



CERAMIC FUEL CELLS LIMITED

Clean power for your home

19 August 2010

Ceramic Fuel Cells Limited
(“CFCL” or “the Company”)

Fundraising to support further growth

Placing and Subscription to raise GBP10.0 million (AUD17.4 million)

Rights Issue and Offer to existing shareholders to follow

Ceramic Fuel Cells Limited, (AIM / ASX: CFU) a leading developer of high efficiency and low emission electricity generation units for homes and other buildings, is pleased to announce that it has conditionally raised GBP10.0 million (AUD17.4 million). The funds will be used to take the Company to the next stage of its commercial development, including scaling up production to meet expected future demand including working capital and manufacturing investment.

The Company has raised approximately GBP10.0 million (AUD17.4 million) gross by way of a placing of 59,523,811 new ordinary shares at 10.5 pence each with institutional investors underwritten by Nomura Code Securities Limited (the “**Placing**”) and a subscription of 35,714,285 new ordinary shares at the same issue price with a cornerstone investor in the United Kingdom (the “**Subscription**”).

As the Board feels strongly that existing shareholders should have the opportunity to participate in a capital raising process at the same price as investors under the Subscription and Placing it will invite existing shareholders to participate in a further fundraising at the same issue price by way of a rights issue in Australia and New Zealand (the “**Rights Issue**”) and an offer to shareholders in other qualifying jurisdictions (the “**Overseas Offer**”).

The Rights Issue is non-renounceable and will raise up to AUD21.5 million, at an issue price of 18.25 cents per share. The Overseas Offer will be up to approximately GBP2.06 million at an issue price of 10.5 pence per share. Eligible shareholders will receive either a rights issue prospectus or an offer circular, as applicable in due course.

The issue of the shares under the Placing, Subscription and Overseas Offer will not require shareholder approval to disapply preemption rights as they represent less than 15 percent of the Company’s total issued capital.

Further details:

Placing and subscription

- The Company has agreed to issue a total of 95,238,096 new ordinary shares to new and existing investors as part of the Placing and Subscription to raise approximately GBP10.0 million (AUD17.4 million) gross, GBP9.7 (AUD16.7 million) after expenses.

- These new ordinary shares will represent 8.5 percent of the Company's issued share capital as enlarged by the Placing and Subscription.
- The new ordinary shares will be issued at a price of 10.5 pence per share. This price represents a discount of 12.5 percent to the last business day prior to this announcement.
- The Placing is underwritten by Nomura Code Securities. The Subscription will not be underwritten.

The Rights Issue

- The Rights Issue is a 1 for 6 non-renounceable rights issue offer to existing shareholders in Australia or New Zealand to subscribe for up to 117,400,000 new Ordinary Shares at 18.25 cents per share to raise a maximum of AUD21.5 million (approximately GBP12.3 million).
- Participants in the Rights Issue will also be entitled to apply for additional Ordinary Shares to take up any shortfall created by other participants in the Rights Issue not taking up their full entitlements under the Rights Issue.
- The Rights Issue is not underwritten and the entitlement to participate in the Rights Issue cannot be sold.
- A prospectus and application form will be made available for the Rights Issue in Australia and New Zealand. That document is expected to be made available before the end of August and will be mailed to all intended participants and will also be available at www.cfcl.com.au.
- Eligible participants should consider the prospectus in deciding whether to acquire the applicable shares and will need to complete the application form that accompanies that document.

The Overseas Offer

- A circular and application form relating to the Overseas Offer will be sent to shareholders other than those in Australia and New Zealand and certain other excluded territories.
- Such qualifying shareholders will be able to apply for any number of new Ordinary Shares at 10.5 pence per new Ordinary Share but, if the aggregate amount raised under the Overseas Offer exceeds GBP2.06 million, shareholders will be scaled back at the directors' discretion.
- The circular and application form is expected to be mailed to all qualifying shareholders on Friday, 20 August 2010.
- The Overseas Offer is not underwritten and the entitlement to participate in the Overseas Offer cannot be sold.

Background

Global energy markets are facing a transformation. Energy use is rising, requiring significant investment in new power generation and grid infrastructure. However, greenhouse gas emissions from electricity generation must be reduced. These forces create a very large global opportunity for low emission energy technology, like solid oxide fuel cells, which can be deployed using the existing natural gas and electricity infrastructure.

These market forces also encourage a move away from large centralised power stations towards 'distributed generation', where small scale power stations are installed close to where the power is used.

The first products to be powered by the Company's fuel cells are small scale units for homes and other buildings that produce one to two kilowatts of power as well as heat for hot water or space heating, with very high efficiency and low emissions.

Over the last 18 months the Company has completed the initial development of these products and has begun selling products to customers. The Company has received orders for 51 BlueGen modular generators from leading utilities and other foundation customers across Europe, Japan, Australia and the USA. The Company also has integrated power and heating ("mCHP") units operating in Germany, France and the United Kingdom. There are now six integrated mCHP units and 12 BlueGen products installed and operating with customers in seven countries. The Company's products have achieved peak electrical efficiency of 60 percent – which the Directors believe is higher than any other technology in the rapidly expanding market for small scale power and heating products.

The next phase of development will take the Company towards full commercialization of its products and higher volume orders.

Use of proceeds

- The funds from the Placing and Subscription will be used to take the Company to the next stage of its commercial development. This includes working capital required to scale up production of its fuel cell products to meet expected future demand and capital investments in its facilities and investments in value engineering to further reduce the unit cost of its products.
- Any proceeds from the Overseas Offer and Rights Issue will supplement the proceeds to be received by the Company from the Placing and Subscription. These additional proceeds will provide the Company with further working capital to facilitate the Company's continued commercialisation activities including continued marketing activities and strengthening the Company's balance sheet to ensure that it is well placed for negotiations with suppliers and customers and the further development and increased production of the Company's fuel cell powered microgeneration products.
- The Placing and Subscription will provide the Company with funding of approximately GBP10.0 million (AUD17.4 million). Based on current forecasts, the Directors believe these funds alone will be sufficient to fund the Company's operations for at least the next 12 months – even if no funds are raised under the Overseas Offer or the Rights Issue.

Preliminary Final Report:

The Company's preliminary final report for the financial year ended 30 June 2010 is also being released today. Please refer to the separate announcement. The preliminary final report is also available at www.cfcl.com.au.

- ENDS -

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About Ceramic Fuel Cells Limited:

Ceramic Fuel Cells Limited is a world leader in developing fuel cell technology to provide highly efficient and low-emission electricity from widely available natural gas. Ceramic Fuel Cells is developing fully integrated power and heating products with leading energy companies E.ON UK in the United Kingdom, GdF Suez in France and EWE in Germany. The company has sold BlueGen units to major utilities and other foundation customers in Germany, the United Kingdom, Switzerland, The Netherlands, Japan, Australia and the USA.

Ceramic Fuel Cells is listed on the London Stock Exchange AIM market and the Australian Securities Exchange (code CFU).

www.cfcl.com.au