

6 May 2013

Ceramic Fuel Cells Limited

£ 5.0 million (A\$7.6 million) Fund Raising

Further to the announcement on 30 April 2013, Ceramic Fuel Cells Limited (AIM / ASX: CFU), a leading developer of generators that use fuel-cell technology to convert natural gas into electricity and heat for homes and other buildings, is pleased to announce that it has conditionally raised £5.0 million (A\$7.6 million) (before expenses).

The Company conditionally has raised £4.3 million (A\$6.5 million) through the issue of Secured Convertible Loan Notes (the "Loan Notes") to a number of institutional investors (the "Loan Note Holders") and a further £0.7 million (A\$1.1 million) through the placing of 32,710,300 new ordinary shares of nil par value in the Company (the "New Ordinary Shares") (the "Placing"). The issue of £0.2 million (A\$0.3 million) of the Loan Notes is conditional on shareholder approval as set out below.

Details of the Placing

The Company has raised £0.7 million (A\$1.1 million) (before expenses) by way of a non-pre-emptive placing of 32,710,300 New Ordinary Shares at a price of 2.14 pence per New Ordinary Share (approximately 3.2 cents per New Ordinary Share).

The Placing is conditional upon, amongst other things, admission of the New Ordinary Shares to trading on AIM becoming effective ("Admission"). Application is being made for the Placing Shares to be admitted to trading on AIM, and it is expected that Admission will become effective and trading in the Placing Shares will commence on AIM at 8:00 a.m. on 10 May 2013.

The Placing Shares will represent approximately 2.1 per cent. of the enlarged issued share capital of the Company immediately after Admission and will, when issued, rank in full for all dividends and other distributions declared, made or paid following their date of issue and otherwise will rank *pari passu* in all respects with the other Ordinary Shares then in issue.

Following Admission, the Company's total issued share capital will consist of 1,591,941,620 Ordinary Shares. No Ordinary Shares are held in treasury and therefore the number of Ordinary Shares with voting rights will be 1,591,941,620.

Details of the Loan Notes

The Loan Notes are repayable in full on 8 May 2016 being three years from the date of issue.

The Loan Notes are convertible into New Ordinary Shares at the effective price of 2.14p per New Ordinary Share (approximately 3.2 cents per New Ordinary Share), being a discount of 42.9 per cent to the share price at close of business on 2 May 2013 on AIM, the latest practicable date prior to the release of this announcement. (This represented a discount of 28.9 per cent to the closing share price on ASX on 3 May 2013). If the Loan Notes were converted in full, the New Ordinary Shares issued as a result would represent approximately 11.2 per cent of the Company's issued share capital on Admission. The Loan Notes bear interest at a rate of 9 per cent. per annum which is paid by the Company quarterly in arrears.

It is intended that the Loan Notes are secured against the assets of the Company by way of a general security deed. The granting of this security is subject to shareholder approval and an Extraordinary General Meeting of the Company will be convened in order for this security to be granted. In the event that such shareholder approval is not obtained and the security deed is not made effective by 3 September 2013, the Loan Notes and accrued interest become immediately repayable.

The Loan Notes may be converted into New Ordinary Shares at any time by the Loan Note Holders. The Company has the ability to convert the Loan Notes in whole or in part from 3 November 2014, provided that the average share price of the Company's Ordinary Shares has been above 10 pence per Ordinary Share (approximately 15.2 cents per Ordinary Share) for a period of at least 20 consecutive business days.

The Company may redeem the Loan Notes prior to their maturity in consideration of payment of an early redemption fee. The quantum of such fee will depend on the length of time between the redemption date and the maturity of the Loan Notes.

Admission

The Loan Notes will not be admitted to trading (i.e. they will not be listed for trading on either AIM or ASX). The Company has adequate authority to issue the 200,934,579 New Ordinary Shares which may be issued on conversion of the Loan Notes. The Company may also convert the accrued and unpaid interest on the Loan Notes if to do so would not breach the ASX Listing Rules. These New Ordinary Shares will rank pari passu with the existing ordinary shares and application for admission to trading on AIM will be made at the appropriate time.

Use of proceeds

The proceeds of the Placing and the issue of the Loan Notes will be used to provide further working capital for the Company. The Company expects that, with the addition of these funds, it will have sufficient working capital to meet its needs through to the end of calendar year 2013.

Directors` participation

Alasdair Locke, Chairman of CFCL, has agreed to subscribe for £200,000 of the Loan Notes (approximately 4.7 per cent. of the Loan Note issue). Under the rules of the Australian Securities Exchange his participation is subject to shareholder approval and an Extraordinary General Meeting of the Company will be convened in order for this approval to be granted.

Alasdair Locke currently holds 73,912,988 Ordinary Shares representing 4.7 per cent. of the issued share capital of the Company and on conversion (assuming no other conversion of Loan Notes nor any conversion of any accrued and unpaid interest) Alasdair Locke will hold 83,258,782 Ordinary Shares representing 5.2 per cent. of the enlarged issued share capital of the Company.

Related Party Matters

Under AIM Rule 13, the subscription for Loan Notes by Alasdair Locke detailed above is a related party transaction by virtue of him being a director of the Company.

The independent directors of the Company, having consulted with Arden Partners, the Company's nominated adviser, consider the subscription by Alasdair Locke to be fair and reasonable insofar as CFCL's shareholders are concerned.

Restoration of trading of Ordinary Shares on AIM market

It is anticipated that the Ordinary Shares will be restored to trading on the AIM market of the London Stock Exchange upon receipt of funds from the Loan Note Holders (with the exception of the subscription from Alasdair Locke, Chairman, which is subject to shareholder approval). It is anticipated that these funds will be received within 2 business days and a further announcement will be made at this time.

Bob Kennett, Chief Executive Officer commented:

"We are delighted to have been well supported by a number of blue chip institutional investors.

"Having proved the commercialisation of our technology we are now rapidly moving towards a major increase in the volumes sold by the Company. This fund raise will allow us to meet the working capital requirements of the initial phase of this ramp up and the Board considers that it would be in the best interests of shareholders to raise these funds in this manner to allow the Company to take advantage of these opportunities."

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About Ceramic Fuel Cells Limited:

CFCL is a world leader in developing fuel cell technology to generate highly efficient and low-emission electricity from widely available natural gas. CFCL 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. CFCL is now focusing on markets in Germany, the

United Kingdom and Benelux and is developing fully integrated power and heating products with leading energy companies E.ON UK in the United Kingdom and EWE in Germany.

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

www.cfcl.com.au

www.bluegen.info

Arden Partners Plc ("Arden Partners"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting as nominated adviser and broker exclusively for the Company in connection with the Placing and the issue of the Loan Notes. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this announcement. No representation or warranty, express or implied, is made by Arden Partners as to any of the contents of this announcement for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this announcement is issued). Arden Partners has not authorised the contents of, or any part of, this announcement, and no liability whatsoever is accepted by Arden Partners for the accuracy of information or opinions contained in this announcement or for the omission of any material information. Arden Partners will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this announcement in respect of the Placing or any acquisition of shares in the Company.

Forward-Looking Statements

Statements contained in this announcement, particularly those regarding possible, projected, or assumed future transactions, performance and results are or may include forward-looking statements. Such statements relate to future events and expectations and as such involve known and unknown risks and uncertainties. These risks and uncertainties include, among other things, market conditions, weather risks, economic and political risks. Forward-looking statements are not guarantees of future performance or an assurance that CFCL's current assumptions and projections are valid. Actual results, actions, and developments may differ materially from those expressed or implied by those forward-looking statements depending on a variety of factors. Furthermore, any forward-looking statements presented are expressed in good faith and are believed to have a reasonable basis as of the date of this release. These forward-looking statements speak only as at the date of this announcement, and none of CFCL's, Arden or any of their respective officers, directors, employees or consultants assumes any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.