

8 September 2004

**Barry Dawes**

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**CAPITAL STRUCTURE**

ASX code	CFU
Price	A\$0.83
Shares on issue	109.8m
Market cap.	A\$89m

**SHAREHOLDERS**

Ceramic Fuel Cells Limited	%
Metasource	34.8
Energex	33.5
CSIRO	3.6
Commonwealth Govt	1.3
Western Power	1.2
BHP Billiton	0.5

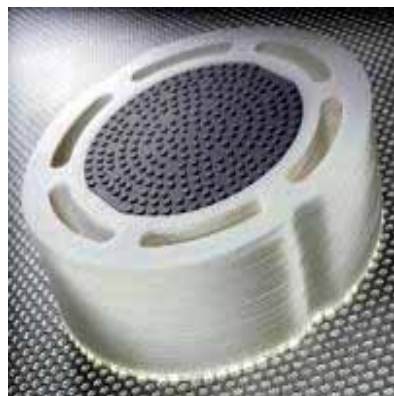
**DIRECTORS**

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

**REGISTERED OFFICE**

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## Ceramic Fuel Cells Limited

- Fuel cell stocks rallying worldwide
- CFU announces CERAM Research partnership
- CERAM is a world leading ceramics engineering consultancy
- CERAM to assist in developing new manufacturing plant
- New Non exec Director appointed

Against a background of strong market upmoves amongst North American and UK fuel cell companies CFU is on track with its aim to establish itself as one of the world's important producers of energy efficient solid oxide fuel cells.

This partnership with CERAM will assist in the development of the most efficient new mass manufacturing plant for the ceramic disks used in the CFU solid oxide fuel cell. CERAM is acknowledged as one of the world's leading research centres on ceramics and its experience in manufacturing processes will provide invaluable input into the design for the new plant.

CERAM's research coverage entails not only the performance of ceramics in the manufacturing process but will also build on the thorough research done over the past decade by CFU. CERAM also specialises in optimising ceramic manufacturing processes through a highly sophisticated computer programming that assesses the flow sheet as well as performance of the ceramics themselves.

CFU aims to establish a JV with one of a shortlist of high profile operators to manufacture the fuel cells using CFU's intellectual property and the CERAM input. The JV partner will have the manufacturing experience to build and operate a high volume advanced materials production line.

CFU has also appointed Mr David Carruthers, a former MD of the Victorian State Treasury Corporation and former CFO of BP Finance, as a new Non exec Director.

The global high cost energy environment shown best by record oil prices is being matched by rises in other energy prices.

World export prices for thermal coal are around US\$60/t (up over 140% on 2002 levels of US\$25/t), and US and European LNG prices are about US\$5/Gj (up 65% over 2002 levels of US\$3/Gj). Prices in the US for natural gas are below the highs of around US\$13/mmBTU in early 2003 but have remained high at around US\$5. Prices for gas in Europe are also rising and British Gas has advised that prices at the wholesale level will be 28% higher in 2004 and up a further 20% in 2005.

Higher gas, coal and oil prices are pushing up electricity prices around the world so the focus on highly efficient fuel cells is gathering pace.

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## Sharemarket performances

The fuel cell universe has had a strong two week period after a very weak June and July. Fuel cell market leader Ballard Power has focussed on proton exchange membrane (PEM) fuel cells for transportation using hydrogen as fuel. Market concerns about the longevity of its technology have increased in recent months with the result that Ballard has almost halved since January 2004. A hydrogen fire in August added to its woes. Ballard brought down most of the sector into July 2004 but recent action has shown break aways from Ballard and PEM cells to other technologies.

Of the universe of 15 stocks followed in North America, 8 have risen by 10% or more since the low in August 2004.

The recent ITM Power listing on AIM last week rose 25% from 49p to 63p. ITM Power was listed on 11 June at a market cap of A\$120m after spending just A\$2.3m on research and development.

CFU has at last jumped through A\$0.80 and should be on track to soon exceed its IPO issue price of A\$1.00.

		Price	% Chng	Shares	Mkt Cap
	Code	3/9/04		at 3/9	US\$ at 3/9
Ballard	BLDP	\$6.51	7.1%	126	\$820
Fuel Cell Technology	FCEL	\$10.05	12.3%	48	\$484
Plug Power	PLUG	\$6.57	15.1%	73	\$481
Energy Conversion	ENER	\$13.96	15.4%	26	\$359
Medis Technologies	MDTL	\$10.98	15.7%	31	\$338
Hydrogenics Corp	HYGS	\$4.06	6.8%	65	\$262
Quantum Technologies	QTWW	\$5.21	4.2%	32	\$165
Mechanical Technology	MKTY	\$4.35	10.4%	29	\$127
Stuart Energy	HHO.TO	\$2.45	13.4%	39	\$96
Distributed Energy	DESC	\$1.86	3.3%	36	\$66
Millenium Cell	MCEL	\$1.49	10.4%	38	\$56
Dynetek Industries	DNK.TO	\$1.72	8.9%	20	\$35
Astris	ASRNF	\$0.54	-16.9%	35	\$19
ITM Power	ITM UK	£0.60	22.4%	91	£55
Ceramic Fuel Cells	CFU Australia	\$0.85	9.0%	109	\$93

The bizarre kamikaze sale by the NSW Government of its 1.38m CFU shares (1.26%) on the first two days of listing after holding it for over ten years defies rational explanation but the outlook for CFU remains strong.

**CFU is well placed and, at a market cap of A\$89m against cash of A\$22m and past R&D of A\$130m, is very cheap.**

**Recommendation: STRONG BUY**

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Licensed Dealer in Securities

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