

Monday 24 March 2014

**Ceramic Fuel Cells Limited
("Ceramic" or the "Company")**

Fundraising and Notice of Extraordinary General Meeting

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 it has conditionally raised approximately £3.36 million (equivalent to approximately A\$6.15 million) (before expenses), and entered into the Bergen Agreement, by which the Investor has agreed to invest a minimum of \$3 million (approximately A\$3.3 million or £1.8 million) and up to US\$8.5 million (equivalent to approximately A\$9.4 million or £5.1 million) into the Company in consideration of the Company issuing various securities to the Investor throughout the term of the Bergen Agreement.

The Placing Shares are being placed with new and existing institutional and other shareholders by Arden Partners.

Completion of the proposed Placing and the various issues of securities under the Bergen Agreement are subject inter alia to shareholder approval, which will be sought at an EGM of the Company to be held at PricewaterhouseCoopers LLP, Freshwater Place, 2 Southbank Boulevard, Southbank, Victoria 3006, Australia, at 6.00 p.m. (Melbourne time) on 28 April 2014. Dealings in the Placing Shares issued in the Placing are expected to commence on AIM on 29 April 2014.

A notice convening the EGM will be sent to shareholders later today. Once it has been posted, a copy of the notice will be made available on the Company's website at www.cfcl.com.au. Certain extracts from the notice are set out below.

Capitalised terms used throughout this announcement have the meanings given to those terms in the appendix to this announcement.

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Background to the Fundraisings

On 28 November 2013, a subsidiary of CFCL entered into an agreement with Synergy in Estonia for the supply of 1000 BlueGen units. The contract was based on a 50 per cent prepayment schedule and delivery over a two-year period beginning in the first quarter of the 2014 calendar year.

As of the 31st January 2014, no prepayment had been received and consequently Synergy had breached the contract.

However, in order to satisfy the proposed delivery schedule, CFCL had already initiated a manufacturing programme and purchased key lead components and other inventory items.

The build-up of inventory for the Synergy order has meant that CFCL has been required to identify other sales opportunities in order to reduce inventory levels at the earliest opportunity. Whilst replacement sales orders are currently being sought, the situation has had a significantly detrimental effect on the Company's cash flow.

As a consequence of this, CFCL now urgently needs to raise further working capital of at least A\$5.5 million (approximately £3 million). As set out in the recent interim results published on 3 March 2014, the Company is also undertaking a comprehensive restructuring to address its future activities and resource requirements. The restructuring will see a significant reduction in the Company's operating costs through a reduction of the direct sales resource in both Germany and the UK. Other areas of the Company's activities have also been reviewed in order to effect further cost reductions.

This will allow greater concentration of resources on the procurement of larger, project-based sales opportunities. A number of these project-based schemes are already being developed as part of a consortia, particularly in the UK.

The key aim of the Board has been to achieve significant operating cost reductions whilst retaining the Company's technical and manufacturing capabilities creating the opportunity to focus on the development of strategic partnerships with organizations likely to require significant numbers of the Company's product.

CFCL will retain its ability to demonstrate to potential partners, the highest value aspects of the Company. From a technical development and manufacturing standpoint this includes, but is not limited to:

1. Intellectual property in technology and process engineering / prototyping / manufacturing / software.

The Company will continue to offer a product with world leading efficiency and performance. This will continue to be managed and developed by the team in Melbourne, thereby taking full advantage of the extensive experience and expertise already in place.

2. Manufacturing capability.

The Board will ensure that the existing Heinsberg assembly plant retains adequate capacity in terms of facilities and personnel to meet existing product demand over the coming months and

that production could be expanded to meet increased demand by de-bottlenecking the current processes within a reasonable period of time. The associated costs have already been accurately established.

3. Product cost reductions.

The Company's aim is to achieve a cost base for its product which has full commercial viability without the need for any form of fiscal incentive.

Throughout the last year a detailed cost reduction programme has focused on achieving major reductions in the cost of the BlueGen components.

The result has been a 28 per cent. cost reduction in the past 18 months with the program identifying further significant reductions based on some component redesign, new process engineering methods, outsourcing to high quality, low cost suppliers and most importantly through volume manufacture. The Company will continue to work closely with existing supply partners to maintain the progress achieved to-date provided the agreed production volumes can be achieved.

In the short term, there will be anticipated increases in the cost of production due to lower production volumes. These increased costs are anticipated to fall assuming production volumes increase.

4. Supply chain partners.

CFCL has developed an experienced and extensive supply chain for its component supply. This will continue to be managed from both Melbourne and Heinsberg to ensure flexibility and to maintain high quality.

5. Product certifications.

All certifications for the BlueGen product will be maintained. Where appropriate this will support modification for entry into potential new markets.

6. Service and support capabilities.

CFCL is now running a fleet of BlueGen units with a collective total of nearly 4 million operating hours. The appropriate levels of resource will be maintained to support customer service obligations.

7. Operational health and safety.

The Company will continue to maintain the highest standards of health and safety for its employees, visitors and customers in accordance with applicable legislation.

All necessary processes either have been or will be put in place to meet the cost reduction targets. Taking in to account statutory employment obligations this will be completed within a few months.

In conclusion, the Board is fully supportive of the restructuring process and it is essential that we emphasise the importance of securing adequate capital to meet the ongoing requirements of the business, supported by the cost reduction targets.

The Board is confident that, having taken the appropriate action, the Company can successfully achieve its objectives in the coming months.

Information about the Placing

The Company has conditionally raised gross proceeds of approximately £3.36 million (equivalent to approximately A\$6.15 million) through the placing of 672,000,000 New Ordinary Shares at a price of 0.5 pence per share (equivalent to A\$0.0092 per Ordinary Share).

The Placing Price represents a discount of 67.21 per cent to the closing mid-market price on AIM on 21 March 2014, being the last practicable date prior to the announcement of the Placing, being 1.525 pence per Ordinary Share (A\$0.028 per Ordinary Share).

The Placing is subject to satisfaction of a number of conditions on or before 29 April 2014 (or such other date as the company and Arden Partners may agree being not later than 14 May 2014), including:

- the passing of the Resolutions the subject of Items 1 and 2 at the EGM; and
- Admission of the Placing Shares.

The Placing Shares represent, in aggregate, approximately 38.36 per cent of the Company's Existing Ordinary Shares and will be approximately 27.73 per cent of the issued Enlarged Share Capital. Application will be made for the Placing Shares to be admitted to trading on AIM and the ASX. It is expected that Admission will take place on 29 April 2014. The Placing Shares will rank *pari passu* with the Existing Ordinary Shares.

Related party transaction

Alasdair Locke, Chairman of the Company, has agreed to invest £1 million (equivalent to approximately A\$1.8 million) in the Placing on the same terms as the Institutional Investors.

	No of Placing Shares subscribed for	Holding following Admission	Percentage of share capital on Admission
Alasdair Locke	200,000,000	283,258,782	11.69%

As Alasdair Locke (a director of the Company) is subscribing for shares in the Placing, his participation is deemed to be a related party transaction as defined in the AIM Rules. The Independent Directors, who have consulted with Arden Partners in its capacity as Nominated Adviser to the Company, consider the Placing and the Resolutions to be fair and reasonable insofar as shareholders are concerned and to be in the best interests of the Company and its shareholders as a whole.

The number of Placing Shares referred to above excludes any securities issued under the Bergen Agreement.

Placing Agreement

The Company has today entered into the Placing Agreement, pursuant to which Arden Partners has agreed, subject to the terms and conditions of the Placing Agreement, to use its reasonable endeavours to procure subscribers for the Placing Shares.

The Placing Agreement contains customary warranties and indemnities given by the Company to Arden Partners as to matters relating to the Group and its business and a customary indemnity given by the Company to Arden Partners in respect of liabilities arising out of or in connection with the Placing. Arden Partners is entitled to terminate the Placing Agreement in certain limited circumstances prior to Admission, including circumstances where any of the warranties are found to be untrue or inaccurate or misleading in any material respect or upon the occurrence of certain force majeure events. The Placing Agreement is subject to the satisfaction or waiver of a number of conditions by 29 April 2014 (or such later date as the Company and Arden Partners may agree, being not later than 14 May 2014), including the passing of the Resolutions and Admission.

The Placing Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

Consequence of the Placing not being approved by shareholders

The Company is currently in financial difficulty and shareholders should be aware that the Company is dependent on the proceeds of the Fundraisings to meet its capital requirements. If shareholder approval to the Resolutions is not obtained, then the Company will have only very limited working capital available to meet its requirements. In these circumstances, the Board would put the Company into voluntary administration to resolve the Company's future direction and attempt to rescue the business of the Company.

Bergen Agreement

The Company has entered into a Share Purchase and Convertible Security Agreement with Bergen Global Opportunity Fund, LP (the "Investor"), a New York based institutional investor (the "Agreement"), under which the Investor has agreed to invest a minimum of US\$3 million (approximately A\$3.3 million or £1.8 million) and up to US\$8.5 million (approximately A\$9.4 million or £5.1 million) in the Company.

The Investor will invest a minimum of US\$200,000 (approximately A\$221,000 or £121,000) per monthly investment tranche for a period of up to twelve months, in return for the issue of the Company's shares. The Company and the Investor may increase the amount of each monthly tranche to up to US\$700,000 (approximately A\$775,000 or £423,500) by mutual consent.

The Company will issue the shares at a purchase price calculated as follows:

- 90 per cent of the average of three daily VWAPs (chosen by the Investor) during a specified period before the date of their issue ("Purchase Price A"); or
- on no more than two occasions, the Investor may opt for a purchase price of A0.0378 per share, being equal to 130% of the average of the daily VWAPs during the 20 trading days before the date of execution of the Agreement ("Purchase Price B").

Additionally, the Investor will purchase an interest-free, unsecured Convertible Security from the Company for US\$250,000 (approximately A\$277,000 or £151,000) on execution of the Agreement.

Additionally, on the date that is 100 days after the date of the first funding, the Investor will purchase a second interest-free, unsecured Convertible Security for US\$350,000 (approximately A\$388,000 or £212,000), provided that the Company can satisfy certain conditions, the key being that the Company has a cash balance of not less than US\$3,000,000 (approximately A\$3,322,000 or £1,815,000) as of that date. The convertible securities will be convertible at Purchase Price A or Purchase Price B, at the Investor's election.

The Agreement provides the Company with maximum flexibility as it grants the Company a right of pause of the funding schedule, and can also be terminated by the Company under certain circumstances if the funding is no longer needed. Additionally, it includes certain limitations on the Investor's ability to sell the shares.

The funding attracts a fee by way of issuance of 10 million shares. The Company will grant the Investor 24,800,000 forty-eight month Options exercisable at AU\$0.0378, being 130 per cent of the average of the daily VWAPs during the 20 trading days before the date of execution of the Agreement. The Agreement is secured against an issuance of 9,800,000 collateral shares.

The terms of the Agreement do not permit for shares to be issued, and there is no agreement to issue shares, if shareholder approval is first required under the Listing Rules.

Expected timetable of Principal Events

Notice of EGM posted to shareholders	By Friday 28 March 2014
Latest time and date for receipt of form of proxy	6.00 p.m. (Melbourne time) on 26 April 2014
EGM	6.00 p.m. (Melbourne time) on 28 April 2014
Issue of the Placing Shares and Admission to trading on AIM	29 April 2014
CREST member accounts expected to be credited for the Placing Shares issued in uncertificated form	29, April 2014
Dispatch of definitive share certificates for the Placing Shares issued in certificated form	By 14 May 2014

Placing Statistics (excluding securities issued under the Bergen Agreement)

Placing Price	0.5 pence
Number of Existing Ordinary Shares in issue as at the date of this document	1,751,724,324
Total number of Placing Shares	672,000,000
Enlarged Share Capital following the Placing	2,423,724,324
Percentage of the Enlarged Share Capital comprised by the Placing Shares	27.73 per cent.
ISIN	AU000000CFU6
SEDOL	B0Z5537

Arden Partners plc ("Arden Partners"), which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company only and no-one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for providing advice in relation to the Placing.

Apart from any responsibilities and liabilities, if any, which may be imposed on Arden Partners by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Arden Partners accepts no responsibility whatsoever and make no representation or warranty, express or implied, concerning the contents of this announcement including its accuracy, completeness or verification or for any other statement in connection with the Company, the Company's shares or the Placing. Arden Partners accordingly disclaim all and any liability and responsibility whatsoever, whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement.

Forward-Looking Statements

Statements contained in this document, 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, Arden Partners or any of their respective officers, directors, employees, advisers or consultants assumes any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Appendix - Definitions and interpretation

In this announcement, the following definitions apply:

"Admission" means admission of the Placing Shares to trading on AIM;

"AIM" means the market of that name operated by London Stock Exchange plc;

"AIM Rules" means the AIM Rules for Companies as published and amended by London Stock Exchange plc from time to time;

"Arden Partners" means Arden Partners plc;

"ASX" means the Australian Securities Exchange;

"ASX Listing Rules" means the listing rules of the ASX, as published and amended from time to time;

"Bergen Agreement" means the agreement between the Company and the Investor dated 24 March 2014, by which the Investor has agreed to invest up to US\$8.5 million (equivalent to approximately A\$9.4 million or £5.1 million) into the Company in consideration of the Company issuing various securities to the Investor throughout the term of the Bergen Agreement;

"Board" means the board of CFCL;

"CFCL" or "Company" means Ceramic Fuel Cells Limited (ACN 055 736 671);

"Collateral Shares" means 9,800,000 Ordinary Shares proposed to be issued to the Investor in consideration of the Investor entering into the Bergen Agreement and agreeing to purchase the Tranche Shares on a monthly basis;

"Commencement Fee Shares" means 10 million Ordinary Shares proposed to be issued to the Investor as a non-refundable commencement fee equivalent to US\$170,000 (approximately A\$188,000 or £103,000);

"Computershare Australia" means Computershare Investor Services Pty Ltd;

"Convertible Securities" means the First Convertible Security and the Second Convertible Security;

"EGM" means an Extraordinary General Meeting of the Company to be held at 6.00 p.m. (Melbourne time) on 28 April 2014 at PricewaterhouseCoopers LLP, Freshwater Place, 2 Southbank Boulevard, Southbank, Victoria 3006, Australia for the purposes of considering the business the subject of the notice of EGM;

"Enlarged Share Capital" means the total number of Ordinary Shares in issue on Admission, being equal to the number of Existing Ordinary Shares plus the number of Placing Shares (excluding any securities issued under the Bergen Agreement);

"Existing Ordinary Shares" means 1,751,724,324, being the number of Ordinary Shares on issue as at the date of this notice ;

"Final Date" means the date as of which the Bergen Agreement has been terminated or all closings under the Bergen Agreement have occurred, provided there are no amounts outstanding as at that date;

"First Convertible Security" means an interest-free unsecured convertible note from the Company in the amount of US\$250,000 (approximately A\$277,000 or £151,000) (with a face value of US\$375,000) (approximately A\$415,000 or £227,000);

"First Month Tranche Shares" means Tranche Shares issued to the Investor in respect of the first month after the date of the Bergen Agreement;

"Fundraisings" means the Placing and the funds to be raised under the Bergen Agreement;

"Group" means CFCL and its subsidiaries;

"Independent Directors" means the directors of the Company other than Mr Alasdair Locke;

"Institutional Investors" means the investors (other than Alasdair Locke) to whom the Company proposes to issue New Ordinary Shares as part of the Placing, and Institutional Investor means any or all of them (as the context requires);

"Investor" means Bergen Global Opportunity Fund, LP;

"New Ordinary Shares" means new Ordinary Shares

"Nominated Adviser" means Arden Partners, the Company's nominated adviser for the purposes of the AIM Rules;

"Options" means options to acquire 24,800,000 Ordinary Shares, with an exercise price equal to A\$0.0378 (approximately £0.0206), being 130% of the average of the daily VWAP per share for the 20 consecutive actual trading days immediately prior to the date of the Bergen Agreement, subject to adjustment on the terms of the Bergen Agreement;

"Ordinary Shares" means fully paid ordinary shares in the capital of the Company;

"Placing" means the conditional raising of approximately £3.36 million (equivalent to approximately A\$6.15 million) (before expenses) through the placing of the Placing Shares at the Placing Price, with Mr Alasdair Locke and the Institutional Investors;

"Placing Agreement" means the placing agreement between the Company and its Nominated Adviser, Arden Partners, dated 24 March 2014 pursuant to which Arden Partners has agreed, subject to the terms and conditions of the agreement, to use its reasonable endeavours to procure subscribers for the Placing Shares;

"Placing Price" means 0.5 pence per Ordinary Share (equivalent to A\$0.0092 per Ordinary Share);

"Placing Shares" means up to 672,000,000 New Ordinary Shares proposed to be issued for the Placing Price;

"Resolutions" means the proposed resolutions to be set out in the notice of EGM;

"Second Convertible Security" means a second interest-free unsecured convertible note from the Company in the amount of US\$350,000 (approximately A\$388,000 or £212,000) (with a face value of US\$450,000) (approximately A\$498,000 or £272,000);

"Synergy" means Synergy International OÜ;

"Tranche Shares" means the Ordinary Shares issued to the Investor on monthly basis during the term of the Bergen Agreement, in consideration for the Investor making a monthly pre-payment for those Ordinary Shares at the beginning of the relevant month;

"UK" means the United Kingdom;

"VWAP" means the volume weighted average price (in A\$) per Ordinary Share admitted to trading on the ASX.

Where amounts are listed in this announcement in a foreign currency, the Australian dollar equivalent is listed on the basis of exchange rates of A\$1 = 54.6 pence sterling, A\$1 = 0.903 US dollars and US\$1 = 0.605 pence sterling, which are current rates as at the date of this announcement.