



29 January 2015

Cashflow Report for the December Quarter

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

Summary of the Quarter

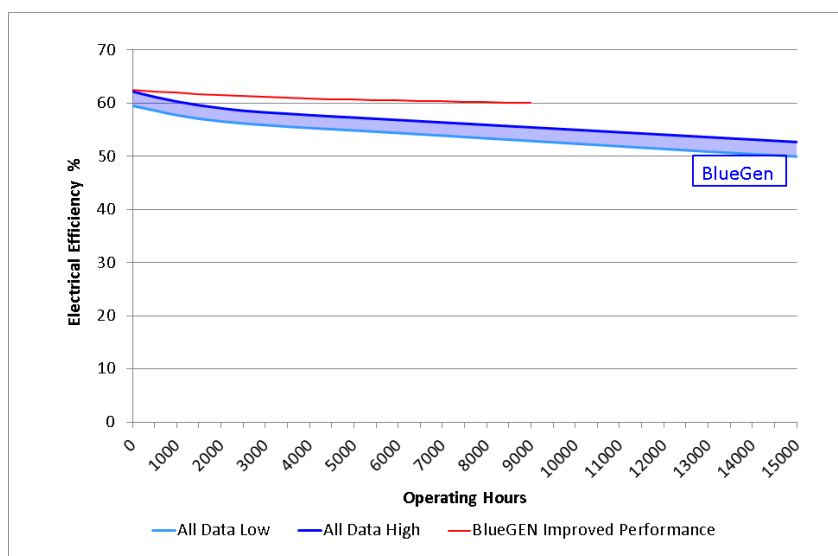
- Sales volume – 35 units sold this quarter.
- Formal confirmation of the increased German Federal support system has now been received. This will allow expansion into other German States not currently operating specific capital support arrangements and is a clear demonstration of Germany's long term environmental objectives.
- In support of these additional market opportunities the company has further expanded its distribution and installation network in Germany. The company is now seeing a significant increase in enquiries through our distribution partners and installers. This endorses our strategy of utilising external sales and marketing resources to increase the efficiency of our operations.
- In November 2014, the company successfully completed negotiations for the first fully funded BlueGEN programme in the UK. The order, for 70 BlueGENs for delivery in 2015, is covered by a contractual arrangement whereby the units are installed at no cost to the end user. This demonstrates a significant commercial opportunity and is both replicable and scalable.
- Validation and introduction of improvements to the product that have clearly demonstrated a substantial increase in the life of the stack.
- Fundraising – The Rights Issue completed in November 2014 raised \$A1.8M (£1.0M) before costs.
- In October 2014, the company received a tax rebate against its research and development activities totalling A\$4.1M (£2.2M).
- The company has successfully maintained its targeted reductions in operational costs. They continue to be managed at a level that is 25% below those of 10 months ago.
- Cash position at 31 December 2014 - A\$3.8M (£2.0M).

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 the continuous improvement on the performance of the product, including the operational life of the fuel cell stack.

The research and product development team have validated and introduced improvements to the product that have clearly demonstrated a substantial increase in the life of the stack. The graph below represents such an improved stack performance in a BlueGEN operating at a site of CFU's key German customer, EWE. The blue shaded section in the graph is representative of the BlueGEN degradation band operating at 1.5kW before the implementation of the CFCL's patented solution. The red line illustrates the performance of the stack operating at EWE.



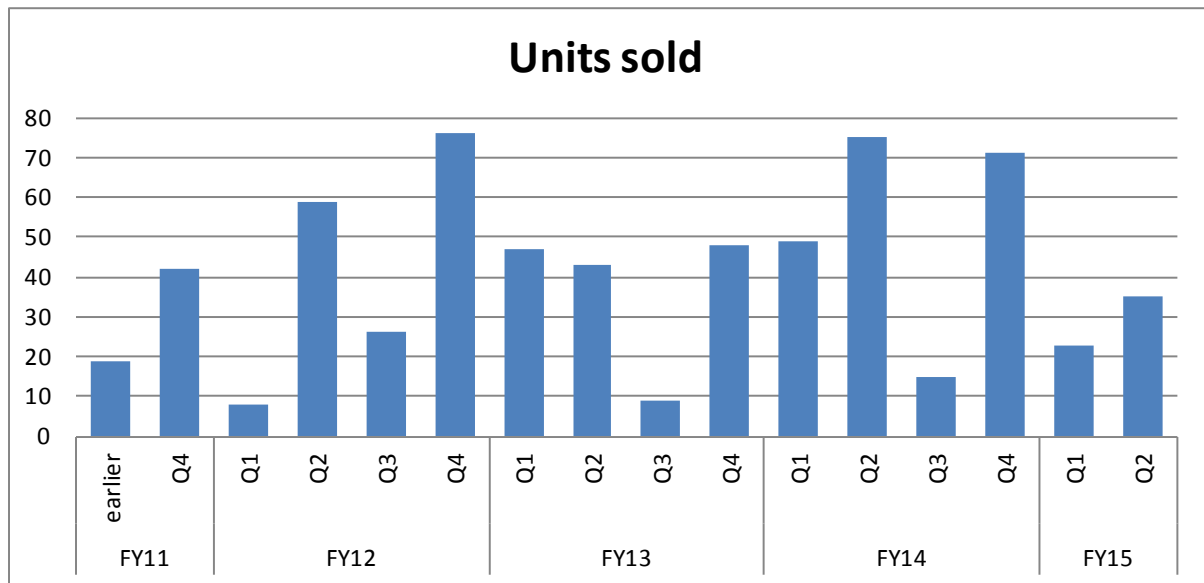
This stack is now in its linear phase of degradation and this data has been extrapolated to show the expected life to reach the same efficiency as the blue shaded section in the above graph. This extrapolation indicates a stack life of approximately 60,000 hours or close to 7 years. Further improvements are being validated to extend this life beyond the target of 10 years. This will allow further improvements in operational performance of the BlueGEN unit and subsequently provide an improvement in the overall commercial performance.

Market Developments and Sales

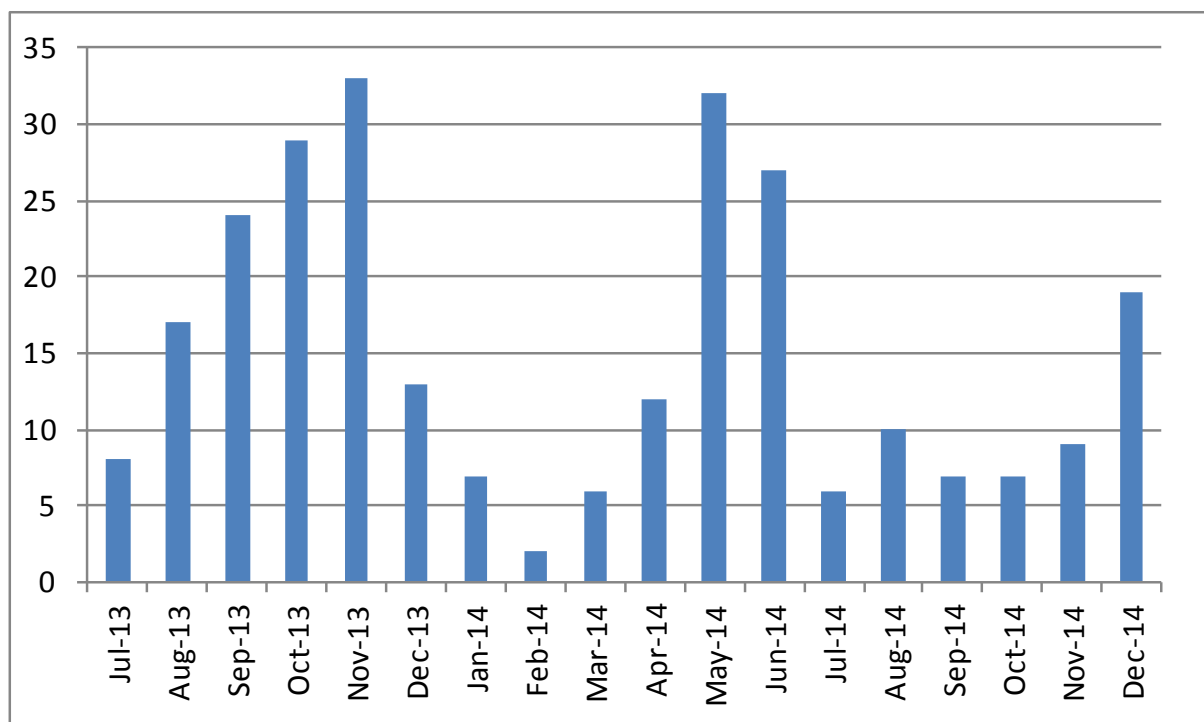
During the quarter 35 BlueGEN units were sold. This is greater than the last quarter and reflects the refocus of our sales resources towards project based schemes in the UK with much greater unit numbers, but longer development timescales. It has also taken time to successfully expand our distribution channels in Germany. Following the successful commercial development of the iPower project, the Board is confident that the contractual structure for such schemes has been proven and a number of additional targeted projects will be converted into orders in the near future.

As mentioned in previous announcements, the Company is actively pursuing strategic partnerships with a number of key organisations in Europe, Asia and North America. Discussions continue with potential partners to explore the development of different capacity units for specific international markets. The necessary funding to support the additional resources is being investigated. The Board acknowledges that our long term objectives may result in the Company developing and providing multiple products to the market.

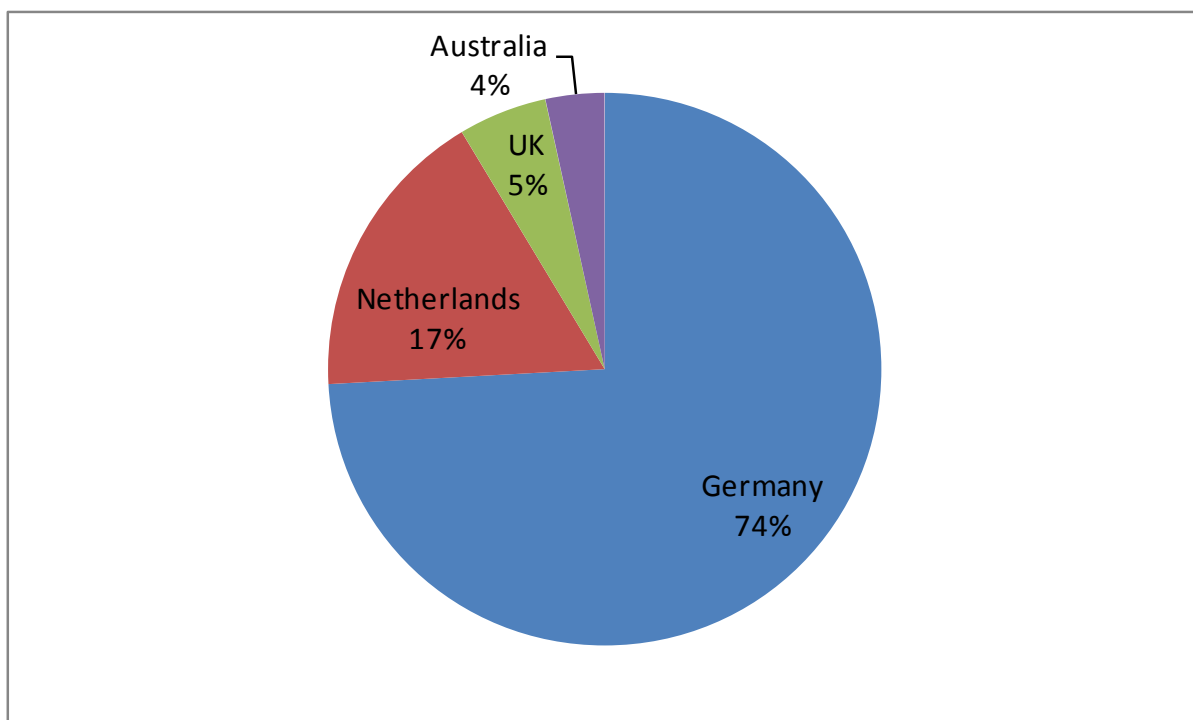
A summary of the Company's sales performance by quarter since FY11 is as follows:



Monthly sales for the 18 months to 31 December 2014 were as follows:



Sales by geographical sales force for the 6 months to 31 December 2014 were as follows:



It is to be noted that the iPower units will only be recognised as sales once they are installed and commissioned, hence they are not included in the above graph.

Financial Review

December Quarter Cash Flows

Net operating cash inflow for the December quarter was A\$1.1M (£0.6M). During the quarter, receipts from customers amounted to A\$1.9M (£1.0M) and operating expense cash outflow was A\$5.1M (£2.8M). The quarter's net operating cash outflow compares to the September 2014 quarter's net operating cash outflow of A\$4.6M (£2.5M). Customer receipts in the December quarter were significantly higher than the September quarter due to the receipt of the deposit for the 70 unit iPower order. In addition, A\$4.1M (£2.2M) was received as a taxation refund in October 2014.

The Board continues 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\$96K (£52K). The majority of the outflow was for the acquisition of plant and equipment.

Net financing cash flow for the quarter was an inflow of A\$1.2M (£0.7M). Of the gross amounts, A\$1.8M (£1.0M) was received from the Rights Issue and A\$0.2M (£0.1M) was received from the issue of shares under the Investor Agreement. The share issue expenses disclosed in the Appendix 4C relate mainly to the Rights Issue.

Cash on hand at 30 September 2014 was A\$1.4M (£0.8M).

Cash on hand at 31 December 2014 was A\$3.8M (£2.0M).

For more information please contact:

Ceramic Fuel Cells Limited

Clifford Ashby (CFO)

Tel. : +61 (0) 3 9554 2300

Email : investor@cfcl.com.au

Bob Kennett (CEO)

Tel. : +44 776 4200661

Email : investor@cfcl.com.au

Arden Partners Plc (AIM Nomad)

Steve Douglas

Tel. : +44 (0) 12 1423 8900

Michael McNeilly

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

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")

31 DECEMBER 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.1	Receipts from customers	1,908	2,509
1.2	Payments for		
	(a) staff costs ¹	(2,723)	(5,507)
	(b) advertising and marketing ²	(182)	(329)
	(c) research and product development ³	(546)	(997)
	(d) leased assets	-	-
	(e) other working capital ⁴	(1,676)	(3,632)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest paid	-	(1)
1.6	Income taxes	4,100	4,100
1.7	Other		
	- Net GST/VAT received/(paid)	159	287
	- Government grants received/(repaid)	-	-
	- Sundry income received	35	58
Net operating cash flows		1,075	(3,512)

Notes

- '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.
- 'Advertising and marketing' excludes all S&M staff costs (as per note 1 above).
- '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).
- '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 (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	1,075	(3,512)
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	(77)	(84)
(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)	(19)	(17)
Net investing cash flows	(96)	(101)
1.14 Total operating and investing cash flows	979	(3,613)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares	2,018	2,636
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings		
– convertible loan notes (secured)	-	-
– convertible loan notes (unsecured)	-	372
1.18 Repayment of borrowings – finance lease	(90)	(175)
1.19 Dividends paid	-	-
1.20 Other - Financial assets: Net proceeds/(Net payments) ¹	-	-
Other - Share issue costs	(531)	(636)
Other - Convertible loan notes (secured) issue costs	-	-
Other - Convertible loan notes (unsecured) issue costs	-	-
Other - Interest received	17	19
Other - Interest paid on borrowings (convertible notes)	(172)	(341)
Other - Interest paid on borrowings (finance lease)	(11)	(24)
Net financing cash flows	1,231	1,851
Net increase (decrease) in cash held	2,210	(1,762)
1.21 Cash at beginning of quarter/year to date	1,444	5,310
1.22 Exchange rate adjustments on foreign currency cash balances	114	220
1.23 Cash at end of quarter	3,768	3,768

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	46
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: \$46k

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 ¹	-	-
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	3,768	1,444
4.2	Bank term deposits:		
	- up to 3 months duration	-	-
	- between 3 and 12 months duration	-	-
4.3	Bank overdraft	-	-
4.4	Other	-	-
Total: cash at end of quarter (item 1.23)		3,768	1,444

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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] January 2015

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.