



MINUTES OF A MEETING OF ANNUAL GENERAL MEETING MINUTES OF CERAMIC FUEL CELLS LIMITED
ABN 82 055 736 671

Meeting Date **14 December 2018**

Commencement Time **10:00 AM (AEDT)**

Location The Grace Hotel, 77 York Street Sydney NSW 2000

Present Damien Hodgkinson - Chairman
 Kyla Banton – Director
 Qixiang Song - Director

Item	Details	Speaker
<p>1. Introduction and Chairperson</p>	<p>The Chairman opened the meeting at 10:03AM (AEDT) and advised that, pursuant to Clause 57 of the Company’s constitution a quorum was present.</p> <p>The Chairman advised he would be the Chairperson of the Annual General Meeting.</p> <p>The Chairperson welcomed everyone to the first Annual General Meeting being held since the Company went into Administration and then Liquidation in 2015.</p> <p>The Chairperson introduced the presence of Justine Laughton from Computershare.</p> <p>The Chairperson advised that one of the difficulties facing the Company is contacting the Shareholders, due to the amount of time that had elapsed since the Company went into Administration. Shareholders were under the impression the Company had come to an end and as a result, not many Shareholders had updated their details on the Share Register. Part of the process in the next coming months is to try and update the Share Register.</p> <p>The Chairperson advised at the Extraordinary General Meeting held on 30 April 2018, that the Company auditors PWC were removed and replaced by William Buck (VIC). Since then, William Buck has been completing the audits of the last four financial years. The Chairperson noted that there was a difficult process as the records coming out of the liquidation were not complete.</p> <p>The Chairperson advised that Nicholas Benbow from William Buck was in attendance at the meeting.</p> <p>The Chairperson advised the online voting closed at 10:00AM (AEDT) on Wednesday, 12 December 2018 and advised 28.2% of the share register voted online.</p> <p>The Chairperson advised that Kyla Banton, Qixiang Song the Company Directors, were present.</p> <p>The Chairperson advised that Jenny Kim would be taking the minutes of the meeting and noted a copy of the minutes would be available four weeks from the date of the meeting.</p>	<p>Chairperson</p>
<p>2. Management Team</p>	<p>The chairperson introduced himself and the board members.</p>	<p>Chairperson</p>



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<p>3. Chairman's Address</p>	<p>The Chairperson apologised on behalf on the Board to Shareholders that it has been a very confusing time and first opportunity for the Shareholders to understand what has happened to the Company and the Company's assets.</p> <p>The Company went into Administration in March 2015 and the focus of the Administrators and Liquidators were their fiduciary duties to Creditors, if a Company is unable to pay all its Creditors when they fall due even from the sale of assets, then their fiduciary duties to Shareholders are limited.</p> <p>The Administrators completed their fiduciary duties by which Shareholders were given notice that they could make a claim from the capital value from their tax assets. At that point they had completed their obligations.</p> <p>The Chairperson advised the Board takes some pleasure in advising Shareholders that all Creditors have now been settled.</p> <p>The Company has net assets of \$2.0M and an indicative position on 31 December, the Company will have on revenue approximately \$17.9M and a net profit of approximately \$5.4M. It largely is driven by the results of the litigation, the Chairperson advised he would go into more detail later in the meeting.</p>	<p>Chairperson</p>
<p>4. Director and Financial Reports</p>	<p>The Chairperson advised the purpose of the reports is to update shareholders on the actions taken during the administration/liquidation in March 2015. to realise assets, the restructure of the company and the pursuit of damages against Standard & Poor (S&P).</p> <p>The Chairperson advised the next step, which was to present the accounts to Shareholders and moving the Company back into a position to relist.</p> <p>The Chairperson advised the Company is now proposing to focus on the ongoing litigation claims currently outstanding against S&P, the rating agency.</p> <p>The Chairperson moved onto the Director Reports and advised he would be going over the last four financial years with the purpose of providing an update to Shareholders.</p> <p>Directors Report 2015</p> <p>The Chairperson advised 2015 was the biggest year. The Company was placed into Administration in March 2015, according to the Directors at the time the reason for the Company's administration was they were unable to raise further capital. They were provided with a lifeline with Bergen Asset Management which was and still is a significant investor. They were only unable to reach an agreement around the lifeline and as a result, without the additional capital the Board resolved to place the Company into Administration. At the time of the Administration they were sitting on cash reserves of approximately \$200,000, and the Administrators ceased trading immediately.</p> <p>The Chairperson advised that this also resulted in the closure of all the Ceramic Subsidiaries. There were no returns to creditors. The last of the liquidation processes were completed in September 2016 and there were no returns to Shareholders and almost no return to Creditors.</p>	<p>Chairperson</p>



MINUTES OF A MEETING OF ANNUAL GENERAL MEETING MINUTES OF CERAMIC FUEL CELLS LIMITED
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The Chairperson advised a substantial part of the asset write off of the 2015 financial year was the write down of approximately 11.0M on the intercompany loan accounts.

The Chairperson further advised the core issue for majority of Shareholders appeared to be the technology that was invested from CSIRO, the Administrators had sold all of its assets to China National Petroleum Corporation.

At the EGM, Shareholders asked what the status of that technology was and where it was. The Chairperson advised they had made their own investigation and appears China National Petroleum had bought all the technology. Our investigation cannot find any record of patterns being utilised or operated since 2015, that said there had been very limited technical papers being issued around the technology.

The Chairperson advised the Administrators did run an exhaustive process of approximately 24 expressions of interests in relation to the technology, China National Petroleum was the party who offered the most. The patterns which had a carrying book value of \$1.8M at the time of Administration, was sold for \$8.75M. On an asset basis the company had to write up their assets by \$1.M, however had to write off approximately \$7.0M in physical assets. What that means as far as the Company is concerned, is that the technology is gone and the ability to recover any assets is non-existent. The Business moving forward will be a completely different business in which the Shareholders originally invested in.

Financial Results 2015

Net Loss after tax	\$12.10M
Revenue from Operations	\$2.26M
Cash balance at 30 June 2015	\$0.89M

Includes loss on disposal of assets	\$11.14M
Diluted loss per share	\$0.43

The Chairperson advised he would open to questions on the year of 2015, if any Shareholders had any questions. It was noted that there were no questions.

Directors Report 2016

The Chairperson advised that the residual asset of the Company was a large portion of the Company’s reserves, which had been invested in CDO’s which was a financial instrument available in 2006 and 2008. The Company sold out of those investments in 2009 for a significant loss. However, in 2016 a class action commenced against the rating agency and the Company joined the class action in relation to the CDO called Duke and issued a statement of claim against S&P. S&P were the rating agency who rated the reserves on a AAA basis, as a result of the litigation being involved in, S&P has provided compensation for losses. The agreement being in the class action reached are confidential and subject to Court Orders.

At the time, the Company did not have the financial resources to fund the litigation and entered into a funding agreement with Litigation Capital Partners (LCP).



MINUTES OF A MEETING OF ANNUAL GENERAL MEETING MINUTES OF CERAMIC FUEL CELLS LIMITED
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	<p>The terms of the funding agreement was that LCP would meet all the legal costs and in return would receive a share in the proceeds. At that stage, the ligation has been ongoing since 2009 – 2010.</p> <p>Financial Results 2016</p> <table border="0"> <tr> <td>Net Loss after tax</td> <td>\$1.16M</td> </tr> <tr> <td>Revenue from Operations</td> <td>\$Nil</td> </tr> <tr> <td>Cash balance at 30 June 2015</td> <td>\$0.56M</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Diluted loss per share</td> <td>\$0.04</td> </tr> <tr> <td>Costs of liquidation</td> <td>\$1.74M</td> </tr> </table> <p>The Chairperson addressed the Shareholders and asked if there were any questions in relation to the 2016 financial year.</p> <p>A Shareholder asked what percentage the litigation funders have?</p> <p>The Chairperson advised that LCP took 40% of the Duke claim. The market ranges from approximately 20% for easy claims and up to 70% for more complex claims. The Chairperson advised they have funding agreements around all market ranges. The Chairperson advised 40% is the lower end of the market. The average market now is between 45-50% as the actions are becoming more complex. The Chairperson advised the total cost of the litigation was approximately \$20-25M.</p> <p>Directors Report 2017</p> <p>In the 2016, effectively the company received a restructuring proposal from Tiga, the way the offer had been instructed, would mean the Company would walk away from all its litigation claims because of the nature of the claims being lodged.</p> <p>The Chairperson advised that Litigation Capital Partners Pte Ltd a company associated with the litigation funder, had submitted an alternative proposal in order to protect the claims. As a result, the Supreme Court of Victoria agreed to the execution of the proposal in September 2016.</p> <p>Essentially, LCP and one of its affiliates matched the offer included in the Deed of approximately \$585K. As a result, all the creditor claims of approximately \$1.9M was transferred to the Creditors Trust. Effectively the creditor claims, the residual cash at bank plus the \$585K was put forward to settle. As part of the agreement, they retained any of the anticipated proceeds in terms of the Duke securities. At that point there were no residual business to Shareholders and no residual assets to benefit Shareholders at the time.</p> <p>Financial Results 2017</p> <table border="0"> <tr> <td>Net Loss after tax</td> <td>\$0.23M</td> </tr> <tr> <td>Revenue from Operations</td> <td>\$0.38M</td> </tr> <tr> <td>Cash balance at 30 June 2015</td> <td>\$0.03M</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Diluted loss per share</td> <td>\$0.00661</td> </tr> </table>	Net Loss after tax	\$1.16M	Revenue from Operations	\$Nil	Cash balance at 30 June 2015	\$0.56M			Diluted loss per share	\$0.04	Costs of liquidation	\$1.74M	Net Loss after tax	\$0.23M	Revenue from Operations	\$0.38M	Cash balance at 30 June 2015	\$0.03M			Diluted loss per share	\$0.00661	<p>Shareholder Chairperson</p>
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	<p>Directors Report 2018</p> <p>The Chairperson advised as part of the class action, the Company became aware of the opportunity to lodge additional claims against S&P. The Company had a claim of approximately \$11.0M at that time in relation to Khamsin CDO. The difference between Khasim and Duke CDO's, the issues with Khamsin was well outside of the time, you are required to bring the cases within six years of becoming aware of the claim.</p> <p>The Chairperson advised the Company entered into a second funding agreement with LCP to fund the litigation against S&P, due to the nature of the risks. The funder required a settlement fee of 70% of the outcome due to the time status of the claim.</p> <p>Financial Results 2018</p> <table border="0"> <tr> <td>Net Loss after tax</td> <td>\$0.48M</td> </tr> <tr> <td>Revenue from Operations</td> <td>\$Nil</td> </tr> <tr> <td>Cash balance at 30 June 2015</td> <td>\$Nil</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td>Diluted loss per share</td> <td>\$0.0317</td> </tr> </table>	Net Loss after tax	\$0.48M	Revenue from Operations	\$Nil	Cash balance at 30 June 2015	\$Nil			Diluted loss per share	\$0.0317	
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Revenue from Operations	\$Nil											
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<p>5. Moving Forward</p>	<p>The Chairperson advised in May 2018, the Company commenced settlement negotiations with S&P. In September 2018, the Company achieved a settlement of \$17.9M, the litigation costs in respect to that was \$12.0M.</p> <p>The Chairperson advised the Company was forecasting profit to 31 December 2018 of \$4.9M.</p> <p>In respect to Duke holdings, approximately \$1.5M is being paid to creditors in settlement to the Creditors Trust. The likely result after further costs from the Creditors Trustee, be no return to Shareholders from the Duke claim. However, from the Khamsin claim, the Company has received approximately \$3.4M. As at the current time, the Company has net cash assets of \$2.0M and a forecast profit to 31 December 2018 of \$4.9M.</p> <p>The Chairperson advised the results will allow the Company to be in a position to transform its business model.</p> <p>The Chairperson advised the Company is still managing losses on further investments of approximately \$8.7M.</p> <p>The Chairperson listing the following requirements in terms of relisting.</p> <ul style="list-style-type: none"> • Half yearly financial accounts; • Full year audit of the 2015, 2016, 2017 and 2018 financial accounts; • Company Tax Returns for years ending 2016, 2017 and 2018; • Minimum of 300 non-affiliated creditors with minimum parcel of \$2,000; • Free float Shares of 20%; and • Company test \$1.0M in aggregated profit over last 3 years with \$0.5M in last 12 months or net tangible assets of \$4.0M. 	<p>Chairperson</p>										



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 ABN 82 055 736 671

	<p>The Chairperson noted that the Company's financial accounts are available on the website and has been made available to Shareholders.</p> <p>The Chairperson advised the 2015 Company Tax Returns were completed by PWC largely related to the R&D claims. The Chairperson noted it was reported in the media the R&D claims managed by PWC were under question and the Company's at that point was not.</p> <p>The Chairperson advised the Company recovered approximately \$5.2M in researching development tax incentives. The money was used to pay employee entitlements to the Company in 2015.</p> <p>The Chairperson advised, that in order to re-float, the Company needs at least 300 Shareholders that have a marketable parcel of \$2,000, currently on a net asset backing the number of Shareholders who held listable parcels was 65 Shareholders and the number of marketable parcels was less than 1,000.</p> <p>The Chairperson advised part of the Share Consolidation was the capital structure.</p> <p>The Chairperson advised the Company meets the requirements to relist but do not have the Shareholder spread. The Chairperson advised the Company will be going to market for those who wish to invest further into the business.</p> <p>The Chairperson advised the Company will hold an EGM in the first half of the following year with further details of the proposed business moving forward.</p>							
<p>6. Capital Structure</p>	<p>The chairperson advised the Company has on issue 3,797,859,643 fully paid ordinary shares, held by a total of 11,234 shareholders.</p> <p>The Chairperson advised there are 10,824 security investors holding less than a marketable parcel, being less than \$500 worth of shares and 65 holding more than a listable parcel.</p> <p>How do you calculate if you have a marketable parcel or not? Is it based on how much was invested or based on the final share price?</p> <p>The Chairperson advised it was based on the share price, and advised the Company currently based it on net asset backing. The consolidation process does not remove anyone from the share register.</p> <p>The value is?</p> <p>The Chairperson advised there are net assets of \$2.0M and divide it by the amount of shares issued being 3,797,859,643. The Chairperson advised it was the best test the Company has to determine the number and it is only indicative.</p> <p>The Chairperson advised the top 20 Shareholder control approximately 57% of the Company.</p> <p>The Chairperson advised the substantial shareholders of 5% or more as at 23 November 2018 being:</p> <table data-bbox="365 1837 812 1921"> <tr> <td>JP Morgan</td> <td>13.77%</td> </tr> <tr> <td>Litigation Capital Partners</td> <td>19.91%</td> </tr> <tr> <td>Mr Alasdair Locke</td> <td>5.27%</td> </tr> </table>	JP Morgan	13.77%	Litigation Capital Partners	19.91%	Mr Alasdair Locke	5.27%	<p>Chairperson</p> <p>Shareholder</p> <p>Shareholder</p> <p>Chairperson</p>
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<p>7. Resolution</p>	<p>The Chairperson put the resolution for the consolidation of the share capital was to reduce the number of shares the Company has on issue.</p> <p>The Chairperson advised the Company received a number of questions around what it would mean based on the notices issued to Shareholders.</p> <p>The Chairperson noted that in the notice of meeting issued to Shareholders, it stated that statements should be returned to Computershare, being part of the formal process. However in reality the Shareholders do not need to return their statements. As part of the process, Computershare will issue new share statements to Shareholders. Once the Company does relist, those will be converted back to CHESS holdings.</p> <p>The Chairperson asked if there were any questions in relation to the consolidation.</p> <p>How does consolidating effect the number of Shareholders on a marketable parcel?</p> <p>The Chairperson advised it does not change. If the Company relist, the company will issue new shares and the likelihood the Company will be issuing approximately 40-50% of the Company in new shares. However, at a current shareholder base the Company will be issuing 1.5B new shares. Part of consolidation is to reduce the number to then issue new shares.</p> <p>Will the Company be doing something else afterwards?</p> <p>The Chairperson advised the current value of the business is in litigation, the industry has grown substantially over the last five years in Australia. The results that had been obtained in the litigation with S&P have been the significant.</p> <p>Is the Company now a litigation company?</p> <p>The Chairperson advised it could be called a professional litigant at the moment as there is opportunity to expand. The Chairperson advised this is current what the Company is discussing.</p> <p>The following resolution was put to the meeting:</p> <p>Resolution 1 - Consolidation of shares</p> <p><i>“That, for the purposes of section 254H of the Corporations Act and for all other purposes, approval be given for the consolidation of every 50 Shares on issue at midnight (AEDT) on 31 December 2018 (being the Consolidation Record Date) into one (1) Share, and that any resulting fractions of a Share held by a shareholder in each account be rounded up to the next whole number of Shares, with such consolidation to take effect in the manner and on the date described in the Explanatory Statement.”</i></p> <p>The Chairperson advised if the resolution is approved, Computershare will be issuing new Shareholder statements at the end of January, based on the Shareholding as at 31 December 2018.</p> <p>The Chairperson declared the votes listed from the electronic voting process.</p> <p>For: 1,034,238,533 Against: 25,163,681 Proxies held by board: 11,583,451 Proxies held by non-board: 430,767</p>	<p>Chairperson</p> <p>Shareholder</p> <p>Chairperson</p> <p>Shareholder</p> <p>Chairperson</p> <p>Shareholder</p> <p>Chairperson</p>
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 ABN 82 055 736 671

	<p>Abstained: 5,440,965</p> <p>A vote was taken by a show of hands and the motion was carried.</p>	
<p>8. Questions</p>	<p>What would the savings be in the process? Just the matter of reducing the number shares, is there an actual figure?</p> <p>The Chairperson advised just to provide an idea, the cost to hold an Annual General Meeting is approximately \$50,000. The mailout out process to the Shareholders alone \$33,000. The Chairperson advised in greater context it was not a big issue but in relation to relisting it will double the number and then it becomes a significant issue.</p> <p>Will the Company be looking at new Shareholders outside the register?</p> <p>The Chairperson advised the option for current Shareholders to participate but it will likely result due to the change of nature of the business that other Shareholders more aligned to a litigation funding business, will be approached to invest.</p> <p>What would be the maximum gain from litigation? Is it an ongoing business proposition?</p> <p>This is an ongoing proposition, our major Shareholder in LCP which is a significant litigation funder and one of the largest independent funders in the country.</p> <p>Is this the listing for them to get onto the market?</p> <p>The Chairperson advised he could not comment on what LCP's plan was. It was about protecting the litigation claims as they stood at that time. The Chairperson advised as you could appreciate they invested \$15-16M and their principal litigant being Ceramic was about to be taken which would have damaged their entire class action.</p> <p>If litigation can go on for years and years, your revenue stream would there be enough?</p> <p>The Chairperson advised there are three listed litigation funders in Australia and they bring to account profits. The model allows them to bring a profit each year.</p> <p>As we are dividing our shares by 50, what would the net value be before relisting?</p> <p>The Chairperson advised he could advise the net assets of the Company is \$2.0M. The value of the shares wont change, it will be the number of shares held will change. i.e. if you have 50 shares worth \$10.00 today, you will 1 share worth \$10.00 tomorrow. The value of the shares will not change.</p> <p>Roughly, how much is a marketable parcel at the moment?</p> <p>The Chairperson advised a marketable parcel is considered to be \$500 and a listable parcel is \$2,000. In terms of the marketable parcels, less than 1,000 Shareholders have marketable parcels.</p> <p>Is the litigation in Australia or United States?</p>	<p>Shareholder</p> <p>Chairperson</p> <p>Shareholder</p>



MINUTES OF A MEETING OF ANNUAL GENERAL MEETING MINUTES OF CERAMIC FUEL CELLS LIMITED
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The Chairperson advised the litigation was here in Australia which is due to the benefit of the Australian legislation and the way the Australian Court system is structured.

Is there any source to find what happened to the technology and the history?

The Chairperson advised the Company had obtained all copies of the Administration reports which has been made available to all Shareholders. The 439A report by is available to Shareholders and is quite detailed with the history of the Company.

I'm interested in the technology and want to know why it failed? I understand the technology is gone.

The Chairperson advised the question was raised at the last EGM. The technology was based on government and regulatory support to make it financially viable. In 2014, a lot of the government subsidies were eliminated in Australia.

If the company is going to transform itself into a litigation entity, you are going to require bodies who are skilled in litigation and more than a board to do that. How does the Company foresee how you will employ these people to pay them if there are no assets?

The Chairperson advised the Company has assets now but before investing the money the Company will ensure they have a reasonable business plan and funding. The Chairperson advised the Company will not be going into this on an adhoc basis and the current Board does have a background in litigation funding and the major Shareholder has a background in litigation funding. The Chairperson advised the Company will be doing a complete due diligence and not just throw the money away.

You said earlier, in 2015 there was a tax write off, is that still there?

Yes, Shareholders would have been issued with a notice. A copy is also available on the website, the tax write-off would have occurred in the 2015 financial year. The Chairperson advised the Shareholders would need to get their own tax advice and a copy of the generic notice was available on the website to provide to Shareholder's tax accountants.

The capital loss is available now?

The Chairperson answered yes and advised he would provide a copy to Computershare to upload to the investor centre.

Is there new technology being used?

The Chairperson advised there was no longer any technology. The nature of the business will be a litigation and the product was now a service.

I heard they are now being made in Victoria by an Italian company called Solidpower.

The Chairperson advised it would have to be under China National Petroleum.

In terms of the listed litigation companies, how many of companies are there, in Australia?



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	<p>The Chairperson advised the most notable would be IMF Bentham Australia which was a large listed company.</p> <p>The Chairperson advised the Company will provide further details in the new business plan.</p> <p>The Chairperson asked if there were any further questions. It was noted that there were no questions.</p>	
9. Meeting Close	<p>The Chairperson thanked those present for attending.</p> <p>The Chairperson declared the meeting closed at 10:55AM (AEDT).</p>	Chairperson

Signed as a true record of proceedings: _____ Chairman

Dated this _____ day of _____ 2019

DRAFT