169)
Other - Interest paid on borrowings (finance lease)	(13)	(13)
<b>Net financing cash flows</b>	<b>620</b>	<b>620</b>
<b>Net increase (decrease) in cash held</b>	<b>(3,972)</b>	<b>(3,972)</b>
1.21 Cash at beginning of quarter/year to date	5,310	5,310
1.22 Exchange rate adjustments on foreign currency cash balances	106	106
<b>1.23 Cash at end of quarter</b>	<b>1,444</b>	<b>1,444</b>

1. The net proceeds from/(payments for) the disposal and purchase of the company's investments are at item 1.20

**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	62
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: \$62k
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**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
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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
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**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 <sup>1</sup>	1,800	-
3.2	Credit standby arrangements	-	-

1. As disclosed in Note 1(a) to the Consolidated Financial Statements for the year ended 30 June 2014, the Company's Chairman, Mr Alasdair Locke, has provided an undertaking to the Board to provide a short-term bridging facility of up to A\$1.8M (£1.0M), in the event it is required, prior to the cash inflow from the currently open rights issue and/or the receipt of the R&D tax offset refund.

**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	1,444	5,310
4.2 Bank term deposits:		
- up to 3 months duration	-	-
- between 3 and 12 months duration	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,444</b>	<b>5,310</b>

**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: 29 October 2014

Print name: Clifford Ashby  
 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.