



CERAMIC FUEL CELLS LIMITED

Creating the energy to succeed™

ASX Announcement

2 August 2005

CFU Successfully completes Note issue

Energy developer Ceramic Fuel Cells Limited (CFCL) today announced that it has successfully raised AUD \$8.2M (approx. €5.4M) before costs through an issue of unlisted secured convertible notes (Convertible Notes) by way of a placement.

The Convertible Notes have been issued on an excluded offer basis to institutional, professional and sophisticated investors, including some of CFCL's existing shareholders and significant institutions and ethical funds.

The Convertible Notes have a term of three years and are redeemable by CFCL earlier on certain terms. The Noteholders may also convert the Notes into ordinary fully paid shares at a conversion price of \$0.50 per share. Further details of the Notes will be set out in an Appendix 3B to be filed with the ASX shortly.

The funds raised by the Convertible Notes will be used for the next stages of CFCL's planned European commercialisation including working capital.

CFCL CEO, Brendan Dow commented:

"We are pleased to complete this raising as part of our overall strategy to ramp up the commercialisation of our product. The level of support for the raising is also particularly encouraging, with investors supporting our commercialisation strategy. This support saw the Offer close on time and oversubscribed.

"With contracts now being secured which demonstrate the commercial feasibility and demand for our technology, we believe we are well positioned to complete our listing on the AIM market and raise substantial additional capital in Europe."

AIM Listing and European Raising

As part of CFCL's commercialisation strategy, CFCL intends to pursue a further capital raising in Europe in the second half of 2005, along with its planned admission to the Alternative Investment Market of the London Stock Exchange (AIM).

CFCL has canvassed the interest of brokers and equity providers in Europe to support this further raising by CFCL. Significant interest has been expressed for the proposed European capital raising, and although CFCL is still to determine the exact timing, quantum and structure of the raising, the Company expects it to be more than AUD \$20M (approx €12M). CFCL intends that the capital raised would be used to implement the Company's international business strategy.

Commercialisation

To date CFCL has announced four contracts for field trials of its prototype CHP units, including with Powerco in New Zealand, Szencorp in Australia and EWE, Germany's fifth largest power utility. CFCL and EWE have also signed a Letter of Intent for the ongoing evaluation of CFCL's technology and further development of the CHP market.

CFCL is continuing to build a pipeline of opportunities with utilities and application partners as part of an aggressive roll out strategy. In parallel, the Company is exploring opportunities for volume manufacture of its fuel cells, including with potential partners. The Company has also done significant planning and work in conjunction with external consultants, CERAM and Sinclair Knight Mertz, to design a commercial scale fuel cell manufacturing facility in Europe.

The Directors would also like to acknowledge the support of their corporate advisors, Inteq Limited, for their assistance in arranging and placing the issue of the Convertible Notes.

ENDS

Ceramic Fuel Cells Ltd (CFCL) is a publicly listed company (ASX code CFU) and world leader in development of energy fuel cells using natural gas. CFCL's fuel cells have potential to meet significant market demand in Europe, UK and Asia for clean, efficient, green and reliable electricity for use on site and sale back into the power grid.

With 100 skilled staff and extensive patented technology, CFCL is pursuing partnerships for manufacture, production and use of its fuel cells in delivering electricity in homes, offices and industry around the world.

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