

30 April 2014

## Cashflow Report for the March Quarter

Ceramic Fuel Cells Limited (AIM/ASX: CFU), today released its quarterly cashflow report for the nine month period ended 31 March 2014.

### Summary of the Quarter

- Sales volume – 15 units sold this quarter, 139 units sold in the nine months ended 31 March 2014 (Full FY2013 - 147 units).
- Announcement of Fundraising – Equity placement of £3.36M (A\$6.11M) and entered into a subscription agreement for a minimum US\$3.00M (A\$3.26M or £1.79M) and up to US\$8.50M (A\$9.24M to £5.08M) over the coming twelve months. Fundraising approved by shareholders at EGM held on 28 April 2014.
- Cash position at 31 March 2014 - A\$2.29M (£1.26M).
- Announcement of an order for 100 BlueGEN units, for delivery within the next twelve months, from the German company, Avilos GmbH.

### Operational Review

#### Introduction

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

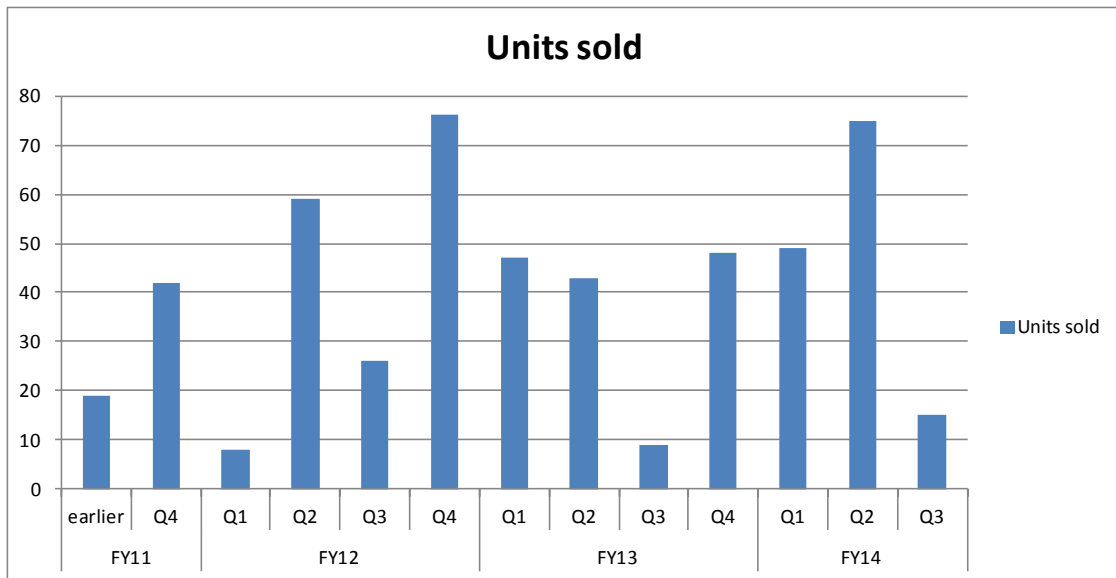
#### Market Developments and Sales

During the March quarter, 15 BlueGEN units were sold which was a disappointing result following the increase in sales momentum over the previous half-year. This led to the Company reviewing its sales and marketing strategy in March 2014, which resulted in it reducing its direct sales force in order to concentrate on larger, project based sales in both the UK and Europe. Development of these large scale projects is progressing and the Board is confident that a number of these targeted projects will be converted into orders in the near future.

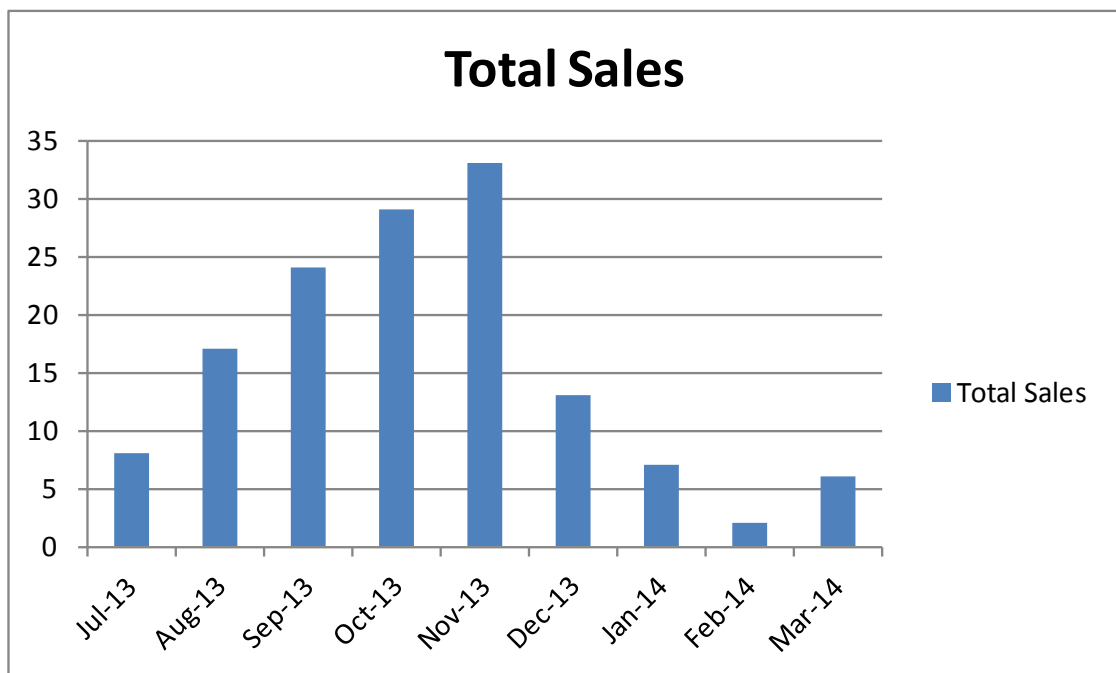
Following a low sales period in the March quarters of FY2013 (9 units sold) and FY2014 (15 units sold), the Company has received feedback that indicates that the northern hemisphere mid-winter period is a poor time for sales of its product due to potential purchasers not wanting to disturb their heating or electrical systems during the coldest time of the year. The Company has experienced an increase in sales activity during April. The Company is also pleased to advise that it has received a signed Works Order for the delivery of the remaining 40 units to the Dutch island of Ameland, with half of these to be supplied in late May and the remainder in late June. In addition, on 3 March 2014, the Company announced it had received an order from Avilos for 100 units. Whilst delivery dates are still to be confirmed, the Company is confident the first of these will be delivered by the end of the financial year.

The Company remains in dialogue with Synergy International OÜ (SI), of Estonia, however until the situation is resolved no sales to SI have been taken into account when estimating future sales, production volumes and cash flow needs.

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

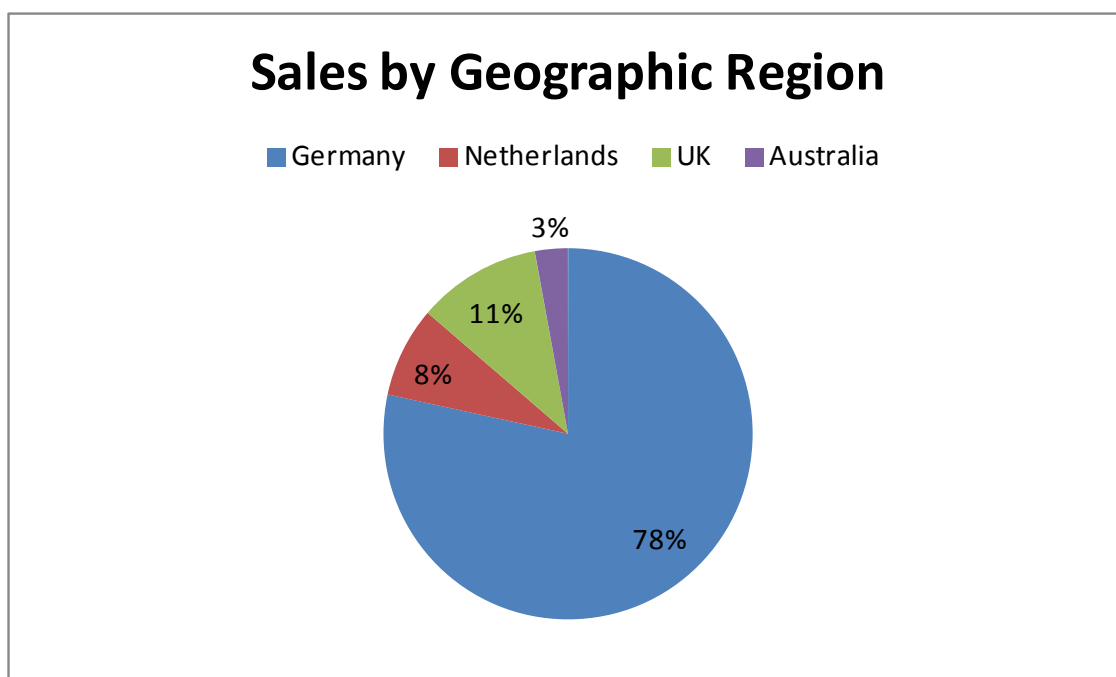


Monthly sales for the 9 months to 31 March 2014 were as follows:



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Sales by geographical region for the 9 months to 31 March 2014 were as follows:



During the March quarter the only customers who purchased more than one unit were: Jurgen Hohnen (4 units) and World Heat Limited (2 units).

## Financial Review

### March Quarter Cash Flows

Net operating cash outflow for the March quarter was A\$8.06M (£4.43M). This compares to the December quarter's net operating cash outflow of A\$1.22M (£0.67M) and the September 2013 quarter's outflow of A\$6.00M (£3.30M). The December quarter's net operating cash flow was impacted by the receipt of a tax refund of A\$4.02M (£2.21M) for research and development expenditure for FY2013, hence the operating cash outflow before the tax receipt was A\$5.24M (£2.88M). It is anticipated that a research and development tax refund will be received for FY2014 in November 2014.

During March 2014 the Company undertook a review of its operations which led to a restructure in all countries in which it operates. This has led to a reduction in its work force and a lowering of its operational and production costs. The benefits of this restructure will be realised over the coming months. The Board continues its strategic review of the Company's financial and operational needs along with its pursuit of joint venture possibilities with partners who are willing to pay for the Company's technology or can add significant synergies to the Company's operations.

Net investing cash flow for the quarter was an outflow of A\$0.03M (£0.02M). The outflow was for the acquisition of plant and equipment.

Net financing cash flow for the quarter was an inflow of A\$1.50M (£0.83M). Of the amount, A\$1.60M (£0.88M) was received in January from the Share Purchase Plan and Overseas Offer which closed on 20 December. During March the Company raised A\$0.23M (£0.13M) from the issue of shares and A\$0.27M (£0.15M) from the issue of convertible notes under the Investor Agreement announced on 24 March 2014. These amounts raised are before expenses. The capital raise expenses disclosed in the Appendix 4C cover the December Share Purchase Plan and Overseas Offer as well as most of the March Placement and Investor Agreement expenses.

Cash on hand at 31 December 2013 was A\$9.03M (£4.97M).

Cash on hand at 31 March 2014 was A\$2.29M (£1.26M).

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**For more information please contact:**

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**About Ceramic Fuel Cells Limited:**

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

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

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

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

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

**CERAMIC FUEL CELLS LIMITED**

ABN

**82 055 736 671**

Quarter ended ("current quarter")

**31 MARCH 2014**

### Consolidated statement of cash flows

	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	546	3,775
1.2 Payments for		
(a) staff costs <sup>1</sup>	(3,253)	(9,804)
(b) advertising and marketing <sup>2</sup>	(364)	(1,041)
(c) research and product development <sup>3</sup>	(993)	(2,696)
(d) leased assets	-	-
(e) other working capital <sup>4</sup>	(4,626)	(11,816)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest paid	-	-
1.6 Income taxes	-	4,023
1.7 Other		
- Net GST/VAT received/(paid)	599	1,831
- Government grants received/(repaid)	-	(28)
- Sundry income received	35	448
<b>Net operating cash flows</b>	<b>(8,056)</b>	<b>(15,308)</b>

#### Notes

- 'Staff costs' includes all labour and associated headcount costs, and therefore incorporates all Research & Product Development (R&PD) staff, Manufacturing staff, Sales & Marketing (S&M) staff and General & Administrative (G&A) staff.
- 'Advertising and marketing' excludes all S&M staff costs (as per note 1 above).
- 'Research and product development' costs includes all R&PD costs as defined in Note 1(e) to the Consolidated Financial Statements for the year ended 30 June 2013, but excludes all R&PD staff costs (as per note 1 above) and all prototype manufacturing costs, which are now included within other working capital costs (as per note 4 below).
- 'Other working capital' includes prototype manufacturing costs previously included within R&PD costs but now included within Manufacturing costs, as detailed in Note 4 to the Consolidated Financial Statements for the half-year ended 31 December 2013.

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

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	<b>(8,056)</b>	<b>(15,308)</b>
	<b>Cash flows related to investing activities</b>		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(28)	(177)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	1,974
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other – Security deposits decreased (increased)	-	14
	<b>Net investing cash flows</b>	<b>(28)</b>	<b>1,811</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(8,084)</b>	<b>(13,497)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares	1,829	6,026
1.16	Proceeds from sale of forfeited shares	-	23
1.17	Proceeds from borrowings		
	– convertible loan notes (secured)	-	339
	– convertible loan notes (unsecured)	274	274
1.18	Repayment of borrowings – finance lease	(80)	(252)
1.19	Dividends paid	-	-
1.20	Other - Financial assets: Net proceeds/(Net payments) <sup>1</sup>	-	-
	Other - Share issue costs	(359)	(365)
	Other - Convertible loan notes (secured) issue costs	-	(87)
	Other - Interest received	28	61
	Other - Interest paid on borrowings (convertible notes)	(175)	(476)
	Other - Interest paid on borrowings (finance lease)	(16)	(50)
	<b>Net financing cash flows</b>	<b>1,501</b>	<b>5,493</b>
	<b>Net increase (decrease) in cash held</b>	<b>(6,583)</b>	<b>(8,004)</b>
1.21	Cash at beginning of quarter/year to date	9,034	10,010
1.22	Exchange rate adjustments on foreign currency cash balances	(157)	288
<b>1.23</b>	<b>Cash at end of quarter</b>	<b>2,294</b>	<b>2,294</b>

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

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	64
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Item 1.24  
 - Directors' fees: \$64k

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

NIL

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,294	9,034
4.2 Bank term deposits:		
- up to 3 months duration	-	-
- between 3 and 12 months duration	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>2,294</b>	<b>9,034</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Not applicable	Not applicable
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: .....

Date: 30 April 2014

Print name: Clifford Ashby  
 Director

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## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.