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6 December 2013

Dear Shareholder

Share Purchase Plan

On 4 December 2013, Ceramic Fuel Cells Limited (**Company** or **CFCL**) announced to the Australian Securities Exchange (**ASX**) that it would introduce a Share Purchase Plan (**SPP**) to eligible shareholders in accordance with the terms of the SPP (**Terms**).

Fundraising

As already announced to the ASX, in addition to the SPP, the Company proposes to raise additional funds from an offer to existing shareholders with registered addresses in Europe to subscribe for new ordinary shares at an issue price of 2.14 pence per share, to raise up to £4.14 million (approximately A$7.44 million) (**Overseas Offer**).

The purpose of the SPP and the Overseas Offer is to provide the Company with further working capital in order to fund:

- existing operations of the Company;
- an increase in volume production of the Company's products to leverage economies of scale and increase sales towards achieving a cashflow positive position;
- further value engineering to drive down manufacturing costs;
- the purchase of capital equipment in order to be able to increase capacity at the high volume assembly plant at Heinsberg, Germany; and
- continuance of its research and product development programmes.

The Board feels strongly that the Company's existing shareholders in Australia and New Zealand should have the opportunity to participate in a capital raising process at the same price as is being offered to shareholders in Europe under the Overseas Offer.

Business Overview and Recent Activities

CFCL makes small scale generators that use proprietary fuel cell technology to convert natural gas into electricity and heat for homes and small commercial buildings. CFCL has commercialised its technology into products and is now focused on selling these products to commercial customers in Europe.

CFCL was established in 1992, listed on the ASX in July 2004 and on the London AIM market in March 2006. CFCL has a broad portfolio of wholly-owned intellectual property, including 27 patent families (i.e. a single invention covered in multiple jurisdictions) that have been granted in key global markets.

In October 2012, the Company realigned its corporate structure and operational activities to reduce overhead costs and to focus resources on the German, UK and the Benelux markets. The Company has reduced its direct sales investment in Australia, Japan and North America, and transferred a number of corporate activities to Europe.

Although the Company has adopted a narrower strategic focus it may monitor the developments and opportunities presented in other geographic markets – particularly in China, Japan and North America. The Company would consider entering new markets if they presented significant near term sales opportunities and also provided opportunities to fund that market entry.

As a result of this restructure the Company has reduced its head count in Australia and increased its European sales and manufacturing teams. This reduction, along with the reduction of certain activities, is expected to result in a cost saving of approximately A$5 million in a full year. The Company and its subsidiaries currently employ approximately 140 staff in Australia, the United Kingdom and Europe.

Products

CFCL's BlueGen® product provides one and a half kilowatts of electricity as well as heat for hot water for homes and other buildings. Our core Gennex™ fuel cell module is also being integrated by our development partners into micro combined heat and power ("mCHP") products which include a boiler for additional space heating.

The Company's products have achieved peak electrical efficiency of 60 per cent, which the Directors believe is higher than any other technology in the very large market for small-scale power and heating products. The Directors believe the nearest competitor in this market has an electrical efficiency of approximately 45 per cent.

This very high electrical efficiency cuts carbon emissions by up to two-thirds compared to power generated by coal fired power stations. The Company's products can maintain high electrical efficiency over a wide power modulation range.

The Company has installed and operated more than 381 units in 10 countries, for combined operation of more than 3.4 million hours.

CFCL has received numerous industry awards in Germany, the UK and Australia, the latest being the prestigious European Green Tec award, Europe's premier award for environmental technology, which it received in September 2013.

Sales and Revenue Growth

Sales activity is now focused in Europe with the primary markets being Germany, the UK and the Benelux region. In the first quarter of FY 2014, 49 units were sold with a further 29 in October and a further 33 being sold in November. Total revenue was down in FY13 compared to FY12 due to a delay in the announcement of anticipated state subsidies from the German State of North-Rhine Westphalia ("NRW") as well as the delay in implementing the direct sales strategy. This strategy could only meaningfully be implemented after the May 2013 capital raising was completed. The Company is progressing from low volume, early sales for field trial purposes, to higher volume sales to customers seeking an acceptable economic return. Since June 2012 the Company has successfully reduced the cost of manufacturing its products by approximately 25 per cent. This follows on from reductions that were made in the previous year.

In late October 2012, the NRW announced a subsidy scheme for mCHP products. Under the scheme the NRW Government pays a capital subsidy to commercial customers and energy service companies who install highly efficient mCHP products of less than 50 kilowatts. The Company's BlueGen and integrated mCHP products fall in this category and are strongly positioned to take full advantage of this scheme and an increase in applications for subsidies has been seen during October 2013 compared to September 2013.

The subsidy program is part of a NRW Government funding programme of up to €250 million to support deployment of large and small scale CHP, and is due to run until the end of 2017. Based on the first applications that were approved in mid-March 2013, the Company can confirm that commercial customers will receive a subsidy of between €9,000 and €13,000 per unit, dependent on the size of their business. BlueGens is being targeted primarily at the SME's and consequently will secure the higher subsidy.

In addition to the NRW subsidies, on 10 October 2013, the Company advised that the Government in the German state of Hesse had announced a funding programme to support mCHP installations. The level of subsidy per unit is comparable to that of the NRW programme at circa €13,000 per installed mCHP unit.

The Company also advised, on 30 October 2013, that the Government in the German state of Saxony had announced a €3 million funding programme for fuel cell products. Under the programme up to 75 per cent of the product and installation costs will be funded. The programme is expected to be in place until the end of 2014.

The Company anticipates that other German States will soon be announcing programmes to support clean energy. These subsidies are in addition to the German Federal Government feed-in tariff for mCHP products.

The Directors believe that these measures, in addition to the cost down measures currently being implemented by the Company, can bring the net price of a BlueGen unit down to a level where commercial customers with an appropriate level of energy use can achieve a payback period of between 4 and 7 years.

There is also policy support for our products in the United Kingdom. On 1 December 2012 the UK Government increased the feed-in tariff that applies to mCHP units that are accredited under the UK's Microgeneration Certification Scheme (MCS). The feed-in tariff is now 12.5 pence per kilowatt-hour (kWh) for all electricity generated plus an additional 4.5 pence per kWh for electricity not used on site and exported to the grid. BlueGen is currently the only fuel cell based mCHP appliance accredited under the MCS and hence the only fuel cell product eligible for this feed-in tariff. The Directors believe that this policy will also have a positive impact on sales.

The Company's sales channel strategy is to use both direct and indirect sales channels to sell its products. In December 2012 the Company established a direct sales force in Germany to focus on the opportunities presented in NRW. The direct sales approach has resulted in additional resources being recruited in Germany and the UK and this strategy is beginning to gain traction. The Company is also working to increase its indirect sales channels through partnering with utilities and installers.

In order to drive sales growth, from late 2012 the Company's marketing communication function has been fully managed in Europe. The Company is increasing its investment in this area, and has recently recruited a communications manager to raise the profile of both the BlueGen and Ceramic Fuel Cells brands in the key product markets of Germany, UK and Benelux.

Recent sales successes the Company announced were:

on 10 October 2013 – the installation of the second tranche of mCHP units under the Soft-Pact project in the first quarter of CY 2014;

on 30 October 2013 – the awarding of a tender to supply 12 units to the Local Gas and Heating Institute's "Innovation City Ruhr", in NRW, Germany;

on 13 November 2013 – the funding approval for the installation of 45 units for the Dutch Island of Ameland's virtual power plant;

on 13 November 2013 – the agreement with National Grid Affordable Wealth Solutions to deliver 10 units for installation in selected Housing Associations; and

on 28 November 2013 – the appointment Synergy International OU ("SI") as distributor for the Baltic and Scandinavian regions and the sale of a minimum of 1,000 BlueGen mCHP units over the next two calendar years. SI will purchase 500 units per calendar year on a take-or-pay basis. The total value of the units amounts to in excess of €20 million.

Manufacturing and Supply Chain

The Company has built an assembly plant in Heinsberg, Germany, to manufacture fuel cell stacks, the core of the Gennex fuel cell module, and to assemble complete BlueGen units. The individual fuel cell components are shipped to the Heinsberg plant (together with other components) to be assembled into fuel cell stacks.

During 2012, the Company began outsourcing the production of its fuel cell components to Chaozhou Three-Circle (Group) Co., Ltd ("CCTC") in China. Under this supply arrangement CCTC is responsible for making the fuel cell parts to CFCL's design and specification. The outsourcing of cell production to CCTC has resulted in a significant reduction in cell costs whilst maintaining high quality standards. CCTC has invested several million dollars in its plant to service the Company's cell production requirements. A strategy is in place to undertake further manufacturing of components in China which will further reduce the cost of production. In addition, our major suppliers have indicated that there will be significant cost savings once production volumes increase to reasonable levels.

The Company works closely with its key supply chain partners and believes that they are both ready and capable of meeting the Company's future production plans.

The Company's 4X4 furnace, at its Heinsberg manufacturing facility, is ramped up to produce 14 stacks per firing and the Company now has a combined capacity of approximately 30 fuel cell stacks per week or 1,500 fuel cell stacks per year, based on current operating procedures.

The plant's production throughput can be increased above 1,500 units per year without additional capital spending, by operational efficiencies (such as improving processes and production flow, reducing furnace cycle times, loading and unloading times, robot optimisation), more flexible work practices (the plant is currently operating on a single shift); and by continuing to outsource the manufacturing and assembly of components and sub-assemblies. Modest investments in multiple tooling will also increase production levels.

To further increase production (funds permitting) the Company intends to make further capital expenditures to increase furnace capacity to circa 4,000 – 4,800 stacks per year. It is expected that this capital expenditure would cost approximately A$5 million.

In December 2012 the plant in Heinsberg successfully underwent its first annual accreditation review for the UK Microgeneration Certification Scheme (MCS). The successful completion of this audit review is necessary to ensure that BlueGen units made at the plant are allowed to carry the MCS Certificate which in turn is required to earn the feed-in tariff in the UK.

From June 2012 to October 2013 the Company has reduced the unit standard costs of the BlueGen product by approximately 25 per cent, down to approximately €16,650 per unit. We are pursuing several options to continue to further reduce unit costs including redesigning some high value components, outsourcing selected manufacturing and sub-assembly operations and internal process improvements.

As a reasonableness test of the Company's internal cost projections it has sought to benchmark itself against the experience of other industries employing similar manufacturing processes to those required for the Company's products. Based on this work, the Company believes that it should be possible to achieve further reductions in the total manufactured cost of the product for each doubling of output volume. This reduction in costs will be achieved by outsourcing a greater volume of components to China as well as direct delivery from China to Heinsberg.

Refund from Taxation Office for expenditure on research and development

On 30 October 2013, in its Quarterly Cashflow Report, the Company announced that it had lodged its tax return for FY2013 which included circa $4M of research and development activities and that indications were that it would receive the refund in November. The Company confirms that it received these funds in the third week of November.

Continuous disclosure

The Company is a disclosing entity for the purpose of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations.

The Company believes that it has complied with the general and specific disclosure requirements of the Corporations Act and Listing Rules, which require the Company to notify ASIC of certain information and notify ASX of information about specific events or matters as they arise, for the purpose of ASX making that information available to the market conducted by ASX.

The Company suggests you review all the Company announcements that have been lodged with the ASX either by looking them up on the ASX (www.asx.com.au) or Company (www.cfcl.com.au) websites. It also encourages you to read the Company's Annual Report to Shareholders that was lodged on 27 September 2013 and the Quarterly Cashflow Report which was released on 30 October 2013.

More Information

More information on the Company and its products, including past announcements to the market and financial reports (annual accounts, half year accounts and quarterly cashflow reports) is available at the Company's website, www.cfcl.com.au.

More information about our BlueGen product is available at www.bluegen.info.

Use of Funds and Working Capital

During FY2012, the Company raised circa A$11.1 million from an Australian and New Zealand Rights Issue and an Overseas Offer. In FY2013 it raised circa A$5.6 million through the same mechanism. The Company encourages its Shareholders to subscribe to this offer in order to raise similar amounts to that raised in previous years. These funds will be used for the purposes outlined above in the section headed 'Fundraising'.

Your Directors advise that until the Company becomes cash flow positive it will need to raise further capital or debt. Please refer to the "capital raising sensitivity analysis" section in the Terms of the Share Purchase Plan Document enclosed with this letter.

Terms of the SPP

I am pleased to inform you that you are eligible to participate in the SPP. Accordingly, you have the option of purchasing up to A$15,000 of ordinary shares in the Company, without incurring brokerage fees or additional transactional costs, subject to the attached Terms.

You are under no obligation to participate in the SPP. However, if you wish to participate in the SPP, you may accept any one of the following offers, subject to the attached Terms:

Offer A	390,625 ordinary shares	Total amount payable at 3.84 cents per share	A$15,000.00
Offer B	260,416 ordinary shares	Total amount payable at 3.84 cents per share	A$9,999.97
Offer C	130,208 ordinary shares	Total amount payable at 3.84 cents per share	A$4,999.99
Offer D	65,104 ordinary shares	Total amount payable at 3.84 cents per share	A$2,499.99
Offer E	26,041 ordinary shares	Total amount payable at 3.84 cents per share	A$999.97

To participate in the SPP, you must complete and return the enclosed Application Form to the Company's share registry (Computershare Investor Services Pty Limited ABN 48 078 279 277), or pay the relevant amount using BPAY®, in accordance with the Terms, no later than 5.00 pm (AEDT time) on 20 December 2013.

This letter, the attached Terms and Share Purchase Plan Application Form constitute the terms and conditions of the SPP. By accepting the SPP Offer, you agree to be bound by these terms and conditions. In addition, also attached is a list of questions and answers that frequently arise in the context of share purchase plans.

Therefore, please read the attached Terms carefully before deciding whether to participate in the SPP. The Company is not providing investment advice or making any recommendation in relation to the SPP. If you are in any doubt as to whether you should participate in the SPP, you should obtain independent financial advice.

On behalf of the Board, I invite you to consider subscribing for new ordinary shares under the SPP. I take this opportunity to thank you for your ongoing support of the Company.

Yours sincerely

Alasdair Locke
Chairman
Ceramic Fuel Cells Limited

SHARE PURCHASE PLAN ('SPP' OR 'OFFER')

TERMS

The SPP

The SPP enables Eligible Shareholders (as defined below) to purchase up to $15,000 of ordinary shares in Ceramic Fuel Cells Limited (**Company**), without being required to pay brokerage fees or incurring additional transaction costs.

The Company is not making the SPP offer available to shareholders with addresses in countries outside Australia or New Zealand.

Disclosure

The SPP is being made in accordance with Exception 15 under ASX Listing Rule 7.2 and therefore shareholder approval to the issue of shares under the SPP is not required. The SPP is also being conducted in accordance with Class Order [CO 09/425] issued by the Australian Securities and Investments Commission (**ASIC**) so a disclosure document under the Corporations Act 2001 (Cth) (**Corporations Act**) is not being provided.

Background

On 4 December 2013 the Company announced that:

- It proposes to raise funds by way of an offer to existing shareholders in Europe to subscribe for up to 193,542,793 shares in the capital of the Company at 2.14 pence per share to raise a maximum of £4.14 million (approximately A$7.44 million) (**Overseas Offer**).
- In addition to the Overseas Offer, the Company proposes to raise additional funds by way of an SPP under which Eligible Shareholders would be entitled to apply for up to $15,000 of shares in the Company.

The purposes of these fundraisings are to provide the Company with further working capital in order to bolster its direct sales force and also in order to fund:

- the existing operations of the Company;
- an increase in volume production of the Company's products to leverage economies of scale and increase sales towards achieving a cashflow positive position;
- further value engineering to drive down manufacturing costs;
- the purchase of capital equipment in order to be able to increase production capability at the high volume assembly plant at Heinsberg, Germany; and
- continuation of its research and product development programmes.

Key Dates*

Event	**Date**
Record Date to determine eligible shareholders	7.00pm, 3 December 2013
Announcement of SPP	4 December 2013
Despatch of SPP offer documents	6 December 2013
Offer Opening Date and Time	Noon, 9 December 2013**
Offer Closing Date and Time	5.00 pm, 20 December 2013
Allotment Date	30 December 2013
Date of despatch of uncertificated statements to shareholders	31 December 2013

*Note: All times and dates refer to Australian Eastern Daylight Time (**AEDT**). The timetable above is subject to change. The Company reserves the right to amend any or all of these dates and times, subject to the Corporations Act, the ASX Listing Rules, ASIC Class Order [CO 09/425] and other applicable laws.

**Note: For those Eligible Shareholders who wish to apply for shares by way of BPAY®, please note that BPAY® is only available as a payment method from 10 December 2013.

Eligible Shareholders

You are eligible to participate in the SPP (**Eligible Shareholder**) if you were the registered holder of one or more fully paid ordinary shares in the Company (**Shares**) at 7.00 pm (AEDT) on 3 December 2013 with an Australian or New Zealand registered address (unless you hold the Shares on behalf of another person who resides outside Australia or New Zealand) and provided that you meet all requirements outlined in these terms.

Single holders- if you are the sole registered holder of a holding of Shares, but you receive more than one offer under the SPP (for example, due to multiple registered holdings), you may only apply for one parcel of Shares with an aggregate value of $15,000.

Joint holders- if you are recorded with one or more other persons as the joint holder of a holding of Shares, that joint holding is considered to be a single registered holding for the purposes of the SPP, and the joint holders are entitled to participate in the SPP in respect of that single holding only.

Trustees and nominees- If a trustee or nominee is noted on the share register as holding Shares on behalf of another person (**Beneficiary**), the Beneficiary is taken to be the registered holder of the Shares for the purpose of the SPP and any application by the trustee or nominee is taken to be an application and certification by the Beneficiary.

Custodians- If you are a custodian (meaning you hold Shares as a custodian or nominee for one or more beneficiaries and fall within the definition of "custodian" set out in ASIC Class Order [CO 09/425]), you may apply for up to a maximum amount of $15,000 worth of Shares for each beneficiary if, in conjunction with an application form, you provide written verification of the required items outlined below.

Important information for New Zealand shareholders

This Offer is being made to the Company's New Zealand resident shareholders without a New Zealand registered prospectus or an investment statement, in accordance with the New Zealand Securities Act (Overseas Companies) Exemption Notice 2013. Accordingly, this Offer document may not contain all of the information which a New Zealand investor may require to make a decision as to whether to apply for Shares and does not contain all the information which would otherwise be required by New Zealand law to be disclosed in a registered prospectus and an investment statement.

US investors- the Shares to be issued under this SPP have not been and will not be registered under the U.S. Securities Act of 1933, as amended (**the U.S. Securities Act**), or the securities law of any state or other jurisdiction of the United States.

The Shares to be issued under this SPP may not be offered or sold in the United States or to, or for the account or benefit of, a "U.S. person" as defined in Regulation S under the U.S. Securities Act. (**U.S. Person**).

A trustee or a nominee must not send any materials relating to the SPP to any person in the United States or to, or for the account or benefit of, a U.S. Person.

Consistent with the warranties contained in these SPP terms and SPP Application Form (**Application Form**), you acknowledge that you will not submit any completed Application Forms for any person in the United States or for any person who is, or is acting for the account or benefit of, a U.S. Person.

Amount of Shares Eligible Shareholders can apply for under the SPP

Eligible Shareholders may elect to apply for one of the following offers:

1. Offer A: 390,625 Shares @ 3.84c each (application amount = $15,000.00);
2. Offer B: 260,416 Shares @ 3.84c each (application amount = $9,999.97);
3. Offer C: 130,208 Shares @ 3.84c each (application amount = $4,999.99);
4. Offer D: 65,104 Shares @ 3.84c each (application amount = $2,499.99); or
5. Offer E: 26,041 Shares @ 3.84c each (application amount = $999.97).

Eligible Shareholders who receive more than one offer under the SPP (because they hold Shares in more than one capacity) may not apply for Shares with an aggregate value of more than $15,000. The Company reserves the right to reject any application for Shares where it believes this requirement has not been complied with.

Participation in the SPP

Participation in the SPP is optional. The offer to acquire Shares is not a recommendation. If you are in any doubt about this offer you should seek independent financial and taxation advice regarding your participation in the SPP.

Non-renounceable Offer

The offer under the SPP is non-renounceable. This means that you cannot transfer your right to purchase Shares under the SPP to another person or entity.

Issue Price of Shares

The issue price for each Share under the SPP was determined by the Company following the close of trading on 3 December 2013 to be $0.0384.

The subscription price for the SPP and the Overseas Offer has been designed to be identical, subject to future exchange rate movements. Where amounts are listed in this document in a foreign currency, the Australian dollar equivalent is listed on the basis of an exchange rate of $1 = 55.7 pence sterling, and $1 = 67.2 euro cents.

This issue price is a discount of 2.35 per cent to the volume weighted average price (**VWAP**) of the Company's Shares sold on the Australian Securities Exchange (**ASX**) on 3 December 2013 of $0.0393 and a discount of 1.54 per cent to the closing price of the Company's Shares on 3 December 2013 of $0.0390.

VWAP means the volume weighted average price of the Shares sold on the ASX on 3 December 2013, excluding any special crossings, crossings prior to the commencement of normal trading, crossings during the closing phase and crossings and matchings during the after hours adjust phase, any overseas trades or trades pursuant to the exercise of options over Shares, and any overnight crossings or other trades on that day that the Company decides to exclude on the basis that they are not fairly reflective of natural supply and demand, calculated to 2 decimal places.

Variation in market price of the Shares on the ASX

The market price of the Shares on the ASX may rise and fall between the date of this SPP offer and the date when the Company allots the Shares to you under the SPP. This means that the price you pay under the SPP offer may exceed the price at which Shares are trading on the ASX at the time the Shares are allotted to you under the SPP.

RISK FACTORS

Set out below are some of the risks associated with an investment in the Company. Each of these risks could, if it eventuates, have a material adverse impact on the Company's operating performance and the value of its Shares.

Pre-profitability

An investment in the Company should be regarded as high risk given its current stage of development. If the Company experiences delays in meeting its development goals or if the Company's products exhibit technical defects or if the Company cannot meet sales, cost or performance targets, the Company's commercialisation plans will be delayed.

Capital raising sensitivity analysis

The Company intends to raise funding of up to approximately $12 million from the SPP (however the Company is able to accept applications totalling $18.45 million should there be sufficient demand from eligible shareholders) and up to €5 million (approximately $7.4 million) from the Overseas Offer.

These additional proceeds will provide the Company with further working capital required to bolster its direct sales force, leverage economies of scale by placing volume orders with suppliers and to implement further value engineering to drive down manufacturing costs. In addition, a portion will be utilised to begin the expansion of the production capability of the high volume assembly plant at Heinsberg, Germany. The funding also allows the Company to continue its research and product development programme.

It is expected that the total amount raised under the SPP and under the Overseas Offer will have an impact on the Company's operations and financial position over the next 7 months. However, it is not possible for the directors to know in advance how much will be raised under the SPP and the Overseas Offer, and as such, any shortfall in the actual amount raised may have impacts on the Company's ability to continue its operations.

The potential impacts on the Company's current business plan for various levels of funds raised under the SPP and Overseas Offer are described below.

If the total amount raised from both the SPP and the Overseas Offer is $12 million:

Impact on Financing and the Business

The directors consider that if $12 million was raised under the SPP and the Overseas Offer, this would have the following effects:

- Allow the Company to execute its current business plan, with minimal contingency to 30 June 2014.
- Strengthen the Company's balance sheet. The Directors believe that this will encourage supply chain partners to further engage with the Company as it moves from ordering components in small volumes (lots of approximately 100) to larger volumes (lots of approximately 1,000). In many cases this requires supply chain partners to invest in the scale-up of their own

production capacity. It is expected that through economies of scale this will result in a reduction in the cost of a BlueGen unit by up to approximately 20 percent.

- Allow the Company to fund increased working capital requirements as it increases its direct sales force in order to increase its sales volumes. It would also allow the Company to undertake further plant expansion and engineering work to reduce component and manufactured costs as well as manufacture in greater volumes in order to meet expected sales volumes. It would enable the Company to continue its research and product development work.
- Provide an opportunity for the Company to increase its sales and hold further discussions with potential partners before seeking further funding.

If the total amount raised from both the SPP and the Overseas Offer is $8 million

Impact on Financing and the Business

The directors consider that if $8 million was raised under the SPP and the Overseas Offer, this would have the following effects:

- Allow the Company to execute its current business plan for the first quarter of calendar year 2014, while it seeks further funding. It would not allow the Company to undertake the proposed capital expansion at its manufacturing facility and would reduce the engineering work being done to reduce the manufactured cost of BlueGen units. The directors believe this will result in a slower move down the manufacturing cost curve. As a result, in order to make a positive margin on sales, the Company will have to maintain a higher selling price for longer. This in turn is likely to reduce demand for the Company's products.
- If demand for products is higher than that envisaged in the current business plan, the Company would have reduced financial and manufacturing capacity to respond to this demand, meaning lost sales opportunities.
- The level of investment that could be made in recruiting additional sales staff to grow volume would also be reduced.

If the total amount raised from both the SPP and the Overseas Offer is $4 million

Impact on Financing and the Business

The directors consider that if $4 million was raised under the SPP and the Overseas Offer, this would have the following effects:

- The directors believe that this would severely restrict the execution of the Company's current business plan and would require additional funding in February 2014. The directors believe this could negatively affect both the Company's ability, and the supply chain partners' willingness, to accept orders at the higher 1,000 volume level and to pass on the resulting lower component costs. This would have negative implications for gross margins and the Company's ability to offer lower selling prices as demand increases.
- In response, the Company would seek to reduce both operational and capital expenditure across all its facilities. Engineering cost reduction and research and product development work would be severely curtailed and staff numbers may be reduced.
- The directors would seek to increase the Company's level of cash resources. Potential sources of future funding may include, but are not limited to:
    - o Securing debt financing for working capital requirements; and
    - o Further issues of equity.

Notwithstanding anything outlined in this document, the directors reserve the right to vary the application of funds in the best interests of the Company.

Utility and appliance manufacturer partnerships

The Company has entered into product development agreements with utility customers and appliance manufacturers to develop mCHP products based on the Company's technology. Those agreements generally contain ''stage gates'' or milestones (such as the end of a major project phase) at which the parties review the project and agree whether to proceed with the next stage. If the agreed milestones are not achieved, or Government funding is not provided, these orders may be delayed or reduced. The Company's customers and partners also have certain rights to terminate projects.

Manufacturing expansion

To support the Company's commercialisation strategy, the Company needs to manufacture its fuel cell stacks in commercial quantities, in compliance with regulatory requirements and at an acceptable cost. The Company has built a volume fuel cell stack manufacturing plant in Germany, but has limited experience at volume manufacturing its products. There is no guarantee that the Company can scale up its manufacturing processes as smoothly, quickly or efficiently as it plans to.

Core technology

The Company's future revenues are highly dependent upon products based on its solid oxide fuel cell technology. There is no guarantee that the Company will be able to manufacture products that have reliability, robustness and lifetime performance sufficient to meet the requirements of commercial customers.

Product liability

The Company's technology may contain undetected defects which could harm the Company's reputation, result in loss of customers and revenues, and expose it to product liability claims. Whilst the Company is conducting tests (and will continue to conduct tests) to predict the overall life of its products, the Company has not yet operated its products over the extended period of time required by commercial customers. Therefore there is a risk that the Company's products do not last as long as predicted, or perform according to specifications, which could result in warranty claims and additional costs to the Company.

Intellectual property

The Company relies on a combination of patents, trade secrets, trademarks, copyright and licences, together with non-disclosure and confidentiality agreements, to establish and protect its proprietary rights in its technologies. If the Company is unable to adequately protect its intellectual property rights or becomes subject to a claim of infringement, its business may be materially adversely affected.

Dependence on suppliers

The Company depends on a small number of suppliers to provide key inputs to enable the Company to make its fuel cell stacks, particularly one supplier of fuel cell components, and on other suppliers of components for its BlueGen product. These suppliers may not be able to develop and supply inputs to meet the Company's requirements for quality, quantity, lead time and cost. If the inputs provided by these suppliers are specialised or proprietary, the Company may be unable to obtain substitutes, which may prevent or delay the Company from successfully commercialising its technology.

Growth in the business

The Company is projecting considerable future growth in its business. The Company will have to maintain close co-ordination among its technical, accounting, manufacturing, sales and marketing and research and product development departments and maintain adequate control systems. The Company will also need to closely co-ordinate its activities with its supply chain partners who may need to invest further to scale up their production capacity to meet the Company's growth projections.

Reliance on key personnel

The Company's success depends to some degree on the continued services of its senior management and key personnel. Whilst the directors believe that the terms of employment of the Company's employees contain robust restrictive covenants, the loss of their services could disrupt the Company's operations and harm its business.

Additional funding requirements

The Company may need to raise further funds to continue to commercialise its technology to the point where the Company is cashflow positive. If the Company requires access to further funding, the Company may be adversely affected if access to capital or debt is not available at all or on commercially acceptable terms. If additional funds should be raised by issuing equity, this might result in dilution to the existing shareholdings at that time.

The Company may not be able to offer first ranking security against new debt, owing to its secured convertible notes, and this may limit the Company's ability to secure loan funding.

Exchange rates

A large proportion of the Company's expenses and liabilities, including those related to research and development, are denominated in Australian dollars and its revenues are (currently) mainly in Pounds Sterling and Euros. The Company does not currently intend to enter into arrangements to hedge these non-Australian denominated cash flows back to Australian dollars. In addition, the Company has assets located outside Australia or denominated in foreign currencies. As a result, the Company's financial results will be subject to the effects of exchange rate fluctuations.

The Company's secured convertible notes are issued in Pounds Sterling and there is foreign currency exposure at the time of repayment.

Share market

On completion of the SPP, the Shares issued to successful applicants (**New Shares**) may trade on ASX at higher or lower prices than the issue price. There can be no guarantee that an active market in the Shares on ASX will exist at all times. Investors who decide to sell their Shares after admission may not receive the amount of their original investment.

Tax risk

Although the Company does not currently pay any income tax, due to the existence of accumulated income tax losses, any change to the rate of company income tax in jurisdictions in which the Company operates may impact on future shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking. The Company, under current taxation legislation, is entitled to a tax refund for its Australian research and development expenditure. Any future change in this legislation may impact on shareholder returns and cash flow.

Legislative and regulatory changes

The Company's technology or products based on its technology may not comply with environmental laws or energy regulations in all countries of the world. Any imposition of liability that is not covered by the Company's insurance or is in excess of the Company's insurance coverage could have a material adverse effect on the Company's image, business, financial condition and results of operations. No assurance can be given that the Company will be able to obtain any necessary licence required in the future. Similarly, no assurance can be given that future changes in laws or government policies affecting the Company's technology or products will not have a material adverse effect on the Company's business, financial condition and results of operations.

Sales and installation

The Company's sales channel strategy is to use both direct and indirect sales channels to sell its products. The Company must seek to manage these channels to optimise its sales performance.

Direct Sales Channel

The Company is building its own direct sales force in Europe to target specific market segments. The Company has limited experience in building and managing a direct sales force. If the sales force does not achieve an acceptable level of performance then this would negatively impact the achievement of the Company's sales objectives.

Indirect Sales Channel

The Company has established, and continues to establish, a network of utilities, distributors and installers to sell, install and service its products. For this strategy to be effective the Company needs to select and train sales and service partners who have the necessary capability, resources and motivation in order to properly sell, install and service the Company's products. A delay by these sales and service partners in selling or installing the Company's products will have a negative impact on the Company's finances.

Market and policy risk

In order to reduce operating costs the Company is now focusing on a small number of European markets, mainly Germany and UK, where there is policy support for its type of products, most notably in the form of subsidies and feed-in tariffs.

There has been recent pressure on clean energy policies in these markets that have seen reductions in the feed-in tariffs applying to certain renewable technologies. If the current policies were to be reduced or removed then this may result in the volume of sales being significantly lower than expected.

Pricing Risk

The Company needs to charge appropriate prices for its products and for ongoing support services and replacement parts. Setting prices for new products made in relatively small volumes with relatively high costs of production, involves balancing two risks: the risk of making a loss on sales (margin risk) versus the risk of making fewer sales (revenue risk). Setting a high price reduces margin risk but if the price is more than customers are prepared to pay, it increases revenue risk. Conversely, discounting the price can lead to more sales, but this forces the Company to sell at a lower margin (or at a loss), increasing margin risk. If the Company cannot balance these risks across its product range, and through different sales channels in different geographic markets, it may result in lower sales revenue and/or lower or negative margins on sales.

Credit Risk

The Company may supply products to indirect sales channels or end customers on credit terms. This may expose the Company to the risk of non-payment of all or part of the amount due to it.

Loan Note Holders are secured creditors

The Company currently has convertible loan notes on issue. The loan note holders are secured creditors of the Company. In these circumstances, if the Company is unable to repay any amount outstanding in connection with the loan notes, then a person seeking repayment of such amount may institute proceedings seeking (either or both of) repayment of the relevant amount, appointment of a receiver to recover these monies and possibly winding up of the Company if the Company cannot satisfy its repayment obligations. If a receiver is appointed to the Company or it is wound up in these circumstances, the proceeds from sale of the assets of the Company may be used (in whole or in part, depending on the amount outstanding in connection with the loan notes) to repay the outstanding amount.

Profitability and commercialisation

No representations or assurances as to future profitability or dividends can be given by the Company, since these elements are dependent on the future success of the development programs currently being undertaken.

Dependence on general economic conditions

A prolonged deterioration in general economic conditions could be expected to have a material adverse impact on the Company's business and financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

Capital structure after SPP and Overseas Offer

The following table sets out the Company's current capital structure and its capital structure immediately following the successful completion of the SPP and Overseas Offer.

Share capital	Shares
Ordinary shares on issue at the date of this SPP	1,601,287,414
Maximum number of Shares which could be issued under the SPP	480,386,224
Maximum number of Shares which could be issued under the Overseas Offer	193,542,793
Shares on completion of SPP and Overseas Offer[1]	2,275,216,431

1 Assumes issue of maximum number of shares proposed to be issued under the SPP and the Overseas Offer. This number may be less, depending on how many shareholders apply for Shares under the SPP and the Overseas Offer.

Additionally, the Company has, and will have on successful completion of the SPP and Overseas Offer, 12,684,175 unlisted options on issue, of which 12,559,425 have vested and are exercisable. All these options have been issued to the Company's staff under the Company's Directors and Employee Benefits Plan or Share Option Plan. All of the options which have vested have exercise prices higher than the issue price for Shares under the SPP.

The Company also has GBP4.1 million of secured convertible loan notes on issue which may be converted into ordinary shares at 2.14 pence per share. If all of the loan notes were converted, a further 191,588,785 shares would be issued.

Dilutionary Impact of the Overseas Offer (if fully subscribed) and SPP (if fully subscribed)

The issue of new ordinary shares in the SPP and Overseas Offer may dilute your shareholding in the Company. If you do not participate in the SPP, then the issue of shares in the SPP (and the Overseas Offer) will dilute your shareholding.

The following table outlines the maximum dilution you will be subject to if you do not participate in the SPP, and assuming the Overseas Offer and the SPP are fully subscribed:

	Maximum dilution
Following the SPP	23.08%
Following the SPP and the Overseas Offer	29.62%

Opening and Closing of the SPP Offer

The SPP offer opens at noon (AEDT) on 9 December 2013 (**Opening Date**) and closes at 5.00 pm (AEDT) on 20 December 2013 (**Closing Date**), unless it is extended by the Company. The Company reserves the right to change at any time the Closing Date or the proposed Allotment Date (as defined below), by making an announcement to the ASX. Any such changes will be binding on all Eligible Shareholders even if the Company does not notify you of that event.

Suspension and Termination rights

The Company also reserves the right to suspend or terminate the SPP at any time prior to the issue of Shares under the SPP. If the Company terminates the SPP, it will refund any money paid by Eligible Shareholders under the SPP. Interest will not be paid on any money refunded under this clause.

Dispute Resolution

The Company may settle in any manner it thinks fit, any disputes or anomalies which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any applicant or application for Shares. The decision of the Company will be conclusive and binding on all persons to whom the decision relates. The Company reserves the right to waive compliance with any provision of the SPP terms, subject to compliance with the Corporations Act, the ASX Listing Rules and ASIC Class Order [CO 09/425].

Scale back

The Company reserves the right to scale back allocations under the SPP, on a pro-rata basis (subject to rounding down to the nearest whole Share) in its absolute discretion. This includes the right to scale back allocations if the Company believes that to do otherwise would be contrary to the law. Should this happen, you may be allocated Shares to a value which is less than the amount you applied for, and the difference refunded to you. Any necessary refund will be paid by the Company to Eligible Shareholders shortly after the Closing Date or the date upon which the Closing Date is extended. Interest will not be paid on any money refunded under this clause.

Failure to comply with relevant instruments

The Company reserves its right to not accept any application for Shares under the SPP that does not comply with the terms of the SPP, Class Order [CO 09/425] issued by ASIC, the Corporations Act, the ASX Listing Rules or any other instrument, without notice to the applicant. The Company also reserves its right to not accept any application for Shares that would otherwise mean that the Company is in breach of the terms of the SPP, Class Order [CO 09/425] issued by ASIC, the Corporations Act, the ASX Listing Rules or any other instrument, without notice to the applicant.

If the Company refuses any application in the manner outlined in this clause, it will refund any money paid by the relevant applicant. Interest will not be paid on any money refunded under this clause.

Director Participation in the SPP

The following table sets out the relevant interests in Shares held by each director as at the date of this document:

Director	*Number of Shares*
Mr Alasdair Locke	83,258,782
Mr Robert Kennett	360,000
Dr Peter Binks	17,625
Dr Roman Dudenhausen	781,250
Mr Clifford Ashby	0

Dr Peter Binks, being the only director who is an Eligible Shareholder, intends to apply for Shares under the SPP.

The SPP falls within exception 8 under ASX Listing Rule 10.12. Accordingly, Dr Peter Binks (being the only director of the Company who is an Eligible Shareholder) will also be eligible to participate in the SPP, without requiring approval of the Company's shareholders. Directors participating in the SPP will also be subject to these terms.

How to apply for Shares under the SPP

If you wish to apply for Shares under the SPP, you must either:

1. If paying by BPAY®

For those Eligible Shareholders who wish to apply for shares by way of BPAY®, please note that BPAY® is only available as a payment method from 10 December 2013.

If you hold a bank account with an Australian financial institution, you can make a BPAY® payment by using the customer reference number shown on your Application Form which is required to identify your holding.

If you use BPAY® to pay for the New Shares you **will not** need to return the Application Form. If you choose to pay by BPAY® you will be taken to make the statements contained in the Application Form and in this Offer document. A Customer Reference Number and Biller Code are provided on your personalised Application Form.

You should check with your bank or financial institution how long it will take for the funds to be transferred to the Company's application account, to make sure your payment will be received before the Closing Date. Your financial institution may also have set a daily limit on the amount that you can pay by BPAY®. It is your responsibility to ensure that the amount you wish to pay via BPAY® does not exceed your limit. You must ensure that the amount you wish to pay for New Shares under the Offer is received by Computershare Investor Services Pty Limited ABN 48 078 279 277 (the **Share Registry**) prior to the Closing Date.

2. If paying by cheque, bank draft or money order

If paying by cheque, bank draft or money order, you will need to complete the enclosed Application Form with payment attached in Australian dollars, made payable to "Ceramic Fuel Cells Limited" and crossed "Not Negotiable", and return it, so that it is received at the Share Registry prior to the Closing Date, at the address below:

Ceramic Fuel Cells Limited
C/o Computershare Investor Services Pty Limited
GPO Box 505
MELBOURNE VIC 3001
AUSTRALIA

If paying by cheque, the cheque must be drawn from an Australian bank. Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Funds cannot be debited directly from your account.

If your personalised Application Form is misplaced, a replacement can be downloaded from www.investorcentre.com. To get access to the Application Form, you will need to supply your SRN/HIN.

Do not forward cash. Receipts for payments will not be issued.

Applications must be received by the Company's Share Registry by the Closing Date, being 5.00 pm (AEDT) on 20 December 2013. Applications received after that time will not be accepted. If your cheque does not clear or the amount of money tendered by your cheque or money order is not the required amount in respect of the number of Shares that you wish to apply for, the Company may (at its absolute discretion):

(a) Return your Application Form and the amount of your payment (either before or shortly after the Closing Date) and not allot any Shares to you; or

(b) If the cheque or money order is less than the required amount, allot a lesser number of Shares to you which reflects the amount of money actually tendered by you (subject to any pro-rata scale back and rounding down to the nearest whole Share).

Any necessary refund will be paid by the Company to you shortly after the Closing Date and no interest will be paid on any refunded money. You will not be able to withdraw or revoke your Application Form once you have sent it in.

Allotment Date

It is anticipated that the Shares will be allotted under the SPP on 30 December 2013 (**Allotment Date**) and application for quotation of your Shares on the ASX will be made at the same time. You should receive your holding statement or confirmation advice shortly after this date.

It is your responsibility to confirm your holding before trading in any New Shares you believe have been issued to you under the SPP. Any shareholder that sells New Shares before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. The Company and the Share Registry disclaim all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade their New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by the Company or the Share Registry.

What rights attach to the Shares

Shares issued under the SPP will rank equally with existing fully paid ordinary shares in the Company from the date of issue and will carry the same voting rights, dividend rights and other entitlements as at the date of allotment.

Declaration & Acknowledgement

By forwarding and completing an application for Shares under the SPP and/or by making payment by cheque, money order, bank draft or BPAY®, each applicant:

(a) acknowledges that he/she has read, understands and agrees to be bound by the terms of the SPP;

(b) certifies that (except where Shares are held as trustee or nominee on account of a beneficiary which is expressly noted on the Company's register of members) the aggregate of the application price for:

(i) the Shares or interests the subject of the application;

(ii) any other Shares or interests in the class applied for by or on behalf of the shareholder under the SPP or any shares or interests in the class issued under a similar plan operated by the Company in the 12 months prior to the application;

(iii) any other shares or interests in the class which the shareholder has instructed a custodian to acquire on their behalf under the SPP; and

(iv) any other shares or interests in the class issued to a custodian under an arrangement similar to the SPP in the 12 months before the application as a result of an instruction given by the shareholder to the custodian or another custodian and which resulted in the shareholder holding beneficial interests in the shares or interests,

does not exceed $15,000;

(c) certifies that (where Shares are held as trustee or nominee on account of a beneficiary which is expressly noted on the Company's register of members (**Beneficiary**)) the aggregate of the application price for:

(i) the Shares or interests the subject of the application;

(ii) any other Shares or interest in the class applied for by, or on behalf of, the Beneficiary under the SPP or any shares or interests in the class issued under a similar plan in the 12 months prior to the application;

(iii) any other shares or interests in the class which the shareholder has instructed a custodian to acquire on their behalf under the SPP; and

(iv) any other shares or interests in the class issued to a custodian under an arrangement similar to the SPP in the 12 months before the application as a result of an instruction given by the shareholder to the custodian or another custodian and which resulted in the shareholder holding beneficial interests in the shares or interests ,

does not exceed A$15,000;

(d) acknowledges that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities law of any other jurisdiction outside Australia or New Zealand; and

(e) agrees not to send any materials relating to the SPP to any person in the United States or to any person that is, or is acting for the account or benefit of, a U.S. Person.

Custodians who hold Shares in a class or on behalf of a beneficiary cannot apply for Shares totalling more than $15,000 in any 12-month period unless, on application, the custodian verifies in writing:

1 That the custodian complies with the definition of 'custodian' set out in ASIC Class Order [CO 09/425] and that the custodian has complied with ASIC Class Order [CO 09/425];

2 That the custodian holds the Shares in the class on behalf of one or more beneficiaries;

3 The number of participating beneficiaries;

4 The name and address of each beneficiary for whom the custodian applies for Shares;

5 For each beneficiary, the number of Shares that the custodian holds on behalf of that beneficiary;

6 For each beneficiary, the number, or dollar amount, of Shares the beneficiary has instructed the custodian or interposed custodian to apply for on behalf of the beneficiary;

7 For each beneficiary, that the application price of the Shares in the class applied for on their behalf under this SPP or any other shares or interests in the class issued to the custodian in the 12 months before the application as a result of an instruction given by them to the custodian or the downstream custodian to apply for shares or interests on their behalf under an

arrangement similar to the SPP does not exceed $15,000;

8 That a copy of the written offer document was given to each beneficiary; and

9 Where the custodian holds Shares on behalf of a beneficiary indirectly, through one or more interposed custodians, the name and address of each interposed custodian, and details of each beneficiary and their shareholdings in the class to which the beneficial interests relate.

Custodians should contact the Company's Share Registry at custodians@computershare.com.au and request a Beneficial Holders' schedule when making an application on behalf of beneficiaries.

Further information

If you have any questions in relation to the terms of the SPP or how to make an application, you may ring the Company's Share Registry on 1300 850 505 or +61 3 9415 5000 if calling from outside Australia. The Company's Share Registry will not provide financial, investment or taxation advice.

Independent financial or investment advice recommended

We recommend that you contact your stockbroker, accountant or professional adviser before investing in the Company's Shares under the SPP.

Anomalies and disputes

The Company may make determinations regarding this SPP in any manner it thinks fit, including in relation to any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any participant or application. Any amendment or determination by the Company will be conclusive and binding on all Eligible Shareholders and all other persons to whom the determination relates.

Governing Law

These terms are governed by the laws of the State of Victoria. By accepting this offer, you submit to the non- exclusive jurisdiction of the Courts of the State of Victoria.

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6 December 2013

Dear Shareholder

Fundraising for working capital and to increase volume production

On 4 December 2013, Ceramic Fuel Cells Limited (**Company** or **CFCL**) announced to the Australian Securities Exchange (**ASX**) that it would introduce a Share Purchase Plan (**SPP**) to shareholders with a registered address in Australia and New Zealand. Ordinary shares will be offered for subscription at 3.84 cents per share. In addition to the SPP, the Company proposes to raise additional funds from an offer to existing shareholders with registered addresses in Europe to subscribe for new ordinary shares at an issue price of 2.14 pence per share, to raise up to £4.14 million (approximately A$7.44 million) (**Overseas Offer**).

The purpose of the SPP and the Overseas Offer is to provide the Company with further working capital in order to fund:

- existing operations of the Company;
- an increase in volume production of the Company's products to leverage economies of scale and increase sales towards achieving a cashflow positive position;
- further value engineering to drive down manufacturing costs;
- the purchase of capital equipment in order to be able to increase capacity at the high volume assembly plant at Heinsberg, Germany; and
- continuance of its research and product development programmes.

As you have a registered address outside Australia, New Zealand and Europe, we are unable to offer you the opportunity to participate in the SPP or the Overseas Offer.

Business Overview and Recent Activities

CFCL makes small scale generators that use proprietary fuel cell technology to convert natural gas into electricity and heat for homes and small commercial buildings. CFCL has commercialised its technology into products and is now focused on selling these products to commercial customers in Europe.

CFCL was established in 1992, listed on the ASX in July 2004 and on the London AIM market in March 2006. CFCL has a broad portfolio of wholly-owned intellectual property, including 27 patent families (i.e. a single invention covered in multiple jurisdictions) that have been granted in key global markets.
In October 2012, the Company realigned its corporate structure and operational activities to reduce overhead costs and to focus resources on the German, UK and the Benelux markets. The Company has reduced its direct

sales investment in Australia, Japan and North America, and transferred a number of corporate activities to Europe.

Although the Company has adopted a narrower strategic focus it may monitor the developments and opportunities presented in other geographic markets – particularly in China, Japan and North America. The Company would consider entering new markets if they presented significant near term sales opportunities and also provided opportunities to fund that market entry.

As a result of this restructure the Company has reduced its head count in Australia and increased its European sales and manufacturing teams. This reduction, along with the reduction of certain activities, is expected to result in a cost saving of approximately A$5 million in a full year. The Company and its subsidiaries currently employ approximately 140 staff in Australia, the United Kingdom and Europe.

Products

CFCL's BlueGen® product provides one and a half kilowatts of electricity as well as heat for hot water for homes and other buildings. Our core Gennex™ fuel cell module is also being integrated by our development partners into micro combined heat and power ("mCHP") products which include a boiler for additional space heating.

The Company's products have achieved peak electrical efficiency of 60 per cent, which the Directors believe is higher than any other technology in the very large market for small-scale power and heating products. The Directors believe the nearest competitor in this market has an electrical efficiency of approximately 45 per cent.

This very high electrical efficiency cuts carbon emissions by up to two-thirds compared to power generated by coal fired power stations. The Company's products can maintain high electrical efficiency over a wide power modulation range.
The Company has installed and operated more than 381 units in 10 countries, for combined operation of more than 3.4 million hours.
CFCL has received numerous industry awards in Germany, the UK and Australia, the latest being the prestigious European Green Tec award, Europe's premier award for environmental technology, which it received in September 2013.

Sales and Revenue Growth

Sales activity is now focused in Europe with the primary markets being Germany, the UK and the Benelux region. In the first quarter of FY 2014, 49 units were sold with a further 29 in October and a further 33 being sold in November. Total revenue was down in FY13 compared to FY12 due to a delay in the announcement of anticipated state subsidies from the German State of North-Rhine Westphalia ("NRW") as well as the delay in implementing the direct sales strategy. This strategy could only meaningfully be implemented after the May 2013 capital raising was completed. The Company is progressing from low volume, early sales for field trial purposes, to higher volume sales to customers seeking an acceptable economic return. Since June 2012 the Company has successfully reduced the cost of manufacturing its products by approximately 25 per cent. This follows on from reductions that were made in the previous year.

In late October 2012, the NRW announced a subsidy scheme for mCHP products. Under the scheme the NRW Government pays a capital subsidy to commercial customers and energy service companies who install highly efficient mCHP products of less than 50 kilowatts. The Company's BlueGen and integrated mCHP products fall in this category and are strongly positioned to take full advantage of this scheme and an increase in applications for subsidies has been seen during October 2013 compared to September 2013.

The subsidy program is part of a NRW Government funding programme of up to €250 million to support deployment of large and small scale CHP, and is due to run until the end of 2017. Based on the first applications that were approved in mid-March 2013, the Company can confirm that commercial customers will receive a subsidy of between €9,000 and €13,000 per unit, dependent on the size of their business. BlueGens is being targeted primarily at the SME's and consequently will secure the higher subsidy.

In addition to the NRW subsidies, on 10 October 2013, the Company advised that the Government in the German state of Hesse had announced a funding programme to support mCHP installations. The level of subsidy per unit is comparable to that of the NRW programme at circa €13,000 per installed mCHP unit.

The Company also advised, on 30 October 2013, that the Government in the German state of Saxony had announced a €3 million funding programme for fuel cell products. Under the programme up to 75 per cent of the product and installation costs will be funded. The programme is expected to be in place until the end of 2014.

The Company anticipates that other German States will soon be announcing programmes to support clean energy. These subsidies are in addition to the German Federal Government feed-in tariff for mCHP products.

The Directors believe that these measures, in addition to the cost down measures currently being implemented by the Company, can bring the net price of a BlueGen unit down to a level where commercial customers with an appropriate level of energy use can achieve a payback period of between 4 and 7 years.

There is also policy support for our products in the United Kingdom. On 1 December 2012 the UK Government increased the feed-in tariff that applies to mCHP units that are accredited under the UK's Microgeneration Certification Scheme (MCS). The feed-in tariff is now 12.5 pence per kilowatt-hour (kWh) for all electricity generated plus an additional 4.5 pence per kWh for electricity not used on site and exported to the grid. BlueGen is currently the only fuel cell based mCHP appliance accredited under the MCS and hence the only fuel cell product eligible for this feed-in tariff. The Directors believe that this policy will also have a positive impact on sales.

The Company's sales channel strategy is to use both direct and indirect sales channels to sell its products. In December 2012 the Company established a direct sales force in Germany to focus on the opportunities presented in NRW. The direct sales approach has resulted in additional resources being recruited in Germany and the UK and this strategy is beginning to gain traction. The Company is also working to increase its indirect sales channels through partnering with utilities and installers.

In order to drive sales growth, from late 2012 the Company's marketing communication function has been fully managed in Europe. The Company is increasing its investment in this area, and has recently recruited a communications manager to raise the profile of both the BlueGen and Ceramic Fuel Cells brands in the key product markets of Germany, UK and Benelux.

Recent sales successes the Company announced were:

on 10 October 2013 – the installation of the second tranche of mCHP units under the Soft-Pact project in the first quarter of CY 2014;

on 30 October 2013 – the awarding of a tender to supply 12 units to the Local Gas and Heating Institute's "Innovation City Ruhr", in NRW, Germany;

on 13 November 2013 – the funding approval for the installation of 45 units for the Dutch Island of Ameland's virtual power plant;

on 13 November 2013 – the agreement with National Grid Affordable Wealth Solutions to deliver 10 units for installation in selected Housing Associations; and on 28 November 2013 – the appointment Synergy International OU ("SI") as distributor for the Baltic and Scandinavian regions and the sale of a minimum of 1,000 BlueGen mCHP units over the next two calendar years. SI will purchase 500 units per calendar year on a take-or-pay basis. The total value of the units amounts to in excess of €20 million.

Manufacturing and Supply Chain

The Company has built an assembly plant in Heinsberg, Germany, to manufacture fuel cell stacks, the core of the Gennex fuel cell module, and to assemble complete BlueGen units. The individual fuel cell components are shipped to the Heinsberg plant (together with other components) to be assembled into fuel cell stacks.

During 2012, the Company began outsourcing the production of its fuel cell components to Chaozhou Three-Circle (Group) Co., Ltd ("CCTC") in China. Under this supply arrangement CCTC is responsible for making the fuel cell parts to CFCL's design and specification. The outsourcing of cell production to CCTC has resulted in a significant reduction in cell costs whilst maintaining high quality standards. CCTC has invested several million dollars in its plant to service the Company's cell production requirements. A strategy is in place to undertake further manufacturing of components in China which will further reduce the cost of production. In addition, our major suppliers have indicated that there will be significant cost savings once production volumes increase to reasonable levels.

The Company works closely with its key supply chain partners and believes that they are both ready and capable of meeting the Company's future production plans.

The Company's 4X4 furnace, at its Heinsberg manufacturing facility, is ramped up to produce 14 stacks per firing and the Company now has a combined capacity of approximately 30 fuel cell stacks per week or 1,500 fuel cell stacks per year, based on current operating procedures.

The plant's production throughput can be increased above 1,500 units per year without additional capital spending, by operational efficiencies (such as improving processes and production flow, reducing furnace cycle times, loading and unloading times, robot optimisation), more flexible work practices (the plant is currently operating on a single shift); and by continuing to outsource the manufacturing and assembly of components and sub-assemblies. Modest investments in multiple tooling will also increase production levels.

To further increase production (funds permitting) the Company intends to make further capital expenditures to increase furnace capacity to circa 4,000 – 4,800 stacks per year. It is expected that this capital expenditure would cost approximately A$5 million.

In December 2012 the plant in Heinsberg successfully underwent its first annual accreditation review for the UK Microgeneration Certification Scheme (MCS). The successful completion of this audit review is necessary to ensure that BlueGen units made at the plant are allowed to carry the MCS Certificate which in turn is required to earn the feed-in tariff in the UK.

From June 2012 to October 2013 the Company has reduced the unit standard costs of the BlueGen product by approximately 25 per cent, down to approximately €16,650 per unit. We are pursuing several options to continue to further reduce unit costs including redesigning some high value components, outsourcing selected manufacturing and sub-assembly operations and internal process improvements.

As a reasonableness test of the Company's internal cost projections it has sought to benchmark itself against the experience of other industries employing similar manufacturing processes to those required for the Company's products. Based on this work, the Company believes that it should be possible to achieve further reductions in the total manufactured cost of the product for each doubling of output volume. This reduction in costs will be achieved by outsourcing a greater volume of components to China as well as direct delivery from China to Heinsberg.

Refund from Taxation Office for expenditure on research and development

On 30 October 2013, in its Quarterly Cashflow Report, the Company announced that it had lodged its tax return for FY2013 which included circa $4M of research and development activities and that indications were that it would receive the refund in November. The Company confirms that it received these funds in the third week of November.

Continuous disclosure

The Company is a disclosing entity for the purpose of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations.

The Company believes that it has complied with the general and specific disclosure requirements of the Corporations Act and Listing Rules, which require the Company to notify ASIC of certain information and notify ASX of information about specific events or matters as they arise, for the purpose of ASX making that information available to the market conducted by ASX.

The Company suggests you review all the Company announcements that have been lodged with the ASX either by looking them up on the ASX (www.asx.com.au) or Company (www.cfcl.com.au) websites. It also encourages you to read the Company's Annual Report to Shareholders that was lodged on 27 September 2013 and the Quarterly Cashflow Report which was released on 30 October 2013.

More Information

More information on the Company and its products, including past announcements to the market and financial reports (annual accounts, half year accounts and quarterly cashflow reports) is available at the Company's website, www.cfcl.com.au.

More information about our BlueGen product is available at www.bluegen.info.

Use of Funds and Working Capital

During FY2012, the Company raised circa A$11.1 million from an Australian and New Zealand Rights Issue and an Overseas Offer. In FY2013 it raised circa A$5.6 million through the same mechanism. The Company encourages its Shareholders to subscribe to this offer in order to raise similar amounts to that raised in previous years. These funds will be used for the purposes outlined above in the section headed 'Fundraising'.

Your Directors advise that until the Company becomes cash flow positive it will need to raise further capital or debt. Please refer to the "capital raising sensitivity analysis" section in the Terms of the Share Purchase Plan Document enclosed with this letter.

On behalf of the Board, I take this opportunity to thank you for your ongoing support of the Company.

Yours sincerely

Alasdair Locke
Chairman
Ceramic Fuel Cells Limited

Ceramic Fuel Cells Limited
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6 December 2013

2013 Share Purchase Plan

*This document is a summary only, and is not a substitute for the terms of the share purchase plan (**SPP**) and related documents. Before making a decision to apply for shares under the SPP, you should read the terms of the SPP and related documents in full, and you should seek independent financial, taxation and investment advice. You should also refer to the information on the Company and its products, including past announcements to the market and financial reports (annual accounts, half year accounts and quarterly cashflow reports) that is available at the Company's website, www.cfcl.com.au.*

Who is eligible to participate in the SPP?

You are eligible to participate in the SPP (**Eligible Shareholder**) if you:

- were the registered holder of one or more fully paid ordinary shares in Ceramic Fuel Cells Limited (**Company**) at 7.00 pm (AEDT time) on 3 December 2013 (**Record Date**);
- have an Australian or New Zealand registered address (unless you hold the shares on behalf of another person who resides outside Australia or New Zealand); and
- meet all requirements outlined in the SPP terms.

Will a prospectus or disclosure document be issued in the context of the SPP?

No. The SPP is being conducted in accordance with Class Order [CO 09/425] issued by the Australian Securities and Investments Commission so a disclosure document under the Corporations Act 2001 (Cth) (**Corporations Act**) is not being provided. The SPP is also being made in accordance with Exception 15 under ASX Listing Rule 7.2 and therefore shareholder approval to the issue of shares under the SPP is not required.

Eligible Shareholders should therefore note that the terms of the SPP and any related documents do not contain the level of disclosure required under the Corporations Act to be included in a prospectus or other disclosure document. Eligible Shareholders should therefore seek independent financial and investment advice, before deciding to apply for shares under the SPP.

Important information for New Zealand shareholders

This SPP offer is being made to the Company's New Zealand resident shareholders without a New Zealand registered prospectus or an investment statement, in accordance with the New Zealand Securities Act (Overseas Companies) Exemption Notice 2013. Accordingly, the SPP offer document may not contain all of the information which a New Zealand investor may require to make a decision as to whether to apply for shares and does not contain all the information which would otherwise be required by New Zealand law to be disclosed in a registered prospectus and an investment statement.

How many shares can I apply for under the SPP?

The amount that can be subscribed under the SPP is limited. Eligible Shareholders may, regardless of the number of shares held on the Record Date, subscribe for ordinary shares to a maximum of $15,000.

Am I required to participate in the SPP?

No. Participation in the SPP is optional. The offer to acquire shares is not a recommendation. If you are in any doubt about this offer you should seek independent financial and taxation advice regarding your participation in the SPP.

Can I transfer my entitlement to participate in the SPP?

No. The offer under the SPP is non-renounceable. This means that you cannot transfer your right to purchase shares under the SPP to another person or entity.

When does the SPP close?

The SPP offer opens at noon (AEDT time) on 9 December 2013 and closes at 5.00 pm (AEDT time) on 20 December 2013 (**Closing Date**). The Company reserves the right to change this date and time.

What rights attach to shares to be issued under the SPP?

Shares issued under the SPP will rank equally with existing fully paid ordinary shares in the Company from the date of issue and will carry the same voting rights, dividend rights and other entitlements as at the date of allotment.

Will my application be successful?

The Company intends to issue up to 480,386,224 shares in total under the SPP. This is equal to 30% of the number of fully paid ordinary shares on issue in the Company, to allow the SPP to fall within Exception 15 under ASX Listing Rule 7.2. In these circumstances, shareholder approval to the issue of shares under the SPP will not be required.

Given the number of shareholders at the Record Date, each of whom will have a right to subscribe for up to $15,000 of additional shares, it is possible that the Company could receive applications from Eligible Shareholders for shares which, in aggregate, exceed 480,386,224 shares (being the maximum number of shares that the Company intends to issue and allot under this SPP).

The Company reserves the right to scale back allocations under the SPP, on a pro-rata basis (subject to rounding down to the nearest whole share), in its absolute discretion. This includes the right to scale back allocations if the Company believes that to do otherwise would be contrary to the law. An example of a circumstance in which the Company may scale back allocations is where the Company receives applications from Eligible Shareholders for shares which, in aggregate, exceed 480,386,224 shares, as this would mean that Exception 15 under ASX Listing Rule 7.2 would not apply and the Company would be required to seek shareholder approval to issue shares under the SPP.

Should this happen, you may be allocated shares to a value which is less than the amount you applied for, and the difference refunded to you. Interest will not be paid on any money refunded.

What costs will I incur by participating in the SPP?

The SPP involves an offer to Eligible Shareholders to apply for shares without being required to pay brokerage fees or incurring additional transaction costs. You may be required to pay to obtain your own independent financial, taxation and/or investment advice prior to making a decision as to whether or not to apply for shares under the SPP.

THE CONTENT OF THIS PROMOTION HAS NOT BEEN APPROVED BY AN AUTHORISED PERSON WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED). RELIANCE ON THIS PROMOTION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO A SIGNIFICANT RISK OF LOSING ALL AMOUNTS INVESTED.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action that you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended), if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your registered holding of Ordinary Shares on or before 3 December 2013, please forward this document and the enclosed Application Form to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or otherwise transferred part of your holding of Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been, and will not be, approved by or filed with the FCA. In issuing this document, Ceramic Fuel Cells Limited is relying on Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended. Details of this exemption are set out in Part II of this document. Applications in respect of the Overseas Offer from persons not falling within such exemption will be rejected and the Overseas Offer contained in this document is not capable of acceptance by such person. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document. This document and its contents are confidential and must not be distributed or passed on, directly or indirectly, to any other person. This document is being supplied to you solely for your information and may not be reproduced by, further distributed or published in whole or in part by, any other person.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Field Fisher Waterhouse LLP, 35 Vine Street, London, EC3N 2PX from the date of this document to the date of admission of the Overseas Offer Shares.

Applications will be made to the ASX and the London Stock Exchange for the Overseas Offer Shares to be admitted to trading on the ASX and AIM and it is anticipated that dealings will commence on or around 2 January 2014.

Ceramic Fuel Cells Limited

(*incorporated and registered in Australia under the Corporations Act 2001 with registered number ABN 82 055 736 671*)

Overseas Offer of up to 193,542,793 new Ordinary Shares to Qualifying Participants

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This document should be read in its entirety and, in particular, your attention is drawn to the section headed "Risk Factors" in Part III of this document.

The Overseas Offer Shares have not and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold or subscribed, directly or indirectly, within the United States, Canada, Japan, South Africa, Australia or New Zealand or to or by any US Person (as such term is defined in Regulation S promulgated under the Securities Act) or any national, resident or citizen of Canada, Japan, South Africa, Australia or New Zealand or any corporation, partnership or other entity created or organised under the laws thereof. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this document in other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

CONTENTS

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"€5 Million Maximum"	the aggregate maximum subscription under the Overseas Offer (before expenses) of the pounds sterling equivalent of €5 million
"Admission"	the admission of the Overseas Offer Shares to trading on AIM becoming effective pursuant to Rule 6 of the AIM Rules and to trading on the ASX
"AIM"	the AIM market operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange, as in force at the date of this document
"Application Form"	the application form in respect of the Overseas Offer accompanying this document
"A$"	Australian dollars, the lawful currency of Australia
"ASX"	ASX Limited (ABN 98 008 624 691) and the Australian Securities Exchange, as applicable
"Benelux"	a union of states comprising of Belgium, the Netherlands and Luxembourg
"CCTC"	Chaozhou Three-Circle (Group) Co. Ltd
"CHESS"	Clearing House Electronic Sub-register System of Australia
"CHP"	the simultaneous generation of electrical and thermal energy from a heat engine or power station
"Computershare"	Computershare Investor Services PLC, receiving agents to the Company and depositary for the DIs
"Company" or **"CFCL"**	Ceramic Fuel Cells Limited (ABN 82 055 736 671) and whose registered office address is 170 Browns Road, Noble Park, Victoria 3174, Australia
"Corporations Act"	the Corporations Act 2001 (Cth)
"CREST"	the Relevant System for the paperless settlement of share transfers and the holding of shares in uncertified form in respect of which Euroclear is the Operator (as defined by the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755)
"CY"	calendar year
"Depositary Interest" or "DI"	the depositary interests issued by Computershare representing Ordinary Shares
"Directors" or the **"Board"**	the board of directors of the Company
"Enlarged Issued Share Capital"	the issued ordinary share capital of the Company as enlarged following the Fundraising and assuming the SPP Shares and Overseas Offer Shares are taken up in full
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Financial Promotion Order"	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
"FCA"	the Financial Conduct Authority
"Fundraising"	the SPP and Overseas Offer
"FY"	fiscal year
"Issue Price"	2.14 pence (approximately A$0.0384) per new Ordinary Share
"Issuer Sponsored"	shares controlled by the particular share registry used by a listed company on the ASX
"London Stock Exchange"	London Stock Exchange plc

"mCHP"	micro combined heat and power
"NRW"	the German State of North-Rhine Westphalia
"Overseas Offer"	the offer of the Overseas Offer Shares on the terms and conditions set out in this document and the Application Form accompanying this document
"Overseas Offer Shares"	up to 193,542,793 new Ordinary Shares to be issued to Qualifying Participants under the Overseas Offer
"Ordinary Shares"	ordinary shares of no par value in the Company or, where the context requires, DIs
"£" and **"p"**	respectively pounds and pence sterling, the lawful currency of the United Kingdom
"Prospectus Rules"	the Prospectus Rules published by the FCA
"Qualifying Participants"	Shareholders on the register of members of the Company or the register of holders of DIs, as applicable, on the Record Date other than Shareholders resident in a Restricted Jurisdiction and any other jurisdiction in which it would be unlawful to offer the Overseas Offer Shares or the Overseas Offer would require to be approved by a regulatory body
"Record Date"	the record date in relation to the Overseas Offer, being 6.00 p.m. on 3 December 2013
"Regulatory Information Service"	a service approved by the London Stock Exchange for the distribution to the public of AIM announcements
"Relevant System"	has the meaning given in the CREST Regulations
"Restricted Jurisdictions"	Australia, New Zealand, USA, Canada, the Republic of South Africa and Japan
"Shareholders"	holders of Ordinary Shares or Depositary Interests, as applicable
"SMEs"	small and medium enterprises
"SPP"	the share purchase plan comprising an offer of the SPP Shares to existing Shareholders in Australia and New Zealand announced by the Company on 4 December 2013
"SPP Shares"	up to 480,386,224 new Ordinary Shares to be issued to Shareholders eligible to participate under the SPP
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland
"US" or **"USA"** or **"United States of America"**	the United States of America, each state thereof, its territories and possessions, and all areas subject to its jurisdiction

EXPECTED TIMETABLE FOR OVERSEAS OFFER

Record Date for the Overseas Offer	6.00 p.m. on 3 December 2013
Date of this document and posting of the Application Form	4 December 2013
Latest time and date for receipt of completed Application Forms	11.00 a.m. on 20 December 2013
The results of the Overseas Offer announced by way of a Regulatory Information Service	27 December 2013
Admission of and commencement of dealings on AIM and ASX of the Overseas Offer Shares	2 January 2014
CHESS/Issuer Sponsored/CREST accounts expected to be credited for the Overseas Offer Shares	2 January 2014

Each of the times and dates in the above timetable is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement on a Regulatory Information Service.

References to time in this document are to London time unless otherwise stated.

If you have any questions on how to complete the Application Form, please contact Computershare on telephone number 0870 889 3272 (calls cost approximately 8p per minute (excluding VAT) from a BT landline, other telephone provider costs may vary) (+44 870 889 3272 from outside the UK). This helpline is open from 9.00 a.m. to 5.00 p.m. on business days (i.e. Monday to Friday and excluding public holidays) in the UK. Calls to the helpline from outside of the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. Please note that calls to the helpline may be monitored or recorded and that the helpline is not able to advise on the merits of the matters set out in this document or provide any personal legal, financial or taxation advice.

The Company's SEDOL code is B0Z5537 and ISIN code is AU000000CFU6.

The exchange rates used in this document are: £1 : A$1.7962; £1 : €1.2072; and €1 : A$1.4879

OVERSEAS OFFER STATISTICS

Number of Ordinary Shares in issue at the date of this document	1,601,287,414
Maximum number of SPP Shares	480,386,224
Maximum number of Overseas Offer Shares	193,542,793
Enlarged Issued Share Capital following the Fundraising[1]	2,275,216,431
Maximum proceeds of the Overseas Offer[2]	£4,141,815.77

1 Assuming full take up under the Overseas Offer and the SPP.

2 The Overseas Offer is capped at the pounds sterling equivalent of €5,000,000 and calculated from an exchange rate of £1 : €1.2072 as of 2 December 2013 (derived from the European Central Bank).

DIRECTORS, SECRETARY AND ADVISERS

Directors	Alasdair Locke (*Chairman*) Robert Kennett (*Executive Director*) Clifford Ashby (*Executive Director*) Dr Peter Binks (*Non-Executive Director*) Dr Roman Dudenhausen (*Non-Executive Director*)
Company Secretary	Glenn Raines
Registered office	170 Browns Road Noble Park Victoria 3174 Australia
Nominated Adviser and Broker	Arden Partners PLC 125 Old Broad Street London, EC2N 1AR United Kingdom
Legal advisers to the Company	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA United Kingdom DLA Piper Australia Level 21, 140 William Street Melbourne Victoria 3000 Australia
Auditors	PricewaterhouseCoopers Freshwater Place, Level 19 2 Southbank Boulevard Southbank, Victoria 3006 Australia
Receiving Agents	Computershare Investor Services PLC Corporate Actions Projects Bristol BS99 6AH United Kingdom

PART I

Letter from the Chairman

Ceramic Fuel Cells Limited

(incorporated and registered in Australia under the Corporations Act 2001 with registered number ABN 82 055 736 671)

Directors:	*Registered Office:*
Alasdair Locke (*Chairman*)	170 Browns Road
Robert Kennett (*Executive Director*)	Noble Park
Clifford Ashby (*Executive Director*)	Victoria 3174
Dr Peter Binks (*Non-Executive Director*)	Australia
Dr Roman Dudenhausen (*Non-Executive Director*)	

4 December 2013

Dear Shareholders,

Overseas Offer of up to 193,542,793 new Ordinary Shares to Qualifying Participants

Introduction

On behalf of the Directors, it is my pleasure to offer you an opportunity to participate in an offer for subscription of new Ordinary Shares of Ceramic Fuel Cells Limited at the Issue Price (being 2.14 pence per new Ordinary Share) to raise up to €5 million (or approximately £4.14 million). Further details in respect of the Overseas Offer are set out in Part II of this document.

As already announced, in addition to the Overseas Offer, the Company proposes to raise additional funds from the SPP, which allows existing Shareholders with registered addresses in Australia or New Zealand to subscribe for new Ordinary Shares at the Issue Price up to a maximum value of A$15,000 per eligible Shareholder. The SPP is not underwritten and the entitlement to participate in the SPP cannot be sold or transferred.

The subscription prices for the SPP and the Overseas Offer have been designed to give eligible shareholders the ability to subscribe for Ordinary Shares at the same price as the investors who subscribed for the equity issue and the convertible loan notes announced on 3 May 2013.

The purpose of this Fundraising is to provide the Company with further working capital in order to fund: the existing operations of the Company; an increase in volume production of the Company's products to leverage economies of scale and increase sales towards achieving a cashflow positive position; further value engineering to drive down manufacturing costs; the purchase of capital equipment in order to be able to increase capacity at the high volume assembly plant at Heinsberg, Germany; and continuance of its research and product development programmes.

Further details about the purpose of the Fundraising, and the impact on the Company's operations, are set out below. The Board believes that raising funds through the Fundraising is in the best interests of all Shareholders and can place the Company in a strong position to capitalise on the significant global opportunities for its products. If there is limited take-up under the Overseas Offer, the Company will have to secure other sources of funding to be able to continue operations as a going concern and may have to reduce operational and capital expenditure across all of its facilities.

Detailed information about the Overseas Offer and the Company's business, as well as the risks of investing in the Company, are set out in this document, which I encourage you to read carefully.

More information about the Company and our recent activities, including our announcements and financial reports, is available at the Company's website, www.cfcl.com.au.

On behalf of the Board, I encourage you to consider subscribing for new Ordinary Shares in the Overseas Offer. I take this opportunity to thank you for your ongoing support of the Company.

Business Overview and Recent Activities

Background

CFCL makes small scale generators that use proprietary fuel cell technology to convert natural gas into electricity and heat for homes and small commercial buildings. CFCL has commercialised its technology into products and is now focused on selling these products to commercial customers in Europe.

CFCL was established in 1992, listed on the ASX in July 2004 and on AIM in March 2006. CFCL has a broad portfolio of wholly-owned intellectual property, including 27 patent families (i.e. a single invention covered in multiple jurisdictions) that have been granted in key global markets.

In October 2012, the Company realigned its corporate structure and operational activities to reduce overhead costs and to focus resources on the German, UK and the Benelux markets. The Company has reduced its direct sales investment in Australia, Japan and North America and transferred a number of corporate activities to Europe.

Although the Company has adopted a narrower strategic focus, it may monitor the developments and opportunities presented in other geographic markets – particularly in China, Japan and North America. The Company would consider entering new markets if they presented significant near term sales opportunities and also provided opportunities to fund that market entry.

As a result of this restructure the Company has reduced its head count in Australia and increased its European sales and manufacturing teams. This reduction, along with the reduction of certain activities, is expected to result in a cost saving of approximately A$5 million (approximately £2.78 million) in a full year. The Company and its subsidiaries currently employ approximately 140 staff in Australia, the United Kingdom and Europe.

Products

CFCL's BlueGen® product provides one and a half kilowatts of electricity as well as heat for hot water for homes and other buildings. Our core Gennex™ fuel cell module is also being integrated by our development partners into mCHP products which include a boiler for additional space heating.

The Company's products have achieved peak electrical efficiency of 60 per cent, which the Directors believe is higher than any other technology in the very large market for small-scale power and heating products. The Directors believe the nearest competitor in this market has an electrical efficiency of approximately 45 per cent. This very high electrical efficiency cuts carbon emissions by up to two-thirds compared to power generated by coal fired power stations. The Company's products can maintain high electrical efficiency over a wide power modulation range.

The Company has installed and operated more than 380 units in 10 countries, for a combined operation of more than 3.4 million hours.

CFCL has received numerous industry awards in Germany, the UK and Australia, the latest being the prestigious European Green Tec award, Europe's premier award for environmental technology, which it received in September 2013.

Sales and Revenue Growth

Sales activity is now focused in Europe with the primary markets being Germany, the UK and the Benelux region. In the first quarter of FY14, 49 units were sold with a further 29 in October and 33 sold in November.

Total revenue was down in FY13 compared to FY12 due to a delay in the announcement of anticipated state subsidies from the German State of North-Rhine Westphalia as well as the delay in implementing the direct sales strategy. This strategy could only meaningfully be implemented after the May 2013 capital raising was completed. The Company is progressing from low volume, early sales for field trial purposes, to higher volume sales to customers seeking an acceptable economic return. Since June 2012 the Company has successfully reduced the cost of manufacturing its products by approximately 25 per cent. This follows on from reductions that were made in the previous year.

In late October 2012, the NRW announced a subsidy scheme for mCHP products. Under the scheme the NRW government pays a capital subsidy to commercial customers and energy service companies who install highly efficient mCHP products of less than 50 kilowatts. The Company's BlueGen and integrated mCHP products fall in this category and are strongly positioned to take full advantage of this scheme and an increase in applications for subsidies has been seen during October 2013 compared to September 2013.

The subsidy programme is part of an NRW Government funding programme of up to €250 million to support deployment of large and small scale CHP, and is due to run until the end of 2017. Based on the first applications that were approved in mid-March 2013, the Company can confirm that commercial customers will receive a subsidy of between €9,000 and €13,000 per unit, dependent on the size of their business. BlueGens are being targeted primarily at the SMEs and consequently will secure the higher subsidy.

In addition to the NRW subsidies, on 10 October 2013, the Company advised that the Government in the German state of Hesse had announced a funding programme to support mCHP installations. The level of subsidy per unit is comparable to that of the NRW programme at circa €13,000 per installed mCHP unit.

The Company also advised, on 30 October 2013, that the Government in the German state of Saxony had announced a €3 million funding programme for fuel cell products. Under the programme up to 75 per cent. of the product and installation costs will be funded. The programme is expected to be in place until the end of 2014.

The Company anticipates that other German States will soon be announcing programmes to support clean energy. These subsidies are in addition to the German Federal Government feed-in tariff for mCHP products.

The Directors believe that these measures, in addition to the cost reduction measures currently being implemented by the Company, can bring the net price of a BlueGen unit down to a level where commercial customers with an appropriate level of energy use can achieve a payback period of between four and seven years.

There is also policy support for our products in the United Kingdom. On 1 December 2012, the UK Government increased the feed-in tariff that applies to mCHP units that are accredited under the UK's Microgeneration Certification Scheme (MCS). The feed-in tariff is now 12.5 pence per kilowatt-hour (kWh) for all electricity generated plus an additional 4.5 pence per kWh for electricity not used on site and exported to the grid. BlueGen is currently the only fuel cell based mCHP appliance accredited under the MCS and hence the only fuel cell product eligible for this feed-in tariff. The Directors believe that this policy will also have a positive impact on sales.

The Company's sales channel strategy is to use both direct and indirect sales channels to sell its products. In December 2012 the Company established a direct sales force in Germany to focus on the opportunities presented in NRW. The direct sales approach has resulted in additional resources being recruited in Germany and the UK and this strategy is beginning to gain traction. The Company is also working to increase its indirect sales channels through partnering with utilities and installers.

In order to drive sales growth, from late 2012 the Company's marketing communication function has been fully managed in Europe. The Company is increasing its investment in this area, and has recently recruited a communications manager to raise the profile of both the BlueGen and Ceramic Fuel Cells brands in the key product markets of Germany, UK and Benelux.

Recent sales successes the Company announced were:

- on 10 October 2013 – the installation of the second tranche of mCHP units under the Soft-Pact project in the first quarter of CY 2014;
- on 30 October 2013 – the awarding of a tender to supply 12 units to the Local Gas and Heating Institute's "Innovation City Ruhr", in NRW, Germany;
- on 13 November 2013 – the funding approval for the installation of 45 units for the Dutch Island of Ameland's virtual power plant;
- on 13 November 2013 – the agreement with National Grid Affordable Wealth Solutions to deliver 10 units for installation in selected Housing Associations; and
- on 28 November 2013 – the appointment of Synergy International OU ("**SI**") as distributor for the Baltic and Scandinavian regions and the sale of a minimum of 1,000 BlueGEN m-CHP units over the next two calendar years. SI will purchase 500 units per calendar year on a take-or-pay basis. The value of the units amounts to in excess of €20 million.

Manufacturing and Supply Chain

The Company has built an assembly plant in Heinsberg, Germany, to manufacture fuel cell stacks, the core of the Gennex fuel cell module, and to assemble complete BlueGen units. The individual fuel cell components are shipped to the Heinsberg plant (together with other components) to be assembled into fuel cell stacks.

During 2012, the Company began outsourcing the production of its fuel cell components to Chaozhou Three-Circle (Group) Co. Ltd in China. Under this supply arrangement CCTC is responsible for making the fuel cell parts to CFCL's design and specification. The outsourcing of cell production to CCTC has resulted in a significant reduction in cell costs whilst maintaining high quality standards. CCTC has invested several million dollars in its plant to service the Company's cell production requirements. A strategy is in place to undertake further manufacturing of components in China which will further reduce the cost of production. In addition, our major suppliers have indicated that there will be significant cost savings once production volumes increase to reasonable levels.

The Company works closely with its key supply chain partners and believes that they are both ready and capable of meeting the Company's future production plans.

The Company's 4X4 furnace, at its Heinsberg manufacturing facility, is ramped up to produce 14 stacks per firing and the Company now has a combined capacity of approximately 30 fuel cell stacks per week or 1,500 fuel cell stacks per year, based on current operating procedures.

The plant's production throughput can be increased above 1,500 units per year without additional capital spending, by operational efficiencies (such as improving processes and production flow, reducing furnace cycle times, loading and unloading times, robot optimisation), more flexible work practices (the plant is currently operating on a single shift); and by continuing to outsource the manufacturing and assembly of components and sub-assemblies. Modest investments in multiple tooling will also increase production levels.

To further increase production (funds permitting) the Company intends to make further capital expenditures to increase furnace capacity to circa 4,000 – 4,800 stacks per year. It is expected that this capital expenditure would cost approximately A$5 million.

In December 2012 the plant in Heinsberg successfully underwent its first annual accreditation review for the UK Microgeneration Certification Scheme (MCS). The successful completion of this audit review is necessary to ensure that BlueGen units made at the plant are allowed to carry the MCS Certificate which in turn is required to earn the feed-in tariff in the UK.

From June 2012 to October 2013 the Company has reduced the unit standard costs of the BlueGen product by approximately 25 per cent, down to approximately €16,650 per unit. We are pursuing several options to continue to further reduce unit costs including redesigning some high value components, outsourcing selected manufacturing and sub-assembly operations and internal process improvements.

As a reasonableness test of the Company's internal cost projections it has sought to benchmark itself against the experience of other industries employing similar manufacturing processes to those required for the Company's products. Based on this work, the Company believes that it should be possible to achieve further reductions in the total manufactured cost of the product for each doubling of output volume. This reduction in costs will be achieved by outsourcing a greater volume of components to China as well as direct delivery from China to Heinsberg.

Refund from Taxation Office for expenditure on research and development

On 30 October 2013, in its quarterly cashflow report, the Company announced that it had lodged its tax return for FY13 which included circa A$4 million of research and development activities and that indications were that it would receive the refund in November. The Company confirms that it received these funds in the third week of November.

More Information

More information on the Company and its products, including past announcements to the market and financial reports (annual accounts, half year accounts and quarterly cashflow reports) is available at the Company's website, www.cfcl.com.au.

More information about our BlueGen product is available at www.bluegen.info.

Use of Funds and Working Capital

The Company intends to raise funding of up to €5 million (approximately £4.14 million) from the Overseas Offer and up to approximately A$12 million (approximately £6.68 million) from the SPP (however under the provisions of the Australian listing rules, the Company is able to accept applications totalling up to A$18.47 million should there be sufficient demand from eligible shareholders).

The purpose of the SPP and the Overseas Offer is to provide the Company with further working capital in order to fund:

- the existing operations of the Company;
- an increase in volume production of the Company's products to leverage economies of scale and increase sales towards achieving a cashflow positive position;
- further value engineering to drive down manufacturing costs;
- the purchase of capital equipment in order to be able to increase capacity at the high volume assembly plant at Heinsberg, Germany; and
- continuance of its research and product development programmes.

It is expected that the total amount raised under the SPP and under the Overseas Offer will have an impact on the Company's operations and financial position over the next seven months. However, it is not possible for the Directors to know in advance how much will be raised under the SPP and the Overseas Offer, and as such, any shortfall in the actual amount raised may have impacts on the Company's ability to continue its operations.

Capital Raising Sensitivity Analysis

The potential impacts on the Company's current business plan for various levels of funds raised under the Fundraising are described below:

1. ***If the total amount raised from the Fundraising is A$12 million (approximately £6.68 million):***

   The Directors consider that if A$12 million is raised under the Fundraising, it would have the following effects:

   - allow the Company to execute its current business plan, with minimal contingency to 30 June 2014;
   - strengthen the Company's balance sheet. The Directors believe that this will encourage supply chain partners to further engage with the Company as it moves from ordering components in small volumes (lots of approximately 100) to larger volumes (lots of approximately 1,000). In many cases this requires supply chain partners to invest in the scale-up of their own production capacity. It is expected that through economies of scale this will result in a reduction in the cost of a BlueGen unit by up to approximately 20 per cent.;
   - allow the Company to fund increased working capital requirements as it increases its direct sales force in order to increases its sales volumes. It would also allow the Company to undertake further plant expansion and engineering work to reduce component and manufactured costs as well as manufacture in greater volumes in order to meet expected sales volumes. It would enable the Company to continue its research and product development work; and
   - provide an opportunity for the Company to increase its sales and hold further discussions with potential partners before seeking further funding.

2. ***If the total amount raised from the Overseas Offer is A$8 million (approximately £4.45 million):***

   The Directors consider that if A$8 million is raised under the Fundraising, it would have the following effects:

   - allow the Company to execute its current business plan for the first quarter of calendar year 2014, while it seeks further funding. It would not allow the Company to undertake the proposed capital expansion at its manufacturing facility and would reduce the engineering work being done to reduce the manufactured cost of BlueGen units. The Directors believe this will result in a slower move down the manufacturing cost curve. As a result, in order to make a positive margin on sales, the Company will have to maintain a higher selling price for longer. This in turn is likely to reduce demand for the Company's products;
   - if demand for products is higher than that envisaged in the current business plan, the Company would have reduced financial and manufacturing capacity to respond to this demand, meaning lost sales opportunities; and
   - the level of investment that could be made in recruiting additional sales staff to grow volume would also be reduced.

3. ***If the total amount raised from the Fundraising is A$4 million (approximately £2.23 million):***

The Directors consider that if A$4 million is raised under the Fundraising, it would have the following effects:

- the Directors believe that this would severely restrict the execution of the Company's current business plan and would require additional funding in February 2014. The Directors believe this could negatively affect both the Company's ability, and the supply chain partners' willingness, to accept orders at the higher 1,000 volume level and to pass on the resulting lower component costs. This would have negative implications for gross margins and the Company's ability to offer lower selling prices as demand increases;
- in response, the Company would seek to reduce both operational and capital expenditure across all its facilities. Engineering cost reduction and research and product development work would be severely curtailed and staff numbers may be reduced;
- the Directors would seek to increase the Company's level of cash resources. Potential sources of future funding may include, but are not limited to:
  - securing debt financing for working capital requirements; and
  - further issues of equity.

Notwithstanding anything outlined in this Document, the Directors reserve the right to vary the application of funds in the best interests of the Company.

The Overseas Offer

The Company considers it important that Shareholders have an opportunity to participate in the Fundraising on equivalent terms and conditions to the SPP. We have been advised that Qualifying Participants can subscribe for Overseas Offer Shares, in aggregate, for up to the €5 Million Maximum without the Company having to produce an approved prospectus in accordance with the Prospectus Rules which would be time consuming and costly. At current exchange rates, €5 million equates to approximately £4.14 million.

The Issue Price was determined to be 2.14 pence per Ordinary Share. This Issue Price is a discount of 9.89 per cent. to the mid market closing price of the Company's shares traded on AIM on 3 December 2013 of 2.375 pence per share (being the latest practicable date prior to the publication of this document).

The subscription prices for the SPP and the Overseas Offer have been designed to give eligible shareholders the ability to subscribe for Ordinary Shares at the same price as the investors who subscribed for the equity issue and the convertible loan notes announced on 3 May 2013.

The Issue Price is the same price at which the Company's shares are offered under the SPP.

Qualifying Participants may apply for as many Overseas Offer Shares as they wish. However, in the event that Shareholders apply for an aggregate amount that is greater than the €5 Million Maximum, the Directors will use their discretion to scale back such applications such that this maximum is not exceeded. For further information on the Overseas Offer see Part II of this document and the risk factors detailed in Part III of this document.

In order to apply for Overseas Offer Shares, Qualifying Participants should complete the enclosed Application Form in accordance with the instructions set out on it and return it and the appropriate remittance, by post, to Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH, United Kingdom or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, United Kingdom, together, in each case, with payment in full, so as to be received no later than 11.00 a.m. on 20 December 2013.

Any Qualifying Participant who is a Depositary Interest holder applying for Overseas Offer Shares under the Overseas Offer hereby agrees that, if their application is successful, any such Overseas Offer Shares will be issued to Computershare Clearing Pty Ltd who will hold them pursuant to the terms of the CFCL depositary interest trust deed and will credit the Depositary Interest holder's account in CREST with the applicable number of Depositary Interests.

All other Qualifying Participants whose applications are successful will receive Ordinary Shares which will be deposited in the applicable CHESS or Issuer Sponsored account. The Overseas Offer is not being underwritten.

Qualifying Participants under the Overseas Offer are not entitled to participate in the SPP.

The Overseas Offer is conditional on Admission occurring on or around 2 January 2014 (or such later date, being not later than 8.00 a.m. on 16 January 2014, as the Company may decide).

Dilutionary Impact of Fundraising

The proposed issue of new Ordinary Shares pursuant to the Fundraising is likely to dilute your shareholding in the Company. If you do not participate in the Overseas Offer, you will be diluted.

The following table outlines the maximum dilution you will be subject to if you do not participate in the Overseas Offer, and assuming the SPP and the Overseas Offer are fully subscribed:

	Maximum Dilution
Following the Overseas Offer	10.78%
Following the Overseas Offer and the SPP	29.62%

Actions to be taken

Qualifying Participants wishing to participate in the Overseas Offer should carefully read the Application Form and accompanying instructions and send completed Application Forms along with the appropriate remittance to Computershare at the address specified in the instructions.

Yours faithfully,

Alasdair Locke
Chairman

PART II

Details of the Overseas Offer

The Overseas Offer

The Overseas Offer comprises an offer to Qualifying Participants of up to 193,542,793 Overseas Offer Shares with the aggregate consideration to be received by the Company limited to the €5 Million Maximum. Qualifying Participants can apply for as many Overseas Offer Shares as they wish. However, the Directors reserve the right to exercise their discretion in the allocation of successful applications, including, without limitation, to ensure no Overseas Offer Shares are issued so as to exceed the €5 Million Maximum.

The Overseas Offer is only open to Qualifying Participants and, save as set out in the preceding paragraph, there is no maximum or minimum subscription per applicant. No Qualifying Participant may subscribe for Overseas Offer Shares in excess of the €5 Million Maximum. Multiple applications may be submitted. Qualifying Participants who are joint Shareholders may only apply for Overseas Offer Shares as joint applicants.

The Issue Price will apply to Qualifying Participants holding Depositary Interests traded on AIM as well as to Qualifying Participants holding Ordinary Shares traded on the ASX.

The Overseas Offer is conditional on Admission occurring on 2 January 2014 (or such later date, being not later than 16 January 2014, as the Company may decide). If Admission has not occurred by such time and date, applications are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant's risk) through the post as soon as practicable. Any interest earned on the application monies will be retained for the benefit of the Company.

The Overseas Offer will close at 11.00 a.m. in London on 20 December 2013 unless previously closed or extended.

The Overseas Offer is not being underwritten.

The Application Form and accompanying procedure for application sets out, in detail, how Qualifying Participants may participate under the Overseas Offer.

Applications must be made on the terms and conditions set out in Part V of this document and in the Application Form and by duly completing and returning the Application Form and appropriate remittance.

Dealings and Settlement on AIM and ASX

The Overseas Offer Shares will be allotted and issued fully paid and will, on issue, rank *pari passu* with the existing Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid after the date of issue together with all rights attaching to them and free from all liens, charges and encumbrances of any kind. Application will be made to ASX for the Overseas Offer Shares to be listed and admitted to trading on the ASX. Application will also be made to the London Stock Exchange for the Overseas Offer Shares to be admitted to trading on AIM. Admission to trading on AIM is expected to occur at 8.00 a.m. on 2 January 2014.

Prospectus Rules and Financial Promotion Order

Since the Overseas Offer is limited to the €5 Million Maximum, the Overseas Offer does not constitute an offer of transferable securities to the public within the meaning of the Prospectus Rules, and as such this document does not constitute a prospectus.

Furthermore, this document is exempt from the general restriction contained in section 21 of the Financial Services and Markets Act 2000 relating to the communication of invitations or inducements to engage in investment activity on the grounds that it is being made available by the Company only to Qualifying Participants. Accordingly, the Overseas Offer is only capable of being accepted by Qualifying Participants. As this document relies on the exemption set out in Article 43 of the Financial Promotion Order (non real time communications by or on behalf of a body corporate to members of that body corporate), it has not been drawn up in accordance with the FCA's Handbook or its Conduct of Business Sourcebook.

PART III

Risk Factors

Overview

An investment in the Company involves significant risks and is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to bear any losses (which may be equal to the whole amount invested) which may result from such an investment.

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised.

Before deciding to invest in the Company, potential investors should read this entire document and the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your stockbroker, bank manager, solicitor or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended), if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

Set out below are some of the risks associated with an investment in the Company. Each of these risks could, if it eventuates, have a material adverse impact on the Company's operating performance and the value of its Ordinary Shares.

Pre-profitability

An investment in the Company should be regarded as high risk given its current stage of development. If the Company experiences delays in meeting its development goals or if the Company's products exhibit technical defects or if the Company cannot meet sales, cost or performance targets, the Company's commercialisation plans will be delayed.

Capital raising sensitivity analysis

The Company intends to raise funding of up to €5 million (approximately £4.14 million) from the Overseas Offer and up to approximately A$12 million (approximately £6.68 million) from the SPP. However, it is not possible for the Directors to know in advance how much will be raised under the Fundraising, and as such, any shortfall in the actual amount raised may have impacts on the Company's ability to continue its operations. In addition, if an insufficient amount is raised pursuant to the Fundraising, the Company will be required to consider additional sources of funding including debt financing and further issues of equity.

The potential impacts on the Company's current business plan for various levels of funds raised under the Fundraising are described in Part I of this document.

Utility and appliance manufacturer partnerships

The Company has entered into product development agreements with utility customers and appliance manufacturers to develop mCHP products based on the Company's technology. Those agreements generally contain "stage gates" or milestones (such as the end of a major project phase) at which the parties review the project and agree whether to proceed with the next stage. If the agreed milestones are not achieved, or Government funding is not provided, these orders may be delayed or reduced. The Company's customers and partners also have certain rights to terminate projects.

Manufacturing expansion

To support the Company's commercialisation strategy, the Company needs to manufacture its fuel cell stacks in commercial quantities, in compliance with regulatory requirements and at an acceptable cost. The Company has built a volume fuel cell stack manufacturing plant in Germany, but has limited experience at volume manufacturing its products. There is no guarantee that the Company can scale up its manufacturing processes as smoothly, quickly or efficiently as it plans to.

Core technology

The Company's future revenues are highly dependent upon products based on its solid oxide fuel cell technology. There is no guarantee that the Company will be able to manufacture products that have reliability, robustness and lifetime performance sufficient to meet the requirements of commercial customers.

Product liability

The Company's technology may contain undetected defects which could harm the Company's reputation, result in loss of customers and revenues, and expose it to product liability claims. Whilst the Company is conducting tests (and will continue to conduct tests) to predict the overall life of its products, the Company has not yet operated its products over the extended period of time required by commercial customers. Therefore there is a risk that the Company's products do not last as long as predicted, or perform according to specifications, which could result in warranty claims and additional costs to the Company.

Intellectual property

The Company relies on a combination of patents, trade secrets, trademarks, copyright and licences, together with non-disclosure and confidentiality agreements, to establish and protect its proprietary rights in its technologies. If the Company is unable to adequately protect its intellectual property rights or becomes subject to a claim of infringement, its business may be materially adversely affected.

Dependence on suppliers

The Company depends on a small number of suppliers to provide key inputs to enable the Company to make its fuel cell stacks, particularly one supplier of fuel cell components, and on other suppliers of components for its BlueGen product. These suppliers may not be able to develop and supply inputs to meet the Company's requirements for quality, quantity, lead time and cost. If the inputs provided by these suppliers are specialised or proprietary, the Company may be unable to obtain substitutes, which may prevent or delay the Company from successfully commercialising its technology.

Growth in the business

The Company is projecting considerable future growth in its business. The Company will have to maintain close co-ordination among its technical, accounting, manufacturing, sales and marketing and research and product development departments and maintain adequate control systems. The Company will also need to closely co-ordinate its activities with its supply chain partners who may need to invest further to scale up their production capacity to meet the Company's growth projections.

Reliance on key personnel

The Company's success depends to some degree on the continued services of its senior management and key personnel. Whilst the Directors believe that the terms of employment of the Company's employees contain robust restrictive covenants, the loss of their services could disrupt the Company's operations and harm its business.

Additional funding requirements

The Company may need to raise further funds to continue to commercialise its technology to the point where the Company is cashflow positive. If the Company requires access to further funding, the Company may be adversely affected if access to capital or debt is not available at all or on commercially acceptable terms. If additional funds should be raised by issuing equity, this might result in dilution to the existing shareholdings at that time.

The Company may not be able to offer first ranking security against new debt, owing to its secured convertible notes, and this may limit the Company's ability to secure loan funding.

Exchange rates

A large proportion of the Company's expenses and liabilities, including those related to research and development, are denominated in Australian dollars and its revenues are (currently) mainly in Pounds Sterling and Euros. The Company does not currently intend to enter into arrangements to hedge these non-Australian denominated cash flows back to Australian dollars. In addition, the Company has assets located outside Australia or denominated in foreign currencies. As a result, the Company's financial results will be subject to the effects of exchange rate fluctuations.

The Company's secured convertible notes are issued in Pounds Sterling and there is foreign currency exposure at the time of repayment.

Share market

On completion of the Overseas Offer, the Ordinary Shares may trade on AIM or ASX at higher or lower prices than the Issue Price. Investors who decide to sell their Ordinary Shares after Admission may not receive the amount of their original investment. There can be no guarantee that the price of the Ordinary Shares will increase after Admission. The price at which the Ordinary Shares trade on AIM or ASX may be affected by the financial and product performance of the Company and by external factors over which the Directors and the Company have no control. These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

Tax risk

Although the Company does not currently pay any income tax, due to the existence of accumulated income tax losses, any change to the rate of company income tax in jurisdictions in which the Company operates may impact on future shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

Legislative and regulatory changes

The Company's technology or products based on its technology may not comply with environmental laws or energy regulations in all countries of the world. Any imposition of liability that is not covered by the Company's insurance or is in excess of the Company's insurance coverage could have a material adverse effect on the Company's image, business, financial condition and results of operations. No assurance can be given that the Company will be able to obtain any necessary licence required in the future. Similarly, no assurance can be given that future changes in laws or government policies affecting the Company's technology or products will not have a material adverse effect on the Company's business, financial condition and results of operations.

Sales and installation

The Company's sales channel strategy is to use both direct and indirect sales channels to sell its products. The Company must seek to manage these channels to optimise its sales performance.

Direct sales channel

The Company is building its own direct sales force in Europe to target specific market segments. The Company has limited experience in building and managing a direct sales force. If the sales force does not achieve an acceptable level of performance then this would negatively impact the achievement of the Company's sales objectives.

Indirect sales channel

The Company has established, and continues to establish, a network of utilities, distributors and installers to sell, install and service its products. For this strategy to be effective the Company needs to select and train sales and service partners who have the necessary capability, resources and motivation in order to properly sell, install and service the Company's products. A delay by these sales and service partners in selling or installing the Company's products will have a negative impact on the Company's finances.

Market and policy risk

In order to reduce operating costs the Company is now focusing on a small number of European markets, mainly Germany and UK, where there is policy support for its type of products, most notably in the form of subsidies and feed-in tariffs.

There has been recent pressure on clean energy policies in these markets that have seen reductions in the feed-in tariffs applying to certain renewable technologies. If the current policies were to be reduced or removed then this may result in the volume of sales being significantly lower than expected.

Pricing risk

The Company needs to charge appropriate prices for its products and for ongoing support services and replacement parts. Setting prices for new products made in relatively small volumes with relatively high costs of production, involves balancing two risks: the risk of making a loss on sales (margin risk) versus the risk of making fewer sales (revenue risk). Setting a high price reduces margin risk but if the price is more than customers are prepared to pay, it increases revenue risk. Conversely, discounting the price can lead to more sales, but this forces the Company to sell at a lower margin (or at a loss), increasing margin risk. If the Company cannot balance these risks across its product range, and through different sales channels in different geographic markets, it may result in lower sales revenue and/or lower or negative margins on sales.

Credit risk

The Company may supply products to indirect sales channels or end customers on credit terms. This may expose the Company to the risk of non-payment of all or part of the amount due to it.

Loan Note Holders are secured creditors

The Company currently has convertible loan notes in issue. The loan note holders are secured creditors of the Company. In these circumstances, if the Company is unable to repay any amount outstanding in connection with the loan notes, then a person seeking repayment of such amount may institute proceedings seeking (either or both of) repayment of the relevant amount, appointment of a receiver to recover these monies and possibly winding up of the Company if the Company cannot satisfy its repayment obligations. If a receiver is appointed to the Company or it is wound up in these circumstances, the proceeds from sale of the assets of the Company may be used (in whole or in part, depending on the amount outstanding in connection with the loan notes) to repay the outstanding amount.

Profitability and commercialisation

No representations or assurances as to future profitability or dividends can be given by the Company, since these elements are dependent on the future success of the development programs currently being undertaken.

Dependence on general economic conditions

A prolonged deterioration in general economic conditions could be expected to have a material adverse impact on the Company's business and financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

PART IV

Additional Information

1. Responsibility Statement

The Directors, whose names and functions appear in paragraph 2 below, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors of the Company

The current Directors and their respective positions are as follows:

Name	*Position*
Alasdair Locke	Chairman
Robert Kennett	Executive Director and Chief Executive Officer
Clifford Ashby	Executive Director and Chief Financial Officer
Dr Peter Binks	Non-Executive Director
Dr Roman Dudenhausen	Non-Executive Director

3. The Company

The Company was incorporated under the Corporations Law of Victoria in the State of Victoria on 6 July 1992 as a limited company with registered number ABN 82 055 756 671. The Company's legal and commercial name is Ceramic Fuel Cells Limited. The principal legislation under which the Company operates is the Australian Corporations Act 2001.

4. Share Capital

The following table sets out the Company's current capital structure and its capital structure immediately following the successful completion of the Fundraising, assuming that no existing options are exercised prior to completion of the Fundraising.

Share capital	*Ordinary Shares*
Ordinary Shares in issue at the date of this document	1,601,287,414
Maximum number of new Ordinary Shares proposed to be issued under the SPP	480,386,224
Maximum number of new Ordinary Shares proposed to be issued under the Overseas Offer	193,542,793
Ordinary Shares on completion of Fundraising[1]	2,275,216,431

1 Assuming maximum number of shares allotted under the SPP and the Overseas Offer.

5. Shareholdings and option holdings of Directors

The following table sets out the relevant interests in Ordinary Shares and options held by each Director as at the date of this document:

Director	*Number of Ordinary Shares*	*Number of Ordinary Shares under option*
Alasdair Locke (*Chairman*)	83,258,782	Nil
Robert Kennett (*Executive Director*)	360,000	Nil
Clifford Ashby (*Executive Director*)	Nil	Nil
Dr Peter Binks (*Non-Executive Director*)	17,625	Nil
Dr Roman Dudenhausen (*Non-Executive Director*)	781,250	Nil

Note: This table does not take into account any new Ordinary Shares the Directors may acquire under the Overseas Offer or SPP.

6. Tax

It is the responsibility of all Qualifying Participants considering participating in the Overseas Offer to satisfy themselves of the particular tax consequences that apply to them, by consulting their own professional tax advisers. Neither the Company nor any of its officers, employees or agents, nor its taxation or other advisers accepts any liability or responsibility in respect of taxation consequences connected with the Overseas Offer.

7. Continuous disclosure

The Company is a disclosing entity for the purpose of the Corporations Act and is subject to regular reporting and disclosure obligations pursuant to the Act and the AIM Rules.

The Company believes that it has complied with the general and specific disclosure requirements of the Corporations Act, the Listing Rules of the ASX and the AIM Rules, which require the Company to notify certain information and specific events or matters as they arise.

The Company suggests you review all the Company announcements that have been lodged with the ASX either by looking them up on the ASX (www.asx.com.au) or Company (www.cfcl.com.au) websites. It also encourages you to read the quarterly Company's annual report to Shareholders that was lodged on 27 September 2013 and the quarterly cashflow report which was released on 30 October 2013.

PART V

Terms and Conditions of the Overseas Offer

(a) The contract created by the acceptance by the Company (at the discretion of the Directors) of applications from Qualifying Participant(s) under the Overseas Offer is conditional upon Admission occurring on 2 January 2014 (or such later date, being not later than 16 January 2014, as the Company may decide).

(b) The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt on which no interest will be payable to the applicant(s) and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof, will be returned by crossed cheque in favour of the applicant(s), through the post at the sole risk of the person entitled thereto on which no interest will be payable, within seven days of the closing of the Overseas Offer.

(c) By completing and delivering an Application Form each Qualifying Participant who applies for Overseas Offer Shares:

(i) offers to subscribe for the amount of Overseas Offer Shares specified in such applicant's Application Form (or such lesser amount for which such applicant's application is accepted) on the terms of, and subject to, this document, including (without limitation) these terms and conditions, and the constitution of the Company and the terms and conditions set out in the Application Form;

(ii) represents and agrees that, in consideration of the Company agreeing that it will not prior to the closing date of the Overseas Offer issue any Overseas Offer Shares to any person other than by means of the procedures referred to in this document, such applicant's application shall not be revoked and this paragraph shall constitute a collateral contract between such applicant and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, Computershare of such applicant's Application Form;

(iii) represents and warrants that such applicant's remittance will be honoured on first presentation and agrees that, if it is not so honoured, such applicant will not be entitled to receive the Overseas Offer Shares applied for unless and until such applicant makes payment in cleared funds for such Overseas Offer Shares and such payment is accepted by the Company in its absolute discretion (which acceptance may be on the basis that such applicant indemnifies the Company against all costs, damages, losses, expenses and liabilities arising out of, or in connection, with the failure of such applicant's remittance to be honoured on first presentation) and such applicant agrees that, at any time prior to the unconditional acceptances by the Company, the Company may (without prejudice to any other rights(s)) avoid the agreement to issue such Overseas Offer Shares and may issue such Overseas Offer Shares to some other person, in which case such applicant will not be entitled to any payment in respect of such Overseas Offer Shares;

(iv) agrees that, in respect of those Overseas Offer Shares for which such applicant's application has been received and is not rejected, acceptance of such applicant's application shall be constituted, at the election of the Company, by notification of acceptance thereof to Computershare;

(v) agrees that any monies returnable to such applicant may be retained by Computershare pending clearance of such applicant's remittance and the completion of any verification of identity required by the Money Laundering Regulations 2007 and/or any amendment, modification, and/or re-enactment of the same and that such monies will not bear interest;

(vi) agrees that, in the case of Depositary Interest holders only, if such applicant's application is successful, any Overseas Offer Shares to be issued to such applicant will be issued to Computershare Clearing Pty Ltd who will hold them pursuant to the terms of the CFCL depositary instrument trust deed and will credit such applicant's CREST account with the applicable number of Depositary Interests;

(vii) authorises Computershare to credit the appropriate CHESS, Issuer Sponsored or CREST account, as the case may be, in respect of the number of Overseas Offer Shares, or DIs in respect of such Overseas Offer Shares, for which such applicant's application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the sole risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;

(viii) represents and warrants that, if such applicant signs an Application Form on behalf of somebody else, such applicant has due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose such applicant's power of attorney or a copy thereof duly certified by a solicitor with the Application Form;

(ix) agrees that all applications, acceptances of applications and contracts resulting therefrom under the Overseas Offer shall be governed by and construed in accordance with English law, and that such applicant submits to the jurisdiction of the English Courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;

(x) confirms that, in making such application, such applicant is not relying on any information, representation and/or warranty in relation to the Company other than the information contained in this document and accordingly such applicant agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information, representation and/or warranty;

(xi) agrees that, having had the opportunity to read this document, such applicant shall be deemed to have had notice of all information and representations concerning the Company contained herein;

(xii) in the case of any Qualifying Participant who is a joint Shareholder, agrees that such joint Shareholder applicant may only apply for Overseas Offer Shares as joint applicants;

(xiii) confirms, represents and warrants that such applicant has read and complied with paragraph (d) below;

(xiv) represents and warrants that such applicant is not resident in a Restricted Jurisdiction;

(xv) represents and warrants that such applicant is not a person who, by virtue of being resident in, or a citizen of, any country outside the United Kingdom, is prevented by the law of any relevant jurisdiction from lawfully applying for Overseas Offer Shares;

(xvi) represents and warrants that such applicant is a Qualifying Participant and that such applicant is not (and is not applying as a nominee or agent of) a person liable to pay higher rate stamp duty under section 93 or section 96 of the Finance Act 1986 and/or tax under the Stamp Duty Reserve Tax Regulations 1986;

(xvii) confirms, represents and warrants that such applicant has read the restrictions contained in paragraph (e) below and represents and warrants as provided therein;

(xviii) represents and warrants that such applicant is not under the age of 18;

(xix) represents and warrants that such applicant is a person of the kind described in Article 43 of the Financial Promotion Order, being a Shareholder at the Record Date; and

(xx) agrees that all documents and cheques sent by post, by or on behalf of the Company or Computershare, will be sent at the risk of the person(s) entitled thereto.

(d) No person receiving a copy of this document and/or any Application Form in any territory may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including (without limitation) obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

(e) The Overseas Offer Shares have not been and will not be approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorised passed upon or endorsed the merit of the Overseas Offer or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The Overseas Offer Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the ''Securities Act'') or under the securities laws of any state or other jurisdiction in the United States, neither do they qualify for distribution under any of the relevant securities laws of any other Restricted Jurisdiction, nor has any prospectus in relation to the Overseas Offer Shares been lodged with or registered by the Australian Securities and Investments Commission. Persons subscribing for Overseas Offer Shares shall be deemed, and (unless the Company is satisfied that Overseas Offer Shares can be issued without breach of security laws, including (without limitation) those of any Restricted Jurisdiction) shall be required, to represent and warrant to the Company that they are not a person in the United States and that they are not subscribing for such Overseas Offer Shares for the account of any such person and will not offer, sell, renounce, take up, transfer or deliver, directly or indirectly, such Overseas Offer Shares in the United States or to any such person or in or into any other Restricted Jurisdiction.

(f) Applicants are encouraged to submit their Application Forms early. In the event that applications are received for an amount in excess of the €5 Million Maximum, the Directors reserve the right to exercise their discretion in the allocation of successful applications. The right is also reserved to reject in whole or in part any application or any part thereof for any reason whatsoever, including (without limitation) a breach of any of the terms, conditions, representations and/or warranties set out in this document and/or the Application Form and to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form.

(g) The offer pursuant to the Overseas Offer is non-renounceable. This means that you cannot transfer your right to purchase Ordinary Shares under the Overseas Offer to another person or entity.

(h) Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the Application Form and any explanatory notes in relation thereto.

(i) The terms of the Overseas Offer are governed by the laws of England and Wales. By accepting the offer, you submit to the non- exclusive jurisdiction of the Courts of England and Wales.