

Pty Limited AFSL 247404

29th June 2004

Barry Dawes

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CAPITAL STRUCTURE

Proposed ASX code	CFU
Offer price	\$1.00
Existing shares	94,836,448
IPO shares	15,000,000
Market cap. Post IPO	109,836,448

SHAREHOLDERS (post IPO)

Ceramic Fuel Cells Limited	%
Metasource (Woodside Pet)	33.7
Energex	32.4
CSIRO	3.6
Commonwealth Govt	2.6
Western Power	1.20
BHP Billiton	0.5

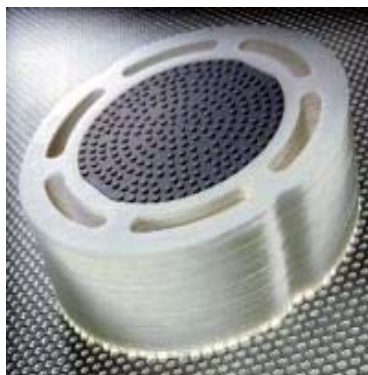
DIRECTORS

Exec Chairman	Julian Dinsdale
Non-Executive	Colin Adam
Non-Executive	Sally Pitkin
Non-Executive	Jack Hamilton
Non-Executive	John Dempsey

REGISTERED OFFICE

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WHI Securities Pty Ltd ABN 30 094 927 947

Commercialising Distributed Power Generation

Ceramic Fuel Cells Limited

- CFU to list on ASX on 5 July 2004
- A\$15m raised in IPO to accelerate commercialisation
- CFU's Solid Oxide fuel cells (SOFC) are world leaders
- High oil prices driving interest in alternate energy technologies
- Blue-chip shareholder base includes Woodside Pet and Energex
- CFU valued at substantial discount to a new AIM listing in UK

CFU is at the forefront of SOFC technology and could become a leader in the emerging fuel cell market for Distributed Generation(DG)

The A\$15m IPO followed A\$10.5m in pre-IPO funding that should allow speedy commercialisation of CFU's fuel cells technology.

The SOFC technology has immediate application as components in appliances for domestic and commercial purposes. These appliances include combined heat and power ("CHP") units that use natural gas and other hydrocarbons as fuel. CHP units provide on site heat and power with excess power saleable back to the grid.

Alternate energy systems and DG (on site generation) are becoming increasingly attractive in today's high oil price regime. Desire for higher energy efficiencies and better energy security can only accelerate the unmet demand for fuel cells in CHP units.

CFCL's patented SOFC technology is now demonstrated, internationally recognised and is being commercialised. The technology is environmentally friendly, energy efficient and silent.

First deliveries of CHP units will begin in Dec Qtr 2004 and will accelerate during 2005 as the Noble Park fuel cell plant is expanded.

CFCL's 13 pre IPO shareholders include Metasource (a wholly-owned subsidiary of Woodside Petroleum Ltd), Energex, CSIRO, the Australian Government, BHP-Billiton and Mitsui.

The recent listing of ITM-Power showed the very strong European interest in fuel cells with its £47m (A\$120m) valuation after a £10m raising. ITM is in very early stages of development of its PEM cell technology and is at a substantial premium to the valuation for CFU.

An even higher valuation was set for another UK AIM listing in Intelligent Energy which had proposed a £200m (A\$520m) market valuation after a £60m raising but the IPO was withdrawn pending review. Russian oil giant Yukos owns 26%.

The brief comparison with ITM-Power set out on the following page reinforces CFU's excellent value.

Comparison of Ceramic Fuel Cells Limited (CFU) with ITM-Power (ITM), a new listing on LSE's AIM.

The market for fuel cells in the UK and Europe is strong reflecting the growing needs for:-

- Higher energy efficiencies
- Reduced atmospheric emissions
- Reduced reliance on foreign fuels
- Options for portable and standby power generation

The European high energy cost structure measured in high fuel costs for coal, gas and oil, rising capital demand for transmission lines and increasing end user electricity prices sets a firm background for fuel cells in on-site electricity generation. Fuel cells installed in combined heat and power (CHP) units in homes as part of a distributed generation network will provide higher electricity output per unit of energy input and also substantially lower atmospheric emissions per unit of electricity output. These are powerful factors in the demand for CHP units.

Higher fuel efficiencies will also reduce at the margin the increasing reliance on gas from Russia and oil from OPEC.

Solid Oxide Fuel cells are ideal for these markets in high temperature roles using gas, but other fuel cell types such as Proton Exchange Membrane (PEM) cells are better for transportation, portable power and standby services in low temperature uses with hydrogen or methanol fuels.

CFU fits in the former but the new AIM IPO ITM-Power fits the latter.

Both have important technologies but CFU appears to be 2-3 years ahead with its commercialisation and has spent **over A\$125m** on R&D and testing over 11 years whilst ITM-Power has spent **less than £1m** in the past two years of its existence and not much more over the past five years.

Whatever the respective merits in each technology it is clear investors in CFU are getting far better value.

		CFCL	ITM-Power
Fuel Cell Type		Solid Oxide	PEM
Size kW		1-10	0.02-0.5
Technology		Ceramic fuel cell - ceramic disks - non-PGM catalysts	New PEM Membrane - new low cost polymers - new non carbon H ₂ electrolyzers
Fuel processor		Methane reformer	H ₂ electrolyser
Fuel		Methane gas/LPG	Hydrogen/methanol
Strategy		Commercialisation	R&D
Start up		1992	2001
Prototype testing		October 2002	December 2005
Product testing		January 2004	Early 2006
Markets		Combined Heat /Power	Portable power
Initial Sales		Dec Qtr 2004	2006
	A\$/£	2.60	
R&D Expenditure	A\$m	128.0	2.3
	£m	49.2	0.9
Pre funding Valuation	A\$m	84.3	92.8
	£m	32.4	35.7
Capital raising	A\$m	25.0	26.0
	£m	9.6	10.0
IPO Market cap	A\$m	109.8	118.8
	£m	42.2	45.7
Issue price	A\$	1.00	1.30
	£	0.38	0.50

WHISecurities Pty Ltd

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Australian Financial Services Licence Number: 247404

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Disclosure

WHI Securities Pty Ltd and its associates declare that as at 28 June 2004 they have a relevant interest in the securities recommended herein, in particular:

- WHI Securities Pty Ltd received a fee in respect of its role as Manager of the A\$10.55m pre IPO funding.
- WHI Securities Pty Ltd received a fee in respect of its role as Lead Adviser to the A\$15m IPO
- The author(s) of this document do have a relevant interest in any securities contained herein. This position can change at any time.
- The directors and associates of WHI Securities Pty Ltd hold shares in Ceramic Fuel Cells Limited. This position can change at any time.