

ASX MARKET ANNOUNCEMENT

21 April 2015

**Ceramic Fuel Cells Limited
(In Liquidation)
ACN 055 736 671
ASX Code: CFU
("the Company")
Appointment of Liquidators**

Dear Sir / Madam

I refer to my appointment together with Justin Denis Walsh as Joint and Several Administrators of the Company on 1 March 2015.

On 16 April 2015, at a duly convened meeting of creditors of the Company, pursuant to Section 439A of the *Corporations Act 2001* ("the Act"), creditors resolved to wind up the Company pursuant to Section 439C(c) of the Act and appoint Mr Walsh and I as Joint and Several Liquidators. I have enclosed a copy of our report pursuant to Section 439A of the Act for shareholders' reference.

The sale of business and assets process is ongoing and the Liquidation of the Company does not materially affect this process. As at the date of this Announcement, we still consider that a sale of the Company's business and assets is in the best interests of creditors. We anticipate that this process will conclude in June 2015.

With the sale of business and assets process ongoing, we are unable to form a definite view as to the value of the Company's shares however, based on current estimates, it appears unlikely that there will be a return to shareholders. Shareholders seeking to claim a capital loss are directed to take their own tax and legal advice on this matter. The Joint and Several Liquidators are unable to provide you with advice in this regard.

Shareholders are able to receive updates in relation to the Company from the Company's website: <http://www.cfcl.com.au/>.

Yours faithfully



Adam Nikitins
Joint and Several Liquidator
Ceramic Fuel Cells Limited
(In Liquidation)
ACN 055 736 671



Justin Walsh
Joint and Several Liquidator
Ceramic Fuel Cells Limited
(In Liquidation)
ACN 055 736 671

Attachment

1. Section 439A Report dated 7 April 2015



Report to Creditors

Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671

Pursuant to Section 439A of the *Corporations Act 2001 (Cth)*

7 April 2015

ABBREVIATIONS

AIM	London Stock Exchange's Alternative Investment Market
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CFCE	Ceramic Fuel Cells (Europe) Limited
CFCG	Ceramic Fuel Cells GmbH
CFCL	Ceramic Fuel Cells Limited
CFCN	Ceramic Fuel Cells B.V.
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
ERV	Estimated realisable value
EY	Ernst & Young
FEG	Fair Entitlements Guarantee
FX	Foreign currencies
FY14	Financial Year Ending 30 June 2014
FYD Jan15	Financial Year to Date 31 January 2015
HSBC	HSBC Bank Australia Limited
IP	Intellectual Property
PMSI	Purchase money security interest
Powder	Ceramic Fuel Cells Powder Limited
PPSR	Personal Property Securities Register
Prudential	Prudential Trustee Company Limited
R&D	Research and Development
SOFC	Solid Oxide Fuel Cell
the Act	<i>Corporations Act 2001(Cth)</i>
the Administrators	Mr Adam Paul Nikitins and Mr Justin Denis Walsh
the GSD	General Security Deed entered into between CFCL and Prudential
the Secured Noteholders	Secured Convertible Noteholders of CFCL
the Statement	The Statement about CFCL's business, property, affairs and financial circumstances
UK	United Kingdom
Westpac	Westpac Banking Corporation

Note: Unless otherwise stated, all currency denominations are based in Australia dollars

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1. Executive Summary

1.1 Basis of report

Mr Adam Paul Nikitins and Mr Justin Denis Walsh (“the Administrators”) of Ernst & Young (“EY”) were appointed Joint and Several Administrators of Ceramic Fuel Cells Limited ACN 055 736 671 (“CFCL”) on 1 March 2015 pursuant to a resolution of CFCL’s directors in accordance with Section 436A of the *Corporations Act (Cth) 2001* (“the Act”).

A first meeting of CFCL’s creditors was held on 13 March 2015 at which a committee of creditors was formed consisting of the following members:

Name	Representing
Mr Richard Payne	Himself, Andrew Hamilton and Clifford Ashby
Mr Cameron Griffin	Log Creek Pty Ltd
Mr Anthony Parker	The Caddis Master Fund Limited and Southern Fox Investments Ltd
Mr Robert Clisdell	Bergen Global Opportunity Fund LP
Mr Jim Laughton	Supreme Precision Manufacturing Co. Ltd.

At the meeting there was no alternate Administrator nominated to replace the Administrators.

At the second meeting of creditors, to be held at 5.00pm (Australian Eastern Standard Time) on Thursday, 16 April 2015, creditors will be asked to decide on the future of the CFCL by passing a resolution in respect of the options available to them. The purpose of this report is to provide creditors with sufficient information about CFCL’s business, property, affairs and financial circumstances to enable creditors to make an informed decision about the future direction of the Administration.

This report provides creditors with the following:

- ▶ The results of the Administrators’ preliminary investigations into the affairs of CFCL to date;
- ▶ A description of the options available to creditors; and
- ▶ The Administrators’ recommendation as to which option they consider is in the best interests of creditors.

The information contained in the report has been obtained from the books and records of CFCL and discussions with management. Preliminary investigations into CFCL’s affairs have been conducted based on the above. However, there may be certain matters of which we are not aware, or which we have not been advised.

Other information relied upon in preparation of this report is as follows:

- ▶ Statutory information obtained from the Australian Securities and Investments Commission (“ASIC”), the Personal Property Securities Register (“PPSR”), the Australian Securities Exchange (“ASX”) and the London Stock Exchange’s Alternative Investment Market (“AIM”); and
- ▶ Discussions with third parties including creditors.

Whilst we believe that the information contained in this report is accurate, we reserve the right to alter any conclusions reached in the event that additional information comes to light.

If any creditor is aware of any information that should be brought to our attention relevant to any matter that may affect our recommendation in this report, we request that this be done prior to the creditors' meeting to ensure creditors can make an informed decision.

Our report may be relied upon for the purpose of providing information to creditors for the second meeting of creditors to be held on 16 April 2015 pursuant to Section 439A of the Act. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

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1.2 Recommendation – CFCL be wound up

It is our opinion that it is in the interests of all creditors that CFCL be wound up. This reflects the fact that no Deed of Company Arrangement (“DOCA”) has been proposed and CFCL is insolvent and should not be returned to its directors.

The business and assets sale process will be able to continue on its current course without being materially affected by CFCL being wound up. CFCL being wound up will not prevent us from retaining key staff, continuing care and maintenance of CFCL's assets and marketing its business and assets for sale.

If CFCL is wound up it will also trigger employees' eligibility to apply for advances of unpaid entitlements under the Fair Entitlements Guarantee (“FEG”) scheme as administered by the Department of Employment.

Accordingly, it is our opinion that CFCL be wound up.

2. Administrators' prior involvement

In the correspondence sent to all known Company creditors on 3 March 2015, the Administrators provided creditors with a Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI").

Since the last assessment, we have identified one potential professional relationship that must be disclosed to creditors. The relationship does not affect our assessment and would not have prevented us from taking this appointment. An updated DIRRI was tabled at the first meeting of creditors held on 13 March 2015 and we enclose a copy of the amended DIRRI with this report at Appendix A.

3. Company background

3.1 Historical trading

CFCL formed out of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in Australia in 1992. CFCL has been listed on the ASX since 2004 and on the AIM since 2006 during which time it has raised over \$300m which has been primarily invested into product and market development.

CFCL, along with its subsidiaries, develop, manufacture and market fuel cell products for distributed generation, producing electricity for homes and small business. CFCL is a world leader in the development of Solid Oxide Fuel Cell ("SOFC") technology to generate highly efficient, low emission electricity from natural gas and renewable fuels. CFCL's SOFC technology has the world's highest electrical efficiency (>60%) and offers a reduction in carbon dioxide emissions of up to 70% compared to coal fired electricity generation. A number of initiatives to improve the commerciality of its products have been ongoing including further transitioning aspects of the supply chain to Chinese partners and improving the lifespan of the fuel stacks to prolong product lifespan. CFCL holds patents across multiple markets protecting its Intellectual Property ("IP") covering its entire product design.

In recent years, CFCL performed the research and development, prototyping, capital raising and administrative function of the business. Manufacturing and sales were conducted through subsidiaries as discussed in Section 3.2.4 of this report. Key markets in Germany, the United Kingdom ("UK"), the Netherlands and Western Europe were a focus for sales and marketing undertaken through subsidiaries based in those jurisdictions. This was assisted by government incentives in those jurisdictions.

With no or limited sales, CFCL was heavily reliant on regular capital raisings to fund its capital expenditure and operations. During October 2014, CFCL had engaged advisors to seek further capital investment as its cash resources were being depleted. Whilst a number of parties expressed interest, the capital raising process did not result in any firm offers of investment. With no reasonable prospect that a capital injection would be received within a short period of time, CFCL's directors resolved to place it into Voluntary Administration.

3.2 Records maintained by ASIC and PPSR

According to a search of the records maintained by the ASIC, CFCL's registered office and principal place of business is 170-178 Browns Road, Noble Park, Victoria 3174.

The search confirmed that CFCL was incorporated on 6 July 1992.

3.2.1 Company officers

The officers of CFCL are summarised in the table below:

Name	Position	Date appointed	Date of cessation
Robert John Kennett	Director	24 August 2006	Current
Alasdair Locke	Director	24 September 2012	Current
Clifford Walter Ashby	Director	8 October 2013	Current
Karl Föger	Director	1 August 2014	Current
Glenn Lawrence Raines	Secretary	16 November 2012	Current

There are 64 previous directors, 5 previous secretaries and 6 previous alternate directors listed in the ASIC extract. Should creditors require any information regarding previous officers of CFCL, please contact our office.

3.2.2 Shareholders

The shareholders of CFCL, combined from both the ASX and AIM, as at the date of the appointment are provided below:

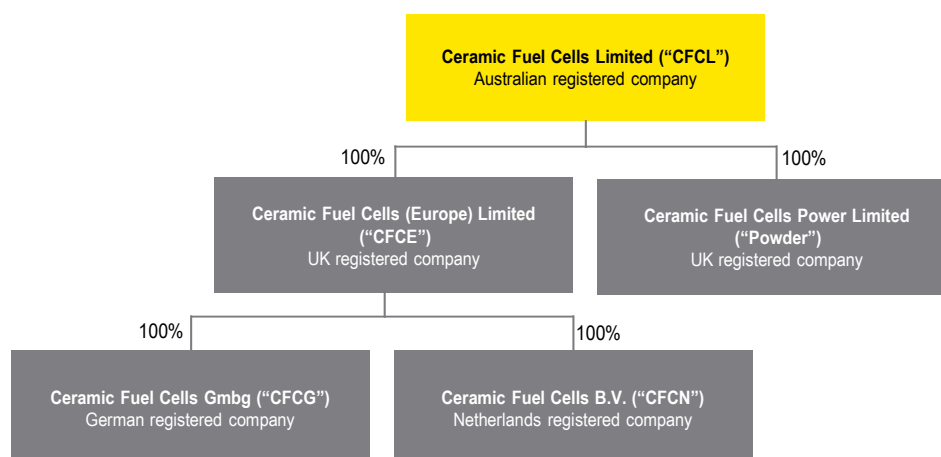
Name	Ordinary Shares	Equity %
J P Morgan Nominees Australia	424,473,806	13.96%
Mr Alasdair Locke	200,000,000	6.58%
Chase Nominees Limited	123,364,485	4.06%
Hong Kong Three Circle	100,000,000	3.29%
Aurora Nominees Limited	90,909,090	2.99%
BBHISL Nominees Limited	83,108,782	2.73%
Appwam Pty Limited	80,000,000	2.63%
HSBC Global Custody Nominee (UK)	64,750,000	2.13%
Bergen Global Opportunity	50,577,786	1.66%
Log Creek Pty Ltd	45,572,915	1.50%
Barclayshare Nominees Limited	38,429,128	1.26%
HSDL Nominees Limited	19,098,922	0.63%
Winterflood Securities Limited	16,371,663	0.54%
State Street Nominees Limited	16,109,523	0.53%
Ceramic Oxide Fabricators	15,590,625	0.51%
TD Direct Investing Nominees	14,544,050	0.48%
Hargreaves Lansdown (Nominees)	14,490,484	0.48%
Citicorp Nominees Pty Limited	14,274,284	0.47%
Guthrie CAD/GIS Software	12,000,000	0.39%
Other shareholders (11,215 shareholders)	1,617,951,451	53.19%
Total	3,041,616,994	100.00%

3.2.3 Outstanding winding up applications

At the time of our appointment, there were no winding up applications on foot against CFCL.

3.2.4 Related entities

Our investigations indicate that the group structure consisted of the following entities:



- ▶ CFCE was a management, sales and service entity which owns 100% of CFCG and CFCN. Subsequent to our appointment, CFCE was placed into Creditors' Voluntary Liquidation under UK law. We understand that CFCL had lent c. \$8.7m to CFCE and, based on our assessment of CFCE's assets, it is unlikely that there will be a dividend to unsecured creditors of CFCE. Mr Kennett is a director of CFCE along with Mr Folkert de Vries. Mr de Vries is not and has never been a director of CFCL.
- ▶ CFCG previously provided the bulk of CFCL's manufacturing operations from its production facility in Heinsberg, Germany. CFCG also hosts the European management, sales and services, and administration teams. Subsequent to our appointment, CFCG was placed into preliminary administration under German law on 4 March 2015. Given CFCG is the

manufacturing arm of CFCL's business, we have been working closely with the German preliminary administrator to coordinate a joint sale of business and assets process which is discussed in further detail at Section 4.3 of this report. CFCL has contributed c. \$20m in equity and c. \$24.7m in debt to CFCG via its parent CFCE. CFCL's debt claim against CFCG appears to have been subordinated to equity pursuant to an agreement entered into in September 2011. Mr de Vries and Mr Frank Obernitz are directors of CFCG. Mr Obernitz is not and has never been a director of CFCL.

- ▶ CFCN employed two staff both of whom in recent times primarily serviced CFCG. Mr de Vries and Mr Obernitz are directors of CFCN.
- ▶ Powder is a dormant company, its assets having been sold in December 2013. Further discussion with respect to this transaction is provided at Section 7.2.1 of this Report. Mr Kennett and Mr de Vries are the directors of Powder.

Consolidated financial statements for the above entities were prepared in accordance with *AASB 10 Consolidated Financial Statements*.

The Administrators only have authority to administer the affairs of CFCL. Our appointment does not extend directly to any related entities even if they are wholly owned subsidiaries or were previously presented in consolidated financial statements.

3.2.5 Security interests

A summary listing of charges as obtained from the PPSR as at the date of our appointment is set out in the table below.

Secured party	Number of registrations	Nature of security (as recorded on the PPSR)	Purchase money security interest ("PMSI")	Comment
AW Distribution Pty Ltd	1	Other goods	Yes	Security interest now discharged.
Capral Limited	1	Other goods	Yes	Security interest now discharged.
Caps Australia Pty Ltd	1	Other goods	Yes	Security interest now discharged.
Cevol Industries Pty. Limited	1	Other goods	Yes	Ongoing supply of stillages established with secured party.
Chem-Supply Pty. Ltd.	1	Other goods	Yes	No amounts known to be outstanding to secured party.
Data#3 Limited	2	Other goods	Yes	Security interests now discharged.
Hills Holdings Limited	1	Other goods	Yes	Security interest now discharged.
Lock Focus Pty. Ltd	1	Other goods	Yes	Security interest now discharged.
Macquarie Leasing Pty Ltd	1	Other goods	Yes	Former employee's novated motor vehicles lease.
Omron Electronics Pty Ltd	1	Other goods	Yes	No amounts known to be outstanding to secured party.
Paperlinx Australia Pty Ltd	1	Other goods	Yes	Security interest now discharged.
Prudential Trustee Company Limited ("Prudential")	68	1 x All present and after-acquired property; 67 x patents	No	Prudential holds a perfected first ranking security interest over CFCL's assets which are discussed further at Section 5.10 of this report.
Royal Wolf Trading Australia Pty Limited	2	Other goods	Yes	Security interests now discharged.
Sandvik Australia Pty Ltd	1	Other goods	Yes	No amounts known to be outstanding to secured party.
Triangle Cables (Aust) Pty Ltd	2	Other goods	Yes	Security interests now discharged.
Ultimate Cutting Services Pty Ltd	1	Other goods	No	No amounts known to be outstanding to secured party.
Ultimate Laser Pty. Ltd	1	Other goods	No	No amounts known to be outstanding to secured party.
Verbatim Australia Pty. Ltd	1	Other goods	Yes	No amounts known to be outstanding to secured party.
Total	88			

3.3 Directors' reasons for CFCL's financial difficulties

The directors of the CFCL have completed and returned questionnaires regarding the affairs of CFCL including the reasons which led to its financial difficulties. Please find below a summary of responses relating to their opinion as to the reasons for CFCL's financial difficulties:

- ▶ Insufficient cash flow from trading to cover operating losses;
- ▶ The development of SOFC technology being prolonged and expensive to commercialise and, in turn, a failure to meet investors' expectations of a trajectory towards profitable trading;
- ▶ No reasonable expectation of attracting further equity funding; and
- ▶ Withdrawal of potential acquirers of the business.

3.4 Administrators' reasons for CFCL's financial difficulties

Our preliminary review of CFCL's financial situation indicates the following:

- ▶ Inappropriate overhead and capital structure relative to sales, specifically:
 - ▶ Reliance on equity and debt raising to fund working capital;
 - ▶ High employee costs;
 - ▶ High property costs;
 - ▶ High patent renewal costs; and
 - ▶ Need to fund overseas subsidiaries, particularly manufacturing in CFCG.

An analysis of trading performance prior to our appointment is set out at Section 7.8.3 of this report and illustrates the ongoing trading performance described above.

4. Appointment / Asset preservation / Sale of business process

4.1 Appointment

We were appointed at 9.00pm Australian Eastern Daylight Savings Time on Sunday, 1 March 2015. Following our appointment, we explored the possibility of obtaining funding for the existing operating business. We determined funding of c. \$350,000 per week would be required to continue existing operations. Following discussions with secured creditors, key suppliers and interested parties on 2 March 2015, it became clear that funding would not be provided. Accordingly, on 3 March 2015 we had no option but to terminate all of CFCL's employees. A small group of employees were subsequently rehired primarily to:

- ▶ Gather key employee information to assist with FEG claims;
- ▶ Assist with deriving critical financial, information technology and administrative information;
- ▶ Continue with online BlueGen monitoring;
- ▶ Assist with asset preservation as discussed in Section 4.2 of this Report; and
- ▶ Assist with the sale of business and assets as discussed in Section 4.3 of this Report.

4.2 Asset preservation

Upon our appointment we took steps to secure CFCL's premises, inventory and plant and equipment located at 170 178 Browns Road, Noble Park, Victoria 3174 which primarily included:

- ▶ Retaining staff to attend to care and maintenance tasks;
- ▶ Changing locks and electronic security access;
- ▶ Engaging catalogue and valuation services;
- ▶ Insurance of assets;
- ▶ Maintaining ongoing alarm and fire alarm security measures;
- ▶ Chemical clean-up of testing laboratories with the assistance of appropriately qualified chemical and waste contractors; and
- ▶ Engaging Occupational Health and Safety assessments and acting on the recommendations disclosed therein.

Concurrently, steps were taken to identify and maintain registration of CFCL's patents and trademarks. Further information regarding patents and trademarks is provided at Section 5.7.3 of this report.

4.3 Sale of business and assets

In our opinion the key asset of CFCL's is its IP which comprises of the following:

- ▶ Patents and trademarks;
- ▶ Knowledge of key directors and employees;
- ▶ Technical know-how in testing and operating plant and machinery in Noble Park, Victoria and Heinsberg, Germany;

- ▶ Technical know-how in inventory manufactured in Heinsberg, Germany and elsewhere;
- ▶ Long-run testing results for BlueGEN and other products, either on-site or at customers' premises; and
- ▶ Research and product development data retained electronically and in hard copy at Noble Park, Victoria.

Whilst there is a limited amount of value in the tangible assets, notably the plant and equipment at Noble Park, the focus of the sale of business and assets process has been on a sale of the IP.

In order to realise a sale of the IP we have had to work closely with the following stakeholders:

- ▶ Secured Noteholders with c. GB£4.1m of debt who have a registered security interest in CFCL's patents; and
- ▶ Mr Zumbaum, appointed as Preliminary Administrator of CFCG on 4 March 2015. Inventory and plant and equipment with a book value of c. \$16 million resides at the CFCG facility, this equipment containing IP which could not be sold or utilised without the agreement of the Secured Noteholders.

Following a series of meetings with the Secured Noteholders and Mr Zumbaum, a number of processes were agreed upon which reflect the following overriding position:

- ▶ The optimal buyer of the CFCL Group's business and assets will want to acquire all the IP, plant and equipment and inventory (irrespective of where it is physically located);
- ▶ That no sale of the IP, whether in residing in tangible or in CFCL registered patents, can be achieved without the agreement of the Secured Noteholders; and
- ▶ That time is of the essence and it was important to rapidly commence an accelerated sale process which covered all the relevant assets wherever located.

Interested parties have been canvassed from the following sources:

- ▶ Parties who have shown an interest in the business from before our appointment;
- ▶ Parties brought to our attention by Secured Noteholders and directors;
- ▶ EY's research into the sector and knowledge of key parties;
- ▶ Advertising in the Financial Times, Australian Financial Review, Frankfurter Allgemeine Zeitung, Handelsblatt and CFCL's website.

Interested parties have been provided with the following documents as agreed with Mr Zumbaum and the Secured Noteholders:

- ▶ Confidentiality agreement, which if signed will allow parties access to the Data Room;
- ▶ Flyer document which provides a short summary of the opportunity;
- ▶ Process letter which sets out how the accelerated sale process will work, timeframes, deadlines and other relevant information.

The Data Room was opened on 24 March 2015 with Non-Binding Indicative Offers due by 7 April 2015 (after the finalisation of this report). An update on the sale of business and assets process will be provided at the second meeting of creditors on 16 April 2015.

5. Financial position of CFCL

Directors of a company placed into Voluntary Administration are required to give the Administrator a statement about the company's business, property, affairs and financial circumstances pursuant to Section 438B of the Act.

Please find below a summary of the Statement about CFCL's business, property, affairs and financial circumstances ("the Statement") as submitted by the directors. It is important to note that the estimate realisable values shown below exclude value realisable through the ongoing sale of business process described at Section 4.3 of this report. No assessment of this was provided so as to avoid prejudicing the sale of business process.

	Notes	Valuation (cost or net book amount) (\$)	Estimated realisable value ("ERV") (\$)
Assets			
Debtors	5.1	47,040	47,040
Cash on hand	5.2	1,500	1,500
Cash at bank	5.3	853,000	853,000
Inventory	5.4	1,435,000	72,000
Work in progress	5.5	496,000	25,000
Plant and equipment	5.6	500,000	25,000
Other assets	5.7	25,096,138	25,000
Contingent assets	5.8	2,000,000	2,000,000
Subtotal		30,428,678	3,048,540
Liabilities			
Employee entitlements	5.9	2,947,059	2,947,059
Secured creditors	5.10	8,123,638	8,123,638
Unsecured creditors	5.11	1,837,099	1,837,099
Contingent liabilities	5.12	460,780	460,780
Subtotal		13,368,576	13,368,576
Estimated surplus / (deficiency)		17,060,102	(10,320,036)
Issued share capital		304,705,979	304,705,979

5.1 Debtors

The Statement discloses sundry debtors including the following:

Item	Amount owing (\$)	ERV (\$)	Administrators' Comment
Term deposit interest receivable	403	403	The term deposit secures a cash-backed bank guarantee facility which remains in place.
Employee salary packaging payable	7,441	7,441	These amounts will be deducted from the relevant employees' claims in the Administration.
Fringe benefits tax refund	12,300	12,300	An assessment as to CFCL's ability to complete these pre-appointment lodgements, the costs involved in their preparation and actual refund payable will be conducted.
GST refund	26,896	26,896	
Total	47,040	47,040	

The Statement discloses funds contributed to related parties in the Other Assets category as discussed at Section 5.7 of this report.

5.2 Cash on hand

At the date of appointment, petty cash included \$848 and various foreign currencies ("FX"). The total funds deposited into the Administration bank account were \$6,234.

5.3 Cash at bank

CFCL maintained Australian dollar and FX bank accounts with Westpac Banking Corporation ("Westpac") and HSBC Bank Australia Limited ("HSBC"). The amounts recovered from cash at bank and deposited into the Administrators account are disclosed below:

Account	Balance on appointment (\$)	FX gain/(loss) and (bank fees) (\$)	Deposited into Administration account (\$)	Balance remaining in Account (\$)
033-126 24-2321	15,454	(30)	15,324	100
343-001 157221-001	53,806	-	53,086	720
343-001 157221-163	590,189	-	590,189	-
343-001 157221-901	400	2	402	-
343-001 157221-160	11,348	(441)	10,907	-
343-001 157221-900	177,512	(3,399)	174,113	-
343-001 157221-159	4,558	43	4,601	-
Total	853,267	(3,825)	848,622	820

Funds have been retained in the Westpac and HSBC bank accounts to meet the costs of keeping them open for a short period to ensure that post-appointment receipts can be received by CFCL.

A bank account designated to hold funds for CFCL's social club is currently under the control of the Administrators. We do not consider the funds to be property of the Administration and are determining a method to distribute the funds back to its members. This is not included in the table above.

5.4 Inventory

The Statement discloses that CFCL's inventory is recorded in its accounts at \$1,435,000 with an estimated realisable value of \$72,000 or at a rate of c. 5%. Further comment with respect to inventory is provided in Section 5.6 of this report.

5.5 Work in progress

The Statement discloses that CFCL's work in progress is recorded in its accounts at \$496,000 with an estimate realisable value of \$25,000 or at a rate of c. 5%. Further comment with respect to work in progress is provided in Section 5.6 of this report.

5.6 Plant and equipment

The Statement discloses that CFCL's plant and equipment is recorded at a written down value of \$500,000 and has an estimated realisable value of \$25,000 or at a rate of c. 5%.

Upon our appointment we engaged Grays Asset Services to value CFCL's plant and equipment as well as inventory and work in progress. We cannot disclose results of the valuation so as not to prejudice the ongoing sale of business and assets.

The actual values realised for inventory, work in progress and plant and equipment will vary significantly depending on whether a sale can be consummated with a purchaser who also acquires the IP with a view to manufacturing BlueGEN and related products. This will result in a much higher value than if the assets had to be sold in a break-up auction scenario if a suitable purchaser cannot be identified. We will provide an update to creditors with respect to the realised values for inventory, work in progress and plant and equipment after a sale or sales have been consummated.

5.7 Other assets

The Statement discloses other assets as consisting of the following:

Item	Note	Book value (\$)	ERV (\$)
HSBC security term deposit	5.7.1	248,000	Nil
Pre-paid insurance premiums	5.7.2	102,778	Nil
IP	5.7.3	1,000	Nil
Pre-paid raw materials	5.7.4	50,360	25,000
Inter-company loan to CFCG	5.7.5	24,694,000	Nil
Total		25,096,138	25,000

5.7.1 HSBC security term deposit

The term deposit is held as security by HSBC for a fully cash backed bank guarantee facility as required under the lease for the premises at 170 178 Browns Road, Noble Park, Victoria 3174. Rental payments were up to date upon our appointment however it remains unclear as to whether there will be any make-good requirement under the terms of the lease.

The position with respect to the landlord's requirement to drawdown on the bank guarantees and, in turn, the term deposit funds available to CFCL will become apparent once the sale of business and / or assets has concluded.

5.7.2 Pre-paid insurance premiums

CFCL has pre-paid insurance premiums up to 31 October 2015. We have placed insurance cover with our own brokers, as we are required to do following an appointment, and we have requested refunds which are yet to be remitted.

5.7.3 IP

CFCL is the registered owner of 160 granted patents across jurisdictions worldwide including core markets of Europe, USA, Japan and China. IP is the most valuable asset of CFCL however it is recorded at \$1,000 in its financial accounts. This reflects the difficulty in attributing value in the accounts for intangible assets of this nature.

The Statements do not provide an ERV for the patents or IP more generally.

The patents have been registered to protect the IP generated in relation to current products and future product innovations. Any purchaser of CFCL and / or CFCG's plant and equipment and inventory would be required to also acquire the relevant patents to have proprietary rights to enable fuel cell production. Accordingly, the IP has significant value.

The Statement does not list any trademarks which are held by CFCL. Again, it would be very difficult to attribute an ERV to the trademarks held by CFCL. We will have a clearer view on the ERV of the IP once we receive Non-Binding Indicative Offers.

5.7.4 Pre-paid raw materials

Further investigations are required to determine whether any amount is able to be realised by the Administrators for pre-paid raw materials.

5.7.5 Intercompany loan to CFCG

CFCL provided debt funding to CFCG, via loans made through CFCE as recorded in financial accounts, totalling c. \$24.7m. This has been the main source of operational and capital funding for CFCG. A letter dated 22 September 2011 issued from CFCL to CFCG indicates that this debt has been subordinated to equity. The legal position regarding this matter is being investigated.

CFCL has also provided equity funding to CFCG, via CFCE, in the amount of c. \$20.0m.

As previously disclosed, both CFCG and CFCE have both entered into forms of external administration in their respective jurisdictions. Given the assets available in those jurisdictions and the security afforded to the Secured Noteholders and the subordination of CFCL's loan in CFCG, it appears unlikely that any funds will be available to CFCL through the repayment of intercompany loans.

5.8 Contingent asset

The Statement discloses a contingent asset in the amount of \$2.0m relating to an income tax refund primarily related to the claim of Research and Development ("R&D") tax credits.

We have engaged CFCL's previous tax advisers in this matter and their initial estimates indicate that a refund of c. >\$2.0m should be available. The appointment of the Administrators may lead the ATO to challenge any refund sought. We will provide creditors with an update regarding this matter in future correspondence.

5.9 Employee entitlements

CFCL employed 59 full time and 5 part time employees at the date of appointment, all of whom were terminated on 3 March 2015. At this time, entitlements which were previously not outstanding such as redundancy, payment in lieu of notice and some long service leave crystallised resulting in the following entitlements being outstanding:

Entitlement	Amount outstanding (\$)
Wages	31,789
Annual leave	315,335
Long service leave	786,719
Payment in lieu of notice	494,334
Redundancy	1,316,264
CFCL Social Club Bank Account	2,618
Total	2,947,059

Since the date of our appointment, the unpaid wages disclosed in the Statement have been paid. We refer to Section 5.3 of this report regarding the social club bank account.

Employee entitlements receive a priority over other unsecured debts pursuant to Section 556(1) of the Act. Employee entitlements also receive a priority over circulating security interests, such as inventory and debtors, before secured creditors pursuant to Section 433 of the Act.

Should CFCL be wound up at the second meeting of creditors, Australian citizen employees will be able to seek advances of their unpaid entitlements through the FEG scheme for:

- ▶ Wages of up to 13 weeks;
- ▶ Annual leave;
- ▶ Long service leave;
- ▶ Payment in lieu of notice up to 5 weeks; and
- ▶ Redundancy up to 4 weeks for each full year of service.

Employees earning over \$2,451 per week will have their advances capped at that level. Any entitlements duly owed to employees but not advanced by FEG are still able to be claimed in the

winding up. FEG will have a subrogation claim in the winding up for any amounts it advances to employees.

5.10 Secured creditors

As disclosed in Section 3.2.5 of this report, CFCL had a number of parties register security interests against it on the PPSR. The majority of those security interests have been discharged or no amount remains outstanding to those parties with the exception of Cevol Industries Pty Limited (with a PMSI over stillages which remain on hire at CFCL) and Prudential (the Security Trustee).

Prudential have one 'All Present and After-Acquired No Exceptions' security interest and 67 security interests relating to individual patents over CFCL pursuant to the General Security Deed entered into between CFCL and Prudential on 4 September 2013 ("the GSD"). Prudential is the Security Trustee for Secured Convertible Noteholders of CFCL ("the Secured Noteholders"). The Secured Noteholders register as at the date of our appointment was:

Secured Convertible Noteholder	Number of notes	Principal amount (£)	Converted at 0.5047 (\$)
The City of Bradford Metropolitan District Council (on behalf of the West Yorkshire Pension Fund)	500,000	500,000	990,688
Bradshaw Asset Management Limited	100,000	100,000	198,138
Aequitas Investments Limited	650,000	650,000	1,287,894
HSBC Global Custody Nominee (UK) Limited / AXA Framlington Managed Income Fund	400,000	400,000	792,550
The Caddis Master Fund Limited	150,000	150,000	297,206
Southern Fox Investments Ltd	650,000	650,000	1,287,894
Arden Partners plc	200,000	200,000	396,275
Artemis Alpha Trust plc	500,000	500,000	990,688
Innovation Management Limited	100,000	100,000	198,138
TFC Capital LLP	200,000	200,000	396,275
Log Creek Pty Ltd	650,000	650,000	1,287,894
Total	4,100,000	4,100,000	8,123,640

We have sought to engage as much as possible with Prudential and the Secured Noteholders both individually and collectively. We are mindful of their rights in relation to the IP and accordingly the sale of business and assets process. A Secured Noteholders' meeting was convened on 6 March 2015 by teleconference and Secured Noteholders attended the first meeting of creditors on 13 March 2015 with representation from three of the noteholders forming part of the committee of creditors. Numerous email and telephone communications have also been provided during the Voluntary Administration.

Our legal advice indicates that the Secured Noteholders have priority over recoveries in relation to CFCL's non-circulating assets most notably IP.

At this stage, it is difficult to determine the funds available for Secured Noteholders will be paid-out. The will become clearer as the sale of business and assets process nears completion.

5.11 Unsecured creditors

Unsecured creditors are comprised of the following amounts disclosed in the Statement:

Unsecured creditor	Amount claimed (\$)	Amount admitted as owing (\$)
Trade creditors	350,011	350,011
Australian Taxation Office (PAYG due 2 March 2015)	1,655	1,655
State Revenue Office (Payroll tax due 7 March 2015)	21,793	21,793
Bergen Global Opportunity Fund (\$US265,000 Convertible Notes)	340,092	340,092
Interest unsecured convertible notes	56,086	56,086
Inter-company loan from CFCN	53,800	53,800
Directors' fees and entitlements	1,013,572	1,013,572
Total	1,837,009	1,837,009

Should sufficient asset realisations result in a dividend to unsecured creditors being payable, we will undertake an adjudication process to assess and agree the level of each claim. Unsecured creditors may disagree with the balance shown above. A dividend would only be payable after priority unsecured creditors had been paid (employee entitlements) from realisation of circulating assets.

5.12 Contingent liabilities

Contingent creditors are comprised of the following amounts disclosed in the Statement:

Contingent creditor	Nature of liability	Estimated Amount (\$)
Customers	Product warranty (7 units still under warranty)	100,000
City Suburban Securities Pty Ltd	Reinstatement of premises	133,000
TLE Electrical	Amounts paid for units not commissioned	30,300
Simons Green Energy	Amounts paid for units not commissioned	27,000
Deakin University	Amounts paid for units not commissioned	168,480
Director	CFCL portion of income tax payable	2,000
Total		460,780

Again, should these contingent liabilities become unsecured debts of CFCL, we will undertake an adjudication process to assess and agree the level of each claim. This will only be relevant if realisations result in a dividend being able to be paid to unsecured creditors.

6. Administrators' statement of receipts and payments

A summary of receipts and payments in the Voluntary Administration from 1 March 2015 to 31 March 2015 is provided in the table below.

	Amount (\$)
Receipts	
Cash at bank	848,622
Cash on hand	6,235
Refund of pre-payment	22
Subtotal	854,879
Payments	
Bank Fees	137
Consultant Fees	283
Insurance	12,623
Legal Fees (Patents)	13,690
Rent & Rates	1,673
Repairs & Maintenance	3,836
Wages & Salaries	111,718
Subtotal	143,960
Net receipts and payments	710,919
Add: Uncleared payments	283
Cash at bank as at 31 March 2015	711,202

7. Administrators' investigations

As Administrators, we are required to investigate CFCL's business, property, affairs and financial circumstances with a view to forming an opinion as to the course of action which would be in the interests of creditors generally. Our recommendation is provided at Section 9 of this report.

In addition, we are required to investigate and identify any offences, recovery (including voidable transactions and/or insolvent trading) actions which may lead to a recovery of funds by a Liquidator (if appointed) for the benefit of creditors.

Given the limited timeframe in which to report to creditors it should be noted that these investigations are preliminary and, if a Liquidator is appointed to CFCL, further investigations will be undertaken.

7.1 Summary of offences under the Act

Section 438D of the Act requires an Administrator to lodge a report with ASIC if it appears that:

- ▶ A past or present officer, or member, of CFCL may have been guilty of an offence in relation to CFCL; or
- ▶ A person who has taken part in the formation, promotion, administration, management or winding up of CFCL may have misapplied money or property of CFCL or may have been guilty of negligence, default, breach of duty or trust in relation to CFCL.

We are continuing to investigate the actions of the Directors (including non-statutory directors who could be considered a director under Section 9 of the Act, if any) and any offences that may warrant a report to be lodged with ASIC. Further, we note that a Liquidator must lodge a report with ASIC if a dividend of less than 50¢ in the dollar is paid to unsecured creditors.

Based on our preliminary investigations in the short time available, we have set out below a table summarising the relevant offence provisions under the Act and our comments as to whether further investigations are warranted.

Section of the Act	Nature of Offence	Further Investigation Warranted
180	Failure to exercise reasonable degree of care and diligence	Yes
181	Failure to act in good faith	Yes
182	Making improper use of position to gain advantage	Yes
183	Making improper use of information to gain advantage	Yes
184	Reckless or intentional dishonesty in failing to exercise duties in good faith	No
191	Failure of director to disclose interest in contract with company	Yes
286	Failure to keep proper accounting records	No
314	Failure to comply with requirements for financial statement preparation	No
438B	Failure to assist administrator, deliver books and provide information	No
588H 588M	Being a director at the time when an insolvent company incurs a debt and there are reasonable grounds for suspecting the company to be insolvent	No
1307	Concealing, destroying, mutilating or falsifying books and records	No
1308	Making a statement which is knowingly false or misleading in a material particular	Yes
1309	Making, furnishing, authorising or permitting any false or misleading statement or report to directors, auditors or members	Yes

In considering the above, we have identified a transaction involving CFCL which requires further investigations into whether breaches of Section 180, 181, 182 and 183 of the Act have occurred which is described at Section 7.2.1 of this report. Other matters have been brought to our attention by creditors or enquiries made of us by ASIC.

7.2 Director conduct

We have conducted preliminary investigations regarding potential offences committed by Directors of CFCL in accordance with Part 2D.1 of the Act (specifically Sections 180-184, and 191 of the Act). Whilst these offences may not necessarily result in recoveries to CFCL, a Liquidator, if appointed, would conclude these investigations and report to ASIC should offences be identified.

For your reference, the Act details these possible offences as follows:

- ▶ A Director must take reasonable care and diligence and act in good faith when exercising their powers and discharging their duties.
- ▶ A Director must not use their position or information available to them in order to gain advantage for themselves or someone else or cause detriment to CFCL.
- ▶ A Director (or other officer) commits a criminal offence if they are reckless or intentionally dishonest and fails to exercise their powers and discharge their duties in good faith and in the best interests of CFCL or for the proper purpose.

7.2.1 Powder transaction

As disclosed in Section 3.2.4 of this report, Powder is a wholly owned subsidiary of CFCL registered in the UK. Powder operated a plant in the UK which produced ceramic powder used in the production of fuel cells produced by CFCL and its subsidiaries. Powder held plant and equipment and CFCL held patents in the technology which was utilised to produce the ceramic powders.

As disclosed in Section 5.10 of this report, CFCL entered into the General Security Deed with Prudential which included the patents owned by CFCL related to the Powder business.

During December 2013, an agreement was entered into with a third party to sell Powder's assets, including the requisite patents to operate the plant as owned by CFCL. The proceeds of the sale were allocated in British Pound Sterling as follows:

- ▶ GB£1,149,999 for Powder's plant and equipment; and
- ▶ GB£1 for CFCL's patents registered across various jurisdictions.

The sale was announced to the ASX and AIM in an announcement published on 18 December 2013. Records disclose that the Australian patents were duly transferred to the purchaser's nominee. Our preliminary investigations indicate that CFCL did not obtain releases from Prudential (the Security Trustee) or the Secured Noteholders to transfer the patents subject to registered security interest but there was also no concerns raised by those parties at the time. The value attributed to the different classes of assets also warrants further investigation.

Bank statements disclose that the proceeds of the sale were ultimately returned to CFCL, less applicable taxes, it being the principal creditor of Powder. We also understand that Powder was sold to an unconnected party. Notwithstanding, further investigations would be required by a Liquidator, if one is appointed, in the context of whether the directors of CFCL at the time of entering into the transaction:

- ▶ Were acting with a degree of care and diligence that a reasonable person would exercise if they were a director in the same position (Section 180 of the Act); and / or
- ▶ Were exercising their powers in good faith in the best interests of CFCL and for proper purpose (Section 181 of the Act).

The transaction must also be considered in light of whether it could be voidable as against a Liquidator. Our preliminary assessment is that this is unlikely as disclosed in Section 7.5 of this report.

7.3 Maintenance of books and records and other statutory information

Our initial review of CFCL's books and records indicate that CFCL has maintained adequate books and records for an entity of its size and nature as required under Section 286 of the Act.

7.4 Possible unfair preference recoveries against creditors

An unfair preference payment is a payment made by a company to a creditor who has been paid in preference to other creditors at a time when the company was insolvent. Unfair preference payments may be recoverable by a Liquidator under Section 588FA of the Act if:

- ▶ The company and the creditor are parties to the transaction;
- ▶ The transaction results in the creditor receiving from the company, in respect of an unsecured debt that the company owes to the creditor, more than the creditor would receive from the company in respect of the debt if the transaction were set aside and the creditor were to prove for the debt in the winding up of the company, even if the transaction is entered into, is given effect to, or is required to be given effect to, because of an order of an Australian court or a direction by an agency.

Recipients of alleged preference payments may have the opportunity to raise several defences available to them under the Act. These defences include:

- ▶ That they received no benefit from the transaction; or
- ▶ That the payments were received in good faith; and
- ▶ At the time the person received the benefit the person had no reasonable grounds for suspecting that the company was insolvent or would become insolvent.

In reviewing the merits of these potential preference payment claims, consideration must be given to the costs of pursuing these potential claims. Other factors to be considered include:

- ▶ The creditor's knowledge of the company's insolvency at the time of receiving the payments;
- ▶ Previous dealings between the company and the creditor; and
- ▶ The nature of the documentary evidence held amongst the company's books and records.

In order for an unfair preference payment to be recoverable, it must be an insolvent transaction and have been made within six months of the date the company was placed into Administration. As such, our investigations have revolved around possible unfair preference payments made during the period 1 September 2014 to 1 March 2015. This period is extended up to four years for related parties.

We are of the preliminary opinion there are no transactions that occurred within the above period that could be classified as unfair preference payments. Notwithstanding this, transactions entered into during this period may require further investigation should a Liquidator be appointed.

7.5 Uncommercial transactions

In accordance with Section 588FB of the Act, an uncommercial transaction may occur if, and only if it may be expected that a reasonable person in CFCL's circumstances would not have entered into the transactions, having regard to:

- ▶ The benefits (if any) to the company of entering into the transaction;
- ▶ The detriment to the company of entering into the transaction;

- ▶ The respective benefits to other parties to the transaction of entering into it; and
- ▶ Any other relevant matter.

In order for an uncommercial transaction to be recoverable, it must be an insolvent transaction and have been made within two years of the date the company was placed into Administration. As such, our investigations have revolved around possible uncommercial transactions made during the period 1 March 2013 to 1 March 2015. We have conducted a review of CFCL's records and the available bank statements to identify any assets which may have been sold or uncommercial arrangements entered into during the period leading up to the appointment of Administrators.

As disclosed in Section 7.2.1 of this report, we have identified the Powder transaction as one requiring further investigation. The key factor to be considered is whether the value attributed represented market value. Our investigations continue on the question of how market value was assessed but we note that the funds were received by CFCL.

In any case, we consider that it would be very difficult to establish that the transaction was an insolvent transaction for the purposes of Section 588FE(3) of the Act and therefore voidable. Further investigations into this transaction will be warranted if CFCL is wound up.

At this stage, we have not identified any other transactions which we consider may be recoverable as an uncommercial transaction.

7.6 Unfair loans to a company

Section 588FD of the Act states that a loan to a company is an unfair loan, if and only if:

- ▶ The interest on the loan was extortionate when the loan was made, or has since become extortionate because of a variation; or
- ▶ The charges in relation to the loan were extortionate when the loan was made, or have since become extortionate because of a variation.

We have not identified any unfair loans as part of our investigations at this stage.

7.7 Unreasonable director-related transactions

Section 588FDA defines an unreasonable director-related transaction to constitute a transaction between a company and its director (or a party related to its director) where it could be expected that a reasonable person in the company's position would not have entered into the transaction.

Such a transaction is voidable pursuant to Section 588FE(6A) of the Act if it occurred within a period of four years from the date of the appointment of the Administrators.

We have not identified any unreasonable director-related transactions as part of our investigations at this stage.

7.8 Insolvent trading

In considering any possible actions for insolvent trading against a director (and any former directors), the company must firstly be found to be insolvent in accordance with the Act, which states under Section 95A of the Act that:

"A person is solvent if, and only if, the person is able to pay all the person's debts, as and when they become due and payable. A person who is not solvent is insolvent".

In circumstances where a director of a company has continued to allow the company to incur debts at a time when it is insolvent, the Act provides that a Liquidator (or an individual creditor with leave of the Court or consent of the Liquidator) may recover from the director, as a debt due to the company,

an amount equal to the loss suffered by the company as a result of the director allowing it to continue to incur debts whilst it is insolvent.

In the event that a Liquidator is appointed to CFCL, investigations into insolvent trading will be reviewed further.

7.8.1 Defences available to director

It should be noted that subject to any valid defences that are available to a director, the maximum amount recoverable from a director pursuant to Section 588M of the Act would be limited to the total credit incurred after the date of insolvency and still outstanding to creditors at the date of Liquidation.

It can be difficult for a Liquidator to pursue current and former directors for insolvent trading in the event of Liquidation due to the defences that may be raised by a director, as outlined below:

- ▶ The director had reasonable grounds to believe and did believe that the company was solvent and would remain so;
- ▶ The director had reasonable grounds to believe and did believe that a competent and reliable person was providing adequate information to the director and based on that information the director expected the company to be solvent and to remain so;
- ▶ The director did not take part in the management of the company at the time due to illness or other good reason; and
- ▶ The director took reasonable steps to prevent the company from incurring the debt.

It has been determined that the onus of proof with respect to the defences lies strictly with a director on the balance of probabilities and that the grounds on which the director forms the view on the company's solvency or otherwise must be reasonable. Furthermore, a director is not entitled to hide behind ignorance of the company's affairs which is of his/her own making, or if not entirely of their own making, has been contributed to by their own failure to make further necessary enquiries.

Finally, it should be noted the Courts will generally allow a director a reasonable timeframe to consider and pursue options that may reasonably return the company to solvency.

7.8.2 Summary of insolvency investigations

In determining whether CFCL was at any time (and continued to be) insolvent we have analysed the level of readily realisable funds available to meet immediate financial commitments at a particular time. We have focused our investigations on the following areas:

- ▶ The financial performance of CFCL over various periods;
- ▶ The financial position of CFCL at various times; and
- ▶ Correspondence with creditors, including details of any payment plans, writs or summons.

We have also had regard to whether there are at present other matters that should be considered in determining the solvency of CFCL as disclosed in Section 7.8.5 of this report.

7.8.3 Financial performance

We set out below a summary of the profit and loss statement from the management accounts for CFCL as a standalone entity for Financial Year Ending 30 June 2014 ("FY14") and Financial Year to Date 31 January 2015 ("FYD Jan15"). We note these accounts have not been audited as standalone accounts and we have not verified the accuracy of any of the financial information below:

	Notes	FYD Jan15 (\$)	FY14 (\$)
Revenue			
Sales	7.8.3.1	909,350	4,792,393
Total Revenue		909,350	4,792,393
Cost of Sales			
Cost of Sales		(690,255)	(4,342,209)
COS Product Service & Support		(133,250)	(198,499)
COS Manufacturing		(1,408)	(24,190)
COS Warranty Expense		(896,806)	(1,920,602)
Total Cost of Goods Sold		(1,721,719)	(6,485,500)
Gross Profit	7.8.3.2	(812,369)	(1,693,107)
Expenses			
Amortisation		(1,238)	(2,701)
Depreciation		(156,885)	(311,251)
Inventory Revaluation		83,716	15,687
Manufacturing Recovery	7.8.3.3	235,595	1,509,865
Projects		(3,227,695)	(6,206,567)
R&D	7.8.3.4	(2,662,155)	(4,766,080)
Manufacturing		(364,522)	(1,846,842)
General & Administration		(3,052,980)	(5,503,850)
Labour recovery	7.8.3.5	2,324,575	3,615,600
Total Expenses		(6,821,589)	(13,496,139)
Net Operating Profit/(Loss)		(7,633,958)	(15,189,246)
Other Income / Income tax	7.8.3.6	3,990,589	3,974,810
Net Profit/(Loss)		(3,643,369)	(11,214,436)

7.8.3.1 Sales

As disclosed above, CFCL's subsidiaries based in the UK, Germany and the Netherlands undertook the majority of sales activity. The majority of sales recorded in CFCL are intra-group sales.

7.8.3.2 Gross profit

The majority of costs charged-back from CFCL's subsidiaries are recorded below the gross profit line.

7.8.3.3 Manufacturing recovery

Manufacturing recovery is disclosed as a negative expense to reflect the fact it is income to CFCL from its subsidiaries for manufacturing costs incurred on their behalf.

7.8.3.4 R&D

R&D was the main focus of CFCL and a substantial recovery of these costs was historically made through R&D tax credits provided by the Australian Taxation Office.

7.8.3.5 Labour recovery

Labour recovery is disclosed a negative expense to reflect the fact it is income to CFCL from its subsidiaries for labour costs incurred on their behalf.

7.8.3.6 Other income / Income tax

Other income / Income tax includes income tax gains/losses and FX gains/losses. Again, R&D tax credits contributed significantly to these results.

Consolidate profit and loss statements for the group can be obtained from CFCL's website www.cfcl.com.au.

7.8.4 Financial position

We set out below a summary of the balance sheet from the management accounts as at 30 June 2014 and 31 January 2015. We note that these accounts have not been audited as standalone accounts and we have not verified the accuracy of any of the financial information below:

	Notes	As at 31 Jan15 (\$)	As at 30 Jun14 (\$)
ASSETS			
Current assets			
Cash on hand		13,052	13,282
Bank current account		2,183,138	4,001,240
Inter-company loans from CFCL to CFCE	7.8.4.1	8,702,789	8,187,066
Inter-company loans from CFCL to Powder	7.8.4.1	1,062,183	991,319
Inter-company loans from CFCL to CFCE	7.8.4.1	23,991,072	22,979,295
Inter-company loans from CFCL to CFCE		(53,794)	(23,468)
Prepayments		270,024	198,295
Inventory		1,931,299	2,105,737
Trade debtors		-	7,444
GST On Purchases		64,086	127,678
Sundry Debtors		1,857	7,379
Total Current Assets		38,165,706	38,595,267
Non-Current Assets			
Security Deposits		248,000	235,551
Leasehold Improvements - Browns Road		5,289,064	5,289,064
Less: Accumulated Amortisation		(5,287,566)	(5,286,328)
Plant & Equipment		17,307,416	17,238,782
Less: Accumulated Depreciation		(16,804,155)	(16,647,270)
Assets under construction (HVP Module 1 Eng Support)		18,560	-
Investment in Related Entity	7.8.4.1	27,535,004	27,535,004
IP		1,000	1,000
Total Non-Current Assets		28,306,323	28,365,803
TOTAL ASSETS		66,473,029	66,961,070
LIABILITIES			
Current Liabilities			
Trade Creditors		229,723	506,850
Sundry Creditors		2	2
Deferred Revenue (incl. gov't grants)		70,742	45,238
Accrued Expenses		508,861	721,935
Provision for Annual Leave		352,926	449,486
Provision for Long Service Leave		916,976	932,980
Provision for Product Warranty		693,728	881,059
Provision for Reinstatement – Leasehold Improvements		-	431,304
Total Current Liabilities		2,772,958	3,968,854
Non-Current Liabilities			
Convertible Notes (Secured)		7,497,176	6,709,600
Convertible Notes (Unsecured)		445,242	241,533
Derivative Financial Instruments (Secured)		256,502	744,699
Derivative Financial Instruments (Unsecured)		18,008	14,875
Provision for Long Service Leave		41,200	39,244
Provision for Product Warranty		2,516,496	2,436,496
Provision for Reinstatement - Leasehold Improvements		431,304	-
Total Non-Current Liabilities		11,205,928	10,186,447
TOTAL LIABILITIES		13,978,886	14,155,301
NET ASSETS		52,494,143	52,805,769
EQUITY			
Share Capital		304,710,399	301,728,180
Share-based Payments Reserve		4,350,073	4,000,549
Accumulated Reserves - Previous Years		(252,922,960)	(241,708,526)
Total Equity		56,137,512	64,020,203
Net Profit / (Loss)		(3,643,369)	(11,214,434)
NET EQUITY		52,494,143	52,805,769

7.8.4.1 Inter-company loans and investments in related parties

Inter-company loans and investments in related parties total c. \$61m which comprise the major value of CFCL's assets. This results in CFCL's net asset position being in surplus. As disclosed above, the actual amount able to be recovered from CFCE, Powder and CFCE now appears to be significantly

less than its recorded value. Excluding related parties, current assets as at 31 January 2015 totalled an amount of c. \$4.5m which exceeded current liabilities of c. \$2.8m.

Consolidated balance sheets for the group can be obtained from CFCL's website: www.cfcl.com.au.

7.8.5 Other information reviewed

In our review we have also considered whether there are present those matters described as the "usual indicators of insolvency". The relevant matters are discussed further below:

7.8.5.1 Poor cash flow/problems obtaining finance

As disclosed above, CFCL did not derive material income from sales. CFCL was wholly reliant on third party debt and equity raising given subsidiaries were not able to make cash contributions to CFCL. CFCL had, over a number of years, raised funds to meet capital and operational expenditure. As the funding received from each equity raising was absorbed, further funding was sought. Whilst it did this successfully a number of times, it became an unviable option. The capital raising sought for October 2014 was unsuccessful.

7.8.5.2 Problems selling stock/low sales volumes

Stock records indicated that CFCL and its subsidiaries had cash tied up in stock for many months before it was sold. Management was anticipating a significant increase in sales during 2015 and 2016 which would explain high stock levels.

7.8.6 Conclusion

As at 31 January 2015, non-related party current assets of c. \$4.5m exceeded current liabilities of c. \$2.8m indicating that CFCL was able to meet its debts as and when they were falling due at that date. CFCL was not able to finalise management accounts subsequent to this date, however, as at 1 March 2015 the cash position of c. \$853,000 would have allowed it to meet its debts which were payable as at that date. From our review of CFCL's records:

- ▶ Trade creditors appeared to be paid up to 31 January 2015, with c. \$350,000 outstanding for February 2015;
- ▶ Rent for 170-178 Browns Road, Noble Park, Victoria 3174 was paid to 31 March 2015;
- ▶ Statutory liabilities (ATO and SRO) of c. \$32,000 were outstanding for February 2015; and
- ▶ Employee entitlements were largely paid-up to date with the exception of c. \$32,000.

Had CFCL continued to incur debts beyond 1 March 2015 it would have almost certainly become insolvent within a short period of time (cash reserves were being depleted at c. \$345,000 per week). Once CFCL was placed into Voluntary Administration, any possibility of it being solvent ended with the crystallisation of debts such as redundancy and payment in lieu of notice for employees.

Significant further investigation work would need to be undertaken before considering whether any insolvent trading action is appropriate. This investigation work would be performed by a subsequently appointed Liquidator.

8. Alternatives available to creditors

Section 439A(4)(b) of the Act requires that we, as the Administrators, give our opinion about the following matters:

- ▶ Whether it would be in the creditors' interests for the administration to end;
- ▶ Whether it would be in the creditors' interests for CFCL to execute a DOCA; or
- ▶ Whether it would be in the creditors' interests for CFCL to be wound up.

Each of these is discussed below.

8.1 That the administration should end

In circumstances where creditors resolve that the Administration should end, the Administrators' appointment would be terminated and control of CFCL would revert to its Directors.

CFCL is insolvent and is not in a position to discharge debts due to creditors if the Administration were to end. Accordingly, it is our opinion that it is not in the interests of creditors that the Administration end.

8.2 That CFCL be authorised to execute a DOCA

A DOCA is an arrangement between CFCL, its creditors and the Administrators of the DOCA to compromise and/or deal with creditor claims.

No DOCA has been proposed by any party in relation to CFCL. Accordingly, there is no DOCA to recommend to the creditors.

8.3 That CFCL be wound up

Creditors may resolve that CFCL be wound up. It would then be the Liquidators' role to continue with the realisation of the assets of CFCL and to distribute those funds in accordance with the provisions of the Act.

Creditors may also adjourn the second meeting of creditors for a period up to 45 business days to avoid CFCL being wound up immediately. Based on current circumstances, there is no compelling reason to adjourn the second meeting of creditors.

9. Recommendation

It is our opinion that it is in the interests of all creditors that CFCL be wound up at the second meeting of creditors.

This reflects the fact that no DOCA has been proposed and CFCL is insolvent and should not be returned to its directors.

The business and assets sale process will be able to continue on its current course without being materially affected by CFCL being wound up. CFCL being wound up will not prevent us from retaining key staff, continuing care and maintenance of CFCL's assets and marketing its business and assets for sale.

If CFCL is wound up it will also trigger employees' eligibility to apply for advances of unpaid entitlements under the FEG scheme as administered by the Department of Employment.

Accordingly, it is our opinion that CFCL be wound up.

10. Remuneration

It is our intention at the second meeting of creditors on 16 April 2015, to propose multiple resolutions in relation to remuneration.

The first resolution will be in relation to our retrospective remuneration as Administrators for the period 1 March 2015 to 27 March 2015 and is as follows:

- ▶ *“That the remuneration of the Joint and Several Administrators of Ceramic Fuel Cells Limited (Administrators Appointed), their partners and staff, for the period commencing 1 March 2015 to 27 March 2015, amounting to \$370,374.50 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Administrators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015, be approved and that the Joint and Several Administrators be authorised to draw these funds from the Administration account.”*

The second resolution will be in relation to future fees for the period from 28 March 2015 to the date of the second meeting of creditors on 16 April 2015. If the level of capped fees is not incurred during that period, then the Administrators are only authorised to draw the lower amount.

- ▶ *“That the future remuneration of the Joint and Several Administrators of Ceramic Fuel Cells Limited (Administrators Appointed), their partners and staff, for the period 28 March 2015 to 16 April 2015 be capped to the amount of \$175,200.00 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Administrators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015 be approved and that the Joint and Several Administrators be authorised to draw the funds from the Administration account.”*

Should creditors vote that CFCL be wound up at the second meeting of creditors on 16 April 2015 we will propose the following resolution for our future fees in the Liquidation. If the level of capped fees is not incurred during that period, then the Liquidators are only authorised to draw the lower amount.

- ▶ *“That the future remuneration of the Joint and Several Liquidators of Ceramic Fuel Cells Limited (In Liquidation), their partners and staff, for the period 16 April 2015 to the completion of the winding up be capped to the amount of \$315,000.00 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Liquidators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015 be approved and that the Joint and Several Liquidators be authorised to draw the funds from the Liquidation account.”*

Full analysis of the calculation of both remuneration claims and other relevant supporting information is provided at Appendix B.

11. Meeting of Creditors

You are invited to attend the second meeting of creditors of CFCL, to be held at 170 178 Browns Road, Noble Park, Victoria 3174 on 16 April 2015 at 5.00pm Australian Eastern Standard Time. At this meeting, creditors will be asked to vote on the future of CFCL. A formal notice of meeting is enclosed at Appendix C.

Attendance at this meeting is not compulsory. Teleconference facilities will be available upon request.

11.1 Particulars of Debt

Creditors who wish to vote at the meeting need to complete a Particulars of Debt Form and provide it to the Administrators prior to the meeting if they have not already done so.

A blank Particulars of Debt Form is enclosed at Appendix D.

11.2 Proxy

You do not have to attend the second meeting of creditors in person. You can nominate someone else or the chairman of the meeting to attend and vote on your behalf. For this purpose, a Form 532 Appointment of Proxy is enclosed at Appendix E. Please note you will need to complete a new proxy form for this meeting. Appointment of Proxy Forms completed for the first meeting of creditors will not be valid.

The chairman or a proxy holder can vote either generally, or specifically in accordance with your proxy directions. To avoid any uncertainty, it is recommended that any proxy in favour of the chairman should provide specific directions on how to vote. The chairman will not use any general proxies to vote in favour of any matter in which our firm is or may be financially interested.

Please note that creditors who are companies must submit a proxy if they intend to vote at the meeting. A corporate creditor must execute the Appointment of Proxy Form in accordance with its articles of association.

11.3 Lodgment of Particulars of Debt and Proxies

If you intend to complete a proxy form and/or particulars of debt, please do so and return the document to Mr Kim Leck of our office (kim.leck@au.ey.com), by 4.00pm on the day before the meeting.

Should you have any queries in regards to the contents of this report, please do not hesitate to contact Mr Leck on (03) 9288 8793.

Dated this 7th day of April 2015



Adam Nikitins
Joint and Several Administrator
Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671



Justin Walsh
Joint and Several Administrator
Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671

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Appendix A Declaration of Relevant Relationships and Indemnities

**Declaration of Independence, Relevant Relationships and Indemnities
("DIRRI")**

**Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 763 671
("the Company")**

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

- A. their independence generally;
- B. relationships, including:
 - i the circumstances of the appointment;
 - ii any relationships with the Company and others within the previous 24 months;
 - iii any prior professional services for the Company within the previous 24 months;
 - iv that there are no other relationships to declare (if applicable); and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This updated declaration is made in respect of ourselves, our partners, Ernst & Young ("EY") and any related entities to ourselves and EY.

A. Independence

We, Mr Adam Nikitins and Mr Justin Walsh and our firm, EY, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

Since the last assessment, we have identified one professional relationship that must be disclosed to creditors. The relationship does not affect our assessment and would not have prevented us from taking this appointment. The additional disclosure is provided in Section B ii. Relevant Relationships.

B. Declaration of Relationships

i. Circumstances of appointment

The Company was initially referred to us by DLA Piper, the Company's legal advisors, during January 2015. I believe that this referral does not result in a conflict of interest or duty because:

- ▶ The referral from DLA Piper is based on a professional relationship between DLA Piper and EY. The Australian Restructuring Insolvency & Turnaround Association ("ARITA") Code of Professional Practice recognises that referrals between professionals are normal and acceptable provided that the referral and relationship are based on quality professional service and expertise.

- ▶ The referral from DLA Piper is not conditional upon the giving or receiving of any commissions, inducements, spotter's fees, recurring commissions, understandings or requirements that any work will be given to DLA Piper or any other arrangements with DLA Piper or any other party that restrict the proper exercise of our judgement and duties.
- ▶ DLA Piper is one of a number of law firms and professional service providers which refer appointments to us and EY. The size, number or significance of referrals from DLA Piper do not create a dependency for us or EY and does not restrict the proper exercise of our judgement and duties.

The Company engaged EY to undertake a cash flow review and options analysis of the Company and its related entities ("the Group") pursuant to a letter of engagement dated 19 January 2015 ("Cash Flow Review"). The related entities are:

- ▶ Ceramic Fuel Cells (Europe) Limited;
- ▶ Ceramic Fuel Cells Powder Limited;
- ▶ Ceramic Fuel Cells GmbH; and
- ▶ Ceramic Fuel Cells B.V.

The scope of this engagement was limited to the following:

- ▶ Understand and comment on the Group's business and operations, including its current financial position, financial performance and cash flows including a review of the short-term financial forecasts.
- ▶ Based on this review, provide a preliminary assessment of the Group's immediate and short-term cash requirements.
- ▶ In light of the findings in scope items (1) and (2), provide the Group with available options.
- ▶ Provide guidance of the relevant factors to consider when assessing the Group's ability to continue to trade as a going concern, including considering the requirements of the directors of the Group's subsidiaries in the relevant foreign jurisdictions.

The overall objective of the Cash Flow Review was to provide the Group with an assessment of its current financial position.

The fee for the Cash Flow Review was agreed to at an amount of \$30,000 (plus GST) which was paid by the Company prior to commencement of the Cash Flow Review.

During the period from 19 January 2015 and 4 February 2015, we held daily discussions with the Company's Chief Financial Officer, Mr Clifford Ashby, and his staff to obtain the relevant information to complete the Cash Flow Review and to provide updates with respect to the progress of the engagement and preliminary findings. The final report was issued to the Company on 4 February 2015.

Subsequent to issuing the final report, we have held seven meetings with the CFO or finance team during the period 5 February 2015 to 1 March 2015 for the purposes of receiving updates with respect to the financial position of the Company in light of the report issued to the Company on 4 February 2015.

We did not receive any remuneration for the fees or costs incurred subsequent to the issue of our final report on 4 February 2015.

We did not provide any advice to Mr Ashby or any other Officers of the Company or the Group. We did not provide specific personal advice in context of the Company or the Group. We did not give any assurances to the Company, the Group or its Officers about the outcome of the Voluntary Administration.

In our opinion, these meetings and the Cash Flow Review do not affect our independence for the following reasons:

- ▶ The advice and information provided to Company outlined the financial position and solvency of the Company and the Group;
- ▶ The advice and information provided to the Company and the Group regarding the consequences of insolvency; and
- ▶ The advice and information provided to the Company regarding the alternative courses of action available to the Company in the case of insolvency was factual and general in nature.

We have provided no other information or advice to the Company, Mr Ashby or any other Officers of the Company or the Group prior to our appointment beyond that outlined in this DIRRI.

ii. Relevant Relationships (excluding Professional Services to the Insolvent)

We have had, within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons
DLA Piper	<p>As disclosed above, DLA Piper are legal advisors for the Company and the Group and DLA Piper referred the Company to us to undertake the Cash Flow Review.</p> <p>Given this relationship, DLA Piper may be a creditor of the Company. DLA Piper are one of a number of law firms that refer work to EY. DLA Piper are one of a number of legal firms to which EY refers work.</p>	<p>As disclosed above, the referral from DLA Piper is based on a professional relationship between DLA Piper and EY.</p> <p>The referral from DLA Piper is not conditional upon the giving or receiving of any commissions, inducements, spotter's fees, recurring commissions, understandings or requirements that any work will be given to DLA Piper or any other arrangements that restrict the proper exercise of our judgement and duties.</p> <p>DLA Piper is one of a number of law firms and professional service providers which refer appointments to us and EY. The size, number or significance of referrals from DLA Piper do not create a dependency for us or EY and does not restrict the proper exercise of our judgement and duties.</p>

Name	Nature of relationship	Reasons
Directors of CFCL	Prior to our appointment we held regular discussions during January and February 2015 with the Directors regarding the Cash Flow Review and the subsequent pre-appointment discussions as outlined above.	<p>I believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▶ As disclosed above, the advice and information provided was limited to the financial position of the Company and the Group. ▶ The advice and information provided to the Company regarding the consequences of insolvency was factual and did not extend to the personal consequences for the Officers of the Company or the Group with the exception of general director's duties information as the law provides. ▶ The advice and information provided to the Company regarding the alternative courses of action available to the Company in the case of insolvency was general and factual.
Ceramic Fuel Cells (Europe) Limited, Ceramic Fuel Cells Powder Limited, Ceramic Fuel Cells GmbH and Ceramic Fuel Cells B.V. ("the Subsidiaries")	<p>The Company is the ultimate holding company of the Subsidiaries.</p> <p>Partners of EY's offices in the United Kingdom may be appointed as external administrators to Ceramic Fuel Cells (Europe) Limited and Ceramic Fuel Cells Powder Limited.</p>	<p>ARITA's Code of Professional Practice recognises that there are sound commercial and practical reasons to appoint a Practitioner to a group of related companies.</p> <p>I believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▶ The Company is the finance raising vehicle and it primarily undertakes research and development, prototyping and administration. The Subsidiaries primarily undertake sales, manufacturing and administration. The nature of the business operations mean that the Administrations can be conducted more efficiently by one firm of practitioners (where local laws permit). ▶ At the time of our appointment, we were not aware of any conflicts of interest between EY and the Subsidiaries. <p>If, after accepting the group appointment, a conflict arises, we will advise creditors on how the issue will be managed, and/or seek directions from the Court and/or seek approval for the appointment by the Court of a special purpose Administrator or Liquidator.</p>

Name	Nature of relationship	Reasons
Other EY member firms (new relationship disclosed)	Other EY member firms, outside of Australia, may provide business advisory services to parties interested in purchasing the business and assets of the Company.	<p>I believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▶ If applicable, EY will have separate engagement teams serving the Company and the interested party or parties. ▶ Confidential or privileged information in the possession of each engagement team will remain confidential to the Company and interested party as served by each engagement team in accordance with applicable professional standards. ▶ Information systems prevent access by the respective engagement teams of information regarding the Company or interested party. ▶ EY has a robust and long established policy and set of procedures for dealing with such circumstances. ▶ Interested parties are required to execute an agreement setting out the additional ring-fencing procedures where such circumstances arise

iii. Prior Professional service to the Insolvent

We have provided the following professional service to the Company in the 24 months prior to the acceptance of this appointment:

Nature of Professional Service	Reasons
<p>As disclosed above, prior to our appointment as Joint and Several Administrators, we were engaged by the Company to provide the Company with a report on:</p> <ul style="list-style-type: none"> ▶ The Group's business and operations, including its current financial position, financial performance and cash flows including a review of the short-term financial forecasts; ▶ A preliminary assessment of the Group's immediate and short-term cash requirements; ▶ Available options; and ▶ Guidance on some of the relevant factors to consider when assessing the Group's ability to continue to trade as a going concern, including considering the requirements of the Group's subsidiaries in the relevant foreign jurisdictions. <p>The engagement occurred between 19 January 2015 and 4 February 2015 and we were appointed Joint and Several Administrators three weeks after the report was provided to the Company. We were paid a fee of \$30,000 (plus GST) by the Company for the service provided.</p>	<p>I believe that this relationship does not result in a conflict of interest or duty because:</p> <ul style="list-style-type: none"> ▶ The work undertaken has assisted us in developing an understanding of the Company and the Group's activities. ▶ Much of the investigatory work done is work that would have been done by us in order to be able to report to creditors under Section 439A of the <i>Corporations Act 2001</i> ("the Act"). As such, this information will be made available to creditors when we report to them in due course. ▶ The nature of the report provided to the Company is such that it would not be subject to review and challenge during the course of the Voluntary Administration. The engagement will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the Voluntary Administration in an objective and impartial manner. ▶ Our report is addressed to the Company only. The Directors had engaged DLA Piper to provide advice to the Directors.

iv. No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, the Group or any person or entity that has security over the whole or substantially whole of the Company's property that should be disclosed.

C. Indemnities and up-front payments

We have not been indemnified in relation to this Administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.

Dated: 12 March 2015



Adams Pauls Nikitins
Joint and Several Administrator



Justin Denis Walsh
Joint and Several Administrator

Note:

1. If circumstances change, or new information is identified, we are required under the Act and the ARITA Code of Professional Practice to update this DIRRI and provide a copy to creditors with our next communication as well as table a copy of any replacement DIRRI at the next meeting of the Company's creditors.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

Appendix B Remuneration Request Approval Report

Remuneration Request Approval Report

**Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671
("CFCL")**

Part 1: Declaration

We, Adam Nikitins and Justin Walsh of Ernst & Young have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Administrators of CFCL in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed in the conduct of the Administration.

Part 2: Executive Summary

To date, no remuneration has been approved and paid in this Administration. This remuneration request approval report details approval sought for the following fees:

Period	Remuneration Request Approval Reference	Amount (ex GST)
Voluntary Administration		
Resolution 1: 1 March 2015 to 27 March 2015	3	370,374.50
Resolution 2: 28 March 2015 to 16 April 2015*	3	175,200.00
Liquidation		
Resolution 3: 17 April 2015 to the completion of the winding up*	3	315,000.00

*Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the Administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

Please refer to report section references detailed in the above table for full details of the calculation and composition of remuneration approval sought.

This differs to the estimate of costs provided in the circular to creditors dated 3 March 2015 which estimated a cost to the conclusion of the Voluntary Administration of \$385,000 (plus GST and disbursements) for the following reasons:

- ▶ Additional time than anticipated liaising with the Secured Noteholders; and
- ▶ Additional time than anticipated liaising with Mr Zumbaum regarding Ceramic Fuel Cells GmbH.

Part 3: Description of work completed / to be completed

Remuneration Request 1: 1 March 2015 to 27 March 2015

Company	Ceramic Fuel Cells Limited (Administrators Appointed)	Period from	1 March 2015	Period to	27 March 2015
Appointees	Adam Nikitins and Justin Walsh	Firm	Ernst & Young		
Administration type	Voluntary Administration				

Task Area	General Description	Includes
Assets (490.2hrs) (\$160,510.00)	Cash at bank / cash on hand	<p>Liaising with HSBC and Westpac to freeze bank accounts and transfer credit balances</p> <p>Collect and bank cash on hand</p>
	Sale of business and assets process	<p>Preparing and receiving confidentiality agreements</p> <p>Preparing Flyer and Process Letter</p> <p>Preparation of data room</p> <p>Create interested party list from previous interested parties list, parties brought to our attention by Secured Noteholder and directors and key sector participants</p> <p>Preparing advertisements for sale of business published in the Financial Times, Australian Financial Review, Frankfurter Allgemeine Zeitung, Handelsblatt and CFCL's website</p> <p>Liaising with interested parties and their advisers by email, telephone and in person</p>
	Coordinating joint sale process	<p>Liaising and meeting with Jörg Zumbaum, preliminary administrator of Ceramic Fuel Cells GmbH</p> <p>Providing proposed sale documentation and agreeing with Mr Zumbaum</p> <p>Liaising with colleagues in Germany regarding business and assets sale</p>
	Plant and equipment	<p>Reviewing asset listings</p> <p>Liaising with valuers</p> <p>Liaising with stock assessors</p> <p>Engaging contractors to maintain plant and equipment</p> <p>Engaging the preparation of plant hazard reports</p>
	Stock	<p>Conducting stock takes</p> <p>Reviewing stock values</p>
	Intellectual property	<p>Patents and trademark searches</p> <p>Review of patent register</p> <p>Liaising with management regarding the ongoing maintenance of patent registrations</p> <p>Liaising with patent attorneys and their agents</p> <p>Preparation of patents sale collateral</p> <p>Obtaining listing of registered domains</p>
	Income tax refund	<p>Engaging pre-appointment tax advisers</p> <p>Obtaining relevant documentation regarding research and development expenditure</p> <p>Liaising with management and staff to obtain the requisite substantiating documentation</p>
	Debtors and inter-company loans	<p>Reviewing and assessing debtors and inter-company loan accounts</p>
	Assets subject to specific charges	<p>Reviewing company records and discussing with management to determine list of leased assets</p> <p>Determining equity value of assets and liaising with owner of assets regarding next steps in administration</p> <p>Correspondence with lessors regarding ongoing lease and hire-purchase charges</p> <p>Correspondence with lessors to collect assets</p>
	Leasing	<p>Reviewing leasing documents</p> <p>Liaising with owners/ lessors</p> <p>Correspondence with landlords seeking support during period of Administration</p> <p>Review of individual leases for insurance purposes</p>
Creditors (193.8hrs) (\$74,768.00)	Secured creditor	<p>Liaising with security trustee and secured note holder</p> <p>Providing updates regarding sale strategy and expected outcomes</p> <p>Convening and holding the Secured Noteholders meeting</p>
	Creditor enquiries	<p>Receive and follow up creditor enquiries via telephone and email</p> <p>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</p> <p>Correspondence with committee of creditors members</p>
	Retention of title claims and third party property claims	<p>Receive initial notification of creditor's intention to claim</p> <p>Correspondence with all parties with a registered security interest on the <i>Personal Properties and Securities Register</i> regarding potential retention of title claims</p> <p>Meeting claimants on site to identify goods and conduct a stock take</p> <p>Commence process of adjudicating retention of title claim and security interests</p>
	Creditor reports	<p>Preparing section 439A report, investigation of matters relevant to section 439A report. Other reports to creditors, including preparation of information for first meeting of creditors</p>
	Dealing with particulars of debt	<p>Receipting and filing PODs when not related to a dividend</p> <p>Corresponding with OSR and ATO regarding PODs when not related to a dividend</p>

Task Area	General Description	Includes
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements for first meeting Forward notices of first meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Preparation of minutes of first meeting and submission of minutes to the Australian Securities and Investments Commission Responding to stakeholder queries and questions immediately following meeting, including those from the new members of the creditors committee
	Shareholder enquires	Responding to any shareholder enquiries Publishing announcements on the ASX, AIM and CFCL website
Employees (123.3hrs) (\$41,283.00)	Employees enquiry	Conduct of meetings on site with employees to advise of appointment of Administrators Receive and follow up employee enquiries via telephone Preparation of letters to employees advising of their entitlements and options available Preparation of separation certificates Receive and prepare correspondence in response to employees objections to leave entitlements Update to employees on sale of business and assets process
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards and contracts Liaising with legal advisers regarding employee entitlements
	Workers compensation claim	Review insurance policies Liaising with insurers regarding claim Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing workers compensation insurance requirements Correspondence with previous brokers
	Other employee issues	Correspondence with Child Support Correspondence with Income Protection Providers Correspondence with Superannuation Funds
Trade On (138hrs) (\$40,845.00)	Trade On Management	Liaising with suppliers and service providers Establishing accounts with ongoing suppliers and service providers and cancelling others Liaising with management and staff Attendance on site Preparing and authorising payment requisitions Liaising with superannuation funds regarding contributions Liaising with OSR regarding payroll tax issues Preparation of wages payments to employees
	Landlord	Liaising and meeting with the landlord
	OH & S	Engaging OH&S assessment Review and action OH&S assessment recommendations Liaising with OH&S contractor Liaising with chemical disposal contractor Liaising with fire and essential services contractors
	Processing receipts and payments	Entering receipt and payments into accounting system
	Budgeting and financial reporting	Reviewing company's budgets and financial statements Preparing budgets Daily cash flow monitoring
Investigation (121.8hrs) (\$32,147.50)	Conducting investigation	Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Review of specific transactions regarding certain transactions Preparation of investigation file and using relevant information for purposes of s439A report Review of transactions entered into for potentially voidable transactions Review of financial performance, position and other factors in determining a date of insolvency Seeking legal advice regarding transactions identified as requiring further investigation
	Books and records / storage	Review of books and records generally to determine if they have been prepared in accordance with the <i>Corporations Act 2001</i>
Administration (38hrs) (\$20,821.00)	Document maintenance/file review/checklist	First month administration review Filing of documents File reviews Updating checklists

Task Area	General Description	Includes
	ASX / AIM	Liaising with the ASX and AIM regarding ongoing requirements Liaising with shareholder registry providers
	Insurance	Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with other parties named on the pre-appointment insurance policies
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC forms	Preparing and lodging ASIC forms including 505, 5011 etc. Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment and establish a new Client Account Code Correspondence with the ATO regarding fringe benefits tax returns
	Planning / Review	Discussions regarding status of administration

Calculation of remuneration of Remuneration Request 1: 1 March 2015 to 27 March 2015

The basis of charging and the hourly rates are consistent with our first circular to creditors dated 3 March 2015.

Staff	Position	Hours	\$/hour (ex GST)	Total (\$)	Assets (\$)	Creditors (\$)	Employees (\$)	Trade On (\$)	Investigations (\$)	Administration (\$)
Adam Nikitins	Appointee	127.1	615.00	78,166.50	25,768.50	20,725.50	5,043.00	8,118.00	2,460.00	16,051.50
Justin Walsh	Appointee	1.0	615.00	615.00	-	-	-	615.00	-	-
Matthias Beck	Partner	6.0	615.00	3,690.00	3,690.00	-	-	-	-	-
Mark Chan	Partner	1.0	615.00	615.00	615.00	-	-	-	-	-
Jeremy Birch	Director	116.1	550.00	63,855.00	41,415.00	15,290.00	4,840.00	330.00	935.00	1,045.00
Shaun Chalmers	Associate Director	26.5	470.00	12,455.00	12,455.00	-	-	-	-	-
Colby O'Brien	Associate Director	2.3	470.00	1,081.00	-	658.00	-	423.00	-	-
Thorsten Hein	Associate Director	48.0	405.00	19,440.00	19,440.00	-	-	-	-	-
Carol Sastradipradja	Associate Director	4.0	405.00	1,620.00	1,620.00	-	-	-	-	-
Kim Leck	Manager	135.3	405.00	54,796.50	10,570.50	14,256.00	4,941.00	16,321.50	5,224.50	3,483.00
Stuart Milne	Manager	1.0	405.00	405.00	-	-	-	-	405.00	-
Jade Cordery	Senior Consultant	110.5	320.00	35,360.00	-	14,240.00	21,120.00	-	-	-
Chris Church	Senior Consultant	82.0	320.00	26,240.00	26,240.00	-	-	-	-	-
Greshan Swan	Senior Consultant	28.5	320.00	9,120.00	-	-	-	-	9,120.00	-
Connor O'Brien	Consultant	64.2	190.00	12,198.00	380.00	5,396.00	209.00	6,213.00	-	-
Grace Wong	Consultant	9.1	190.00	1,729.00	-	-	1,444.00	285.00	-	-
Anthony Feldman	Consultant	70.0	190.00	13,300.00	-	-	-	-	13,300.00	-
Nicole Miller	Consultant	28.5	190.00	5,415.00	5,415.00	-	-	-	-	-
Casey Harrison	Consultant	143.1	190.00	27,189.00	12,901.00	3,629.00	3,686.00	6,137.00	703.00	133.00
Gloria Ortiz	Administrator	15.2	155.00	2,356.00	-	-	-	2,356.00	-	-
Jennifer Marshall	Administrator	0.7	155.00	108.50	-	-	-	-	-	108.50
Lucas Margalejo	Administrator	4.0	155.00	620.00	-	573.50	-	46.50	-	-
Total		1,024.1		370,374.50	160,510.00	74,768.00	41,283.00	40,845.00	32,147.50	20,821.00
GST				37,037.45	16,051.00	7,476.80	4,128.30	4,084.50	3,214.75	2,082.10
Total (inc GST)				407,411.95	176,561.00	82,244.80	45,411.30	44,929.50	35,362.25	22,903.10
Average Hourly Rate (ex GST)				361.66	392.25	385.80	334.82	295.98	263.94	547.92

Remuneration Request 2: 28 March 2015 to 16 April 2015

Company	Ceramic Fuel Cells Limited (Administrators Appointed)	Period from	28 March 2015	Period to	16 April 2015
Appointees	Adam Nikitins and Justin Walsh	Firm	Ernst & Young		
Administration type	Voluntary Administration				

Task Area	General Description	Includes
Assets (221.0 hrs) (\$80,000)	Sale of business and assets process	Liaising with interested parties and their advisers by email, telephone and in person Assessing offers received Formulating stage 2 of sale process
	Coordinating joint sale process	Liaising with Mr Zumbaum
	Intellectual property	Liaising with management regarding the ongoing maintenance of patent registrations Liaising with patent attorneys and their agents
	Income tax refund	Obtaining relevant documentation regarding research and development expenditure Liaising with management and staff to obtain the requisite substantiating documentation
	Debtors and inter-company loans	Reviewing and assessing debtors and inter-company loan accounts
Creditors (69.1 hrs) (\$25,000)	Secured creditor	Liaising with security trustee and secured note holders Providing updates regarding sale strategy and expected outcomes
	Creditor enquiries	Receive and follow up creditor enquiries via telephone and email Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Dealing with particulars of debt	Receipting and filing PODs when not related to a dividend Corresponding with OSR and ATO regarding PODs when not related to a dividend
	Meeting of Creditors	Forward notices of second meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Preparation of minutes of first meeting and submission of minutes to the Australian Securities and Investments Commission Responding to stakeholder queries and questions immediately following meeting, including those from the new members of the creditors committee
	Shareholder enquires	Responding to any shareholder enquiries
Employees (47.0 hrs) (\$17,000)	Employees enquiry	Receive and follow up employee enquiries via telephone Receive and prepare correspondence in response to employees objections to leave entitlements Update to employees on sale of business and assets process
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards and contracts
	FEG	Correspondence with employees regarding FEG Assistance with completion of FEG forms
	Trade On Management	Liaising with suppliers and service providers Establishing accounts with ongoing suppliers and service providers and cancelling others Liaising with management and staff Attendance on site Preparing and authorising payment requisitions Liaising with superannuation funds regarding contributions Preparation of wages payments to employees
Trade On (83.4 hrs) (\$30,200)	OH & S	Action OH&S assessment recommendations Liaising with OH&S contractor Liaising with chemical disposal contractor Liaising with fire and essential services contractors
	Processing receipts and payments	Entering receipt and payments into accounting system
	Budgeting and financial reporting	Reviewing company's budgets and financial statements Preparing budgets Daily cash flow monitoring
	Investigation	Reviewing company's books and records Review of specific transactions regarding certain transactions Review of transactions entered into for potentially voidable transactions Review of financial performance, position and other factors in determining a date of insolvency
Administration (31.8 hrs) (\$11,500)	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	ASX / AIM	Liaising with the ASX and AIM regarding ongoing requirements Liaising with shareholder registry providers

Task Area	General Description	Includes
	Insurance	Correspondence with insurance broker Correspondence with other parties named on the pre-appointment insurance policies
	Bank account administration	Requesting bank statements Bank account reconciliations
	ATO and other statutory reporting	Preparation of statutory lodgements
	Planning / Review	Discussions regarding status of administration
Total (484.1 hrs) (\$175,200)		

Creditors should note that as remuneration request 2 is a capped estimate of future fees, a detailed time summary by individual is not provided. The analysis shown above therefore represents an estimate of the key areas where work is likely to be performed.

Remuneration Request 3: 17 April 2015 to the conclusion of the winding up

Company	Ceramic Fuel Cells Limited (Administrators Appointed)	Period from	17 April 2015	Period to	Conclusion of winding up
Appointees	Adam Nikitins and Justin Walsh	Firm	Ernst & Young		
Administration type	Liquidation				

Task Area	General Description	Includes
Assets (331.5 hrs) (\$120,000)	Sale of business and assets process	Liaising with interested parties and their advisers by email, telephone and in person Assessing offers received Provide final due diligence opportunities Receive Binding Offers Assess offers Consume sale
	Coordinating joint sale process	Liaising and meeting with Mr Zumbaum
	Intellectual property	Liaising with management regarding the ongoing maintenance of patent registrations Liaising with patent attorneys and their agents
	Income tax refund	Obtaining relevant documentation regarding research and development expenditure Liaising with management and staff to obtain the requisite substantiating documentation Finalise and lodge return
	Debtors and inter-company loans	Reviewing and assessing debtors and inter-company loan accounts
Creditors (96.7 hrs) (\$35,000)	Secured creditor	Liaising with security trustee and secured note holders Providing updates regarding sale strategy and expected outcomes Convening and holding the Secured Noteholders meetings Distribution to Secured Noteholders
	Creditor enquiries	Receive and follow up creditor enquiries via telephone and email Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Dealing with particulars of debt	Receipting and filing PODs when not related to a dividend Corresponding with OSR and ATO regarding PODs when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements for first meeting Forward notices of second meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Preparation of minutes of first meeting and submission of minutes to the Australian Securities and Investments Commission Responding to stakeholder queries and questions immediately following meeting, including those from the new members of the creditors committee
	Shareholder enquires	Responding to any shareholder enquiries
Employees (55.2 hrs) (\$20,000)	Employees enquiry	Receive and follow up employee enquiries via telephone Receive and prepare correspondence in response to employees objections to leave entitlements Update to employees on sale of business and assets process
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards and contracts
	FEG	Correspondence with employees regarding FEG Assistance with completion of FEG forms

Task Area	General Description	Includes
Trade On (193.4 hrs) (\$70,000)	Trade On Management	Liaising with suppliers and service providers Establishing accounts with ongoing suppliers and service providers and cancelling others Liaising with management and staff Attendance on site Preparing and authorising payment requisitions Liaising with superannuation funds regarding contributions Preparation of wages payments to employees
	OH & S	Action OH&S assessment recommendations Liaising with OH&S contractor Liaising with chemical disposal contractor Liaising with fire and essential services contractors
	Processing receipts and payments	Entering receipt and payments into accounting system
	Budgeting and financial reporting	Reviewing company's budgets and financial statements Preparing budgets Daily cash flow monitoring
Investigation (96.7 hrs) (\$35,000)	Conducting investigation	Reviewing company's books and records Review of specific transactions regarding certain transactions Review of transactions entered into for potentially voidable transactions Review of financial performance, position and other factors in determining a date of insolvency
	Examinations	Preparing brief to solicitor Liaising with solicitor(s) regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / Recoveries	Internal meetings to discuss status of litigation Preparing brief to solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
Dividend (55.2 hrs) (\$20,000)	Processing particulars of debt	Receipt and filing of PODs if a dividend is declared
	Dividend procedures	Advertise for PODs if a dividend is declared Adjudicating PODs if a dividend is declared Distribute dividend
Administration (41.4 hrs) (\$15,000)	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	ASX / AIM	Liaising with the ASX and AIM regarding ongoing requirements Liaising with shareholder registry providers
	Insurance	Correspondence with insurance broker Correspondence with other parties named on the pre-appointment insurance policies
	Bank account administration	Requesting bank statements Bank account reconciliations
	ATO and other statutory reporting	Preparation of statutory lodgements
	Planning / Review	Discussions regarding status of administration
	Finalisation	Attend to matters to finalise the liquidation
Total (870.1 hrs) (\$315,000)		

Creditors should note that as remuneration request 3 is a capped estimate of future fees, a detailed time summary by individual is not provided. The analysis shown above therefore represents an estimate of the key areas where work is likely to be performed.

Part 4: Statement of Remuneration Claim

During the second meeting of creditors we will be seeking to pass the following resolutions in accordance with Part 3 of this report:

Period	Resolution
Resolution 1: 1 March 2015 to 27 March 2015	<i>"That the remuneration of the Joint and Several Administrators of Ceramic Fuel Cells Limited (Administrators Appointed), their partners and staff, for the period commencing 1 March 2015 to 27 March 2015, amounting to \$370,374.50 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Administrators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015, be approved and that the Joint and Several Administrators be authorised to draw these funds from the Administration account."</i>
Resolution 2: 28 March 2015 to 16 April 2015	<i>"That the future remuneration of the Joint and Several Administrators of Ceramic Fuel Cells Limited (Administrators Appointed), their partners and staff, for the period 28 March 2015 to 16 April 2015 be capped to the amount of \$175,200.00 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Administrators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015 be approved and that the Joint and Several Administrators be authorised to draw the funds from the Administration account."</i>
Resolution 3: 16 April 2015 to the completing of the winding up	<i>"That the future remuneration of the Joint and Several Liquidators of Ceramic Fuel Cells Limited (In Liquidation), their partners and staff, for the period 16 April 2015 to the completion of the winding up be capped to the amount of \$315,000.00 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Liquidators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015 be approved and that the Joint and Several Liquidators be authorised to draw the funds from the Liquidation account."</i>

Part 5: Remuneration recoverable from external sources

We confirm that we have not received any remuneration from external sources. Should CFCL be wound up we may receive remuneration from the Department of Employment for undertaking work in relation to the *Fair Entitlement Guarantee Act 2012*.

Part 6: Disbursements

Disbursements are divided into three types:

- ▶ Externally provided professional services - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees;
- ▶ Externally provided non-professional costs such as travel, accommodation and search fees - these are recovered at cost; and
- ▶ Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

The Administrators are not required to seek creditor approval for disbursements but must account to creditors. Our firm has not been reimburse for any disbursements to date. Details of the basis of recovering disbursements are provided below.

Internal disbursements	Rate (ex GST)
Advertising	At cost
Printing (black and white)	\$0.03 per page
Binding	\$1.00 per small bind
Staff vehicle use	\$0.63 per kilometre

Part 7: Report on Progress of the Administration and Receipts and Payments

A report on the progress of the Administration and a schedule of receipts and payments has been provided in the Report to Creditors dated 7 April 2015.

Part 8: Queries

Should you have any queries in regards to the contents of this report, please do not hesitate to contact Mr Kim Leck of our office on (03) 9288 8793.

Part 9: Information sheet

Creditors can access ASIC's *Info Sheet 85: Approving Fees: A guide for creditors* at the following website:
<http://www.asic.gov.au/regulatory-resources/insolvency/insolvency-for-creditors/approving-fees-a-guide-for-creditors/>

Dated this 7th day of April 2015



Adam Nikitins
Joint and Several Administrator
Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671



Justin Walsh
Joint and Several Administrator
Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671

Appendix C Notice of meeting

**NOTICE OF SECOND MEETING OF
CREDITORS OF COMPANY UNDER ADMINISTRATION**

**Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671
("CFCL")**

Notice is given that a second meeting of the creditors of CFCL will be held at 170-178 Browns Road, Noble Park, Victoria on 16 April 2015 at 5.00pm (Australian Eastern Standard Time) pursuant to Section 439A(1) of the Act.


Agenda

- i) To consider the Joint and Several Administrators' report pursuant to Section 439A(4) of the Act in relation to CFCL's business, property, affairs and financial circumstances.
- ii) To resolve pursuant to Section 439C of the Act that, either:
 - i) CFCL execute a Deed of Company Arrangement (none currently proposed); or
 - ii) That the Voluntary Administration should end and control turn to its directors; or
 - iii) CFCL be wound up and that Adam Paul Nikitins and Justin Denis Walsh be appointed Joint and Several Liquidators.
- iii) To consider and, if thought fit, approve the Joint and Several Administrators' remuneration for the period 1 March 2015 to 27 March 2015.
- iv) To consider and, if thought fit, approve the Joint and Several Administrators' remuneration for the period 28 March 2015 to 16 April 2015.
- v) If CFCL is wound up, to consider and if thought fit approve the Joint and Several Liquidators' remuneration for the period 16 April 2015 to the conclusion of the winding up.
- vi) If CFCL is wound up, to consider and, if thought fit, permit the Joint and Several Liquidators to enter into agreements on behalf of CFCL with terms which exceed three months pursuant to Section 477(2B) of the *Corporations Act 2001*.
- vii) If CFCL is wound up, to consider and, if thought fit, appointment a Committee of Inspection.
- viii) To consider any other business properly brought before the meeting.

Dated this 7th day of April 2015



Adam Nikitins
Joint and Several Administrator
Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671



Justin Walsh
Joint and Several Administrator
Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671

Appendix D Particulars of debt

**PARTICULARS OF DEBT OR CLAIM FOR PURPOSE OF VOTING AT MEETING OF
CREDITORS AND CONTRIBUTORIES OF**

**Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671**

Name of creditor: _____

Amount of debt claimed (See Note 1) _____

Reason for debt _____

Whether debt secured or unsecured _____

If secured, give details of security including dates, etc. _____

Date

SIGNATURE

Notes:

1. A creditor may not vote on any unliquidated or contingent debt or a debt the value of which is not ascertained.
2. A secured creditor shall be entitled to vote in respect of meetings held during the administration (Regulation 5.6.24(4)). However should a secured creditor vote in favour of a Deed of Company Arrangement he/she will be bound by such agreement (Section 444D(2)).
3. The Chairman of the meeting may admit or reject a claim for the purpose of voting at the meeting.
4. Should the company enter into a Deed of Company Arrangement or Liquidation, the Administrators or Liquidators, as applicable, will call for formal proofs of debt on Form 535 as prescribed if a distribution to creditors is possible. Please note that the above is for voting purposes only and will not entitle the creditor to rank for a dividend.
5. This particulars of debt or claim form is for voting purposes only and does not entitle the creditor to a dividend.

When completed please return to:

**Attention: Mr Kim Leck
Ernst & Young
GPO Box 67
Melbourne VIC 3001**

**Email: kim.leck@au.ey.com
Fax: (03) 9288 8970**

Appendix E Proxy Form

FORM 532
Corporations Act 2001
APPOINTMENT OF PROXY
Ceramic Fuel Cells Limited
(Administrators Appointed)
ACN 055 736 671

*I/*We **(1)**..... of a *creditor/ of Ceramic Fuel Cells Limited (Administrators Appointed), appoint **(2)** or in his or her absence as *my/*our *general/*special proxy to vote at the meeting of creditors to be on 16 April 2015 at 5.00pm held at 170-178 Browns Road, Noble Park, Victoria or at any adjournment of that meeting *to vote:

- * generally as he/she determines on *my/*our behalf
 OR
 * specifically in accordance with the following special instructions (insert special instructions):**(3)**

Resolutions for special proxy voting only	For	Against	Abstain
One of either options under Section 439C of the Corporations Act 2001: <i>"That Ceramic Fuel Cells Limited (Administrators Appointed) execute a Deed of Company Arrangement (none currently proposed)."; or</i> <i>"That the Voluntary Administration of Ceramic Fuel Cells Limited (Administrators Appointed) should end and control return to its directors."; or</i> <i>"The Ceramic Fuel Cells Limited (Administrators Appointed) be wound up and that Adam Paul Nikitins and Justin Denis Walsh be appointed Joint and Several Liquidators."</i>			
Fee resolution 1: 1 March 2015 to 27 March 2015 <i>"That the remuneration of the Joint and Several Administrators of Ceramic Fuel Cells Limited (Administrators Appointed), their partners and staff, for the period commencing 1 March 2015 to 27 March 2015, amounting to \$370,374.50 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Administrators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015, be approved and that the Joint and Several Administrators be authorised to draw these funds from the Administration account."</i>			
Fee resolution 2: 28 March 2015 to 16 April 2015 <i>"That the future remuneration of the Joint and Several Administrators of Ceramic Fuel Cells Limited (Administrators Appointed), their partners and staff, for the period 28 March 2015 to 16 April 2015 be capped to the amount of \$175,200.00 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Administrators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015 be approved and that the Joint and Several Administrators be authorised to draw the funds from the Administration account."</i>			
If Ceramic Fuel Cells Limited is wound up:			
Fee resolution 3: 16 April 2015 to the conclusion of the Liquidation <i>"That the future remuneration of the Joint and Several Liquidators of Ceramic Fuel Cells Limited (In Liquidation), their partners and staff, for the period 16 April 2015 to the completion of the winding up be capped to the amount of \$315,000.00 (plus GST), plus out of pocket expenses (plus GST), calculated on a time basis at the hourly rates charged by the Joint and Several Liquidators and their staff as disclosed in the Remuneration Request Approval Report dated 7 April 2015 be approved and that the Joint and Several Liquidators be authorised to draw the funds from the Liquidation account."</i>			
Enter into agreements for longer than three months: <i>"That the Joint and Several Liquidators of Ceramic Fuel Cells Limited (In Liquidation) be permitted to enter into agreements on behalf of Ceramic Fuel Cells Limited (In Liquidation) with terms which exceed three months pursuant to Section 477(2B) of the Corporations Act 2001."</i>			
Committee of inspection <i>"That a Committee of Inspection be appointed to Ceramic Fuel Cells Limited (In Liquidation)."</i>			

DATED this day of April 2015

.....
 Signature

Notes:

- (1) If a firm, strike out "I" and set out the full name of the firm.
- (2) Insert the name, address and description of the person appointed.
- (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.
- (4) The signature of the creditor, contributory, debenture holder or member is not to be witnessed by the person nominated as proxy.

CERTIFICATE OF WITNESS

This certificate is to be completed only where the person giving the proxy is blind or incapable of writing.

I,Of..... certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.