



30 September 2014

Dear Shareholder

## Ceramic Fuel Cells Limited - renounceable rights issue

Ceramic Fuel Cells Limited (**Company**) has recently announced to ASX that it is undertaking a 3 for 5 renounceable rights issue to raise a maximum of approximately \$13.7 million (before costs of the issue) through the issue of:

- up to 1,529,530,459 new ordinary shares on the basis of 3 new ordinary shares for every 5 existing shares held by qualifying shareholders at 7.00pm on 3 October 2014 (**Record Date**) at an offer price of 0.90 cents each (**New Shares**); and
- the grant of up to 764,765,229 options, being one option to subscribe for a new ordinary share for every two New Shares issued, which options shall be exercisable on or before 30 October 2015 with an exercise price of 1.1 cents each,

(together, the **Offer**)

All New Shares issued will rank equally in all respects from the date of allotment with the Company's shares currently quoted on ASX.

Entitlements will be rounded down to the nearest whole number and holdings on different registers or sub-registers will not be aggregated to calculate entitlements. The rights issue is renounceable, which means that entitlements can be sold or otherwise transferred on the terms set out in the prospectus.

### **Qualifying Shareholders**

Only those shareholders with registered addresses in Australia and New Zealand will be entitled to participate in the rights issue (**Qualifying Shareholders**).

The Company has determined that it is unreasonable to make offers to shareholders under an Australian prospectus other than to Qualifying Shareholders having regard to the number of shareholders outside of Australia and New Zealand, the number and value of the shares that would be offered and the cost of complying with legal and regulatory requirements outside of those countries.

### **Share capital**

The Company's share capital is set out in the table below:

Share capital	Shares
Ordinary shares on issue at the date of the Prospectus	2,549,217,432
Maximum number of New Shares offered under the Prospectus	1,529,530,459
<b>Shares on completion of Offer<sup>1</sup></b>	<b>4,078,747,891</b>

<sup>1</sup> Assumes maximum number of shares allotted under the Offer

The Company also has 33,030,650 unlisted options on issue of which 8,230,650 have vested. The Company also granted 24,800,000 options to Bergen Global Opportunity Fund, LP, under the Share Purchase and Convertible Security Agreement dated 24 March 2014 between the Company and Bergen Global Opportunity Fund, LP. If these options are exercised prior to the Record Date, the optionholder may be entitled to participate in the rights issue. Notices were sent to optionholders on 29 September 2014 informing them of the rights issue. The table in the schedule to this letter lists the options currently on issue, assuming that none are exercised prior to the Record Date.

In the event that all previously granted options that have vested and are exercisable, are exercised in the manner outlined above before the Record Date, then a further 19,818,390 New Shares and a further 9,909,195 Options will be offered pursuant to this Prospectus.

**Further details**

The rights issue is not underwritten and there are no brokers to the issue. Consequently, no underwriting fee is payable and no fee or commission is payable to any broker in respect of the rights issue.

**Applications**

The prospectus for the rights issue was lodged with ASIC on 29 September 2014 and will be sent to shareholders no later than 8 October 2014 accompanied by a personalised entitlement and acceptance form for Qualifying Shareholders to subscribe for new shares and options under the rights issue. Qualifying Shareholders will also be entitled to apply for additional shares and options to the extent that other Qualifying Shareholders do not take up their full entitlements under the Offer.

To participate in the rights issue, Qualifying Shareholders must complete and return the entitlement and acceptance form accompanied by the relevant payment to the Registry as described in the prospectus.

**The prospectus has also been lodged with ASX and is available on both the ASX website ([www.asx.com.au](http://www.asx.com.au)) and the Company's website ([www.cfcl.com.au](http://www.cfcl.com.au)).**

**Purpose of the rights issue**

The purpose of the rights issue is to raise further working capital in order to fund existing operations of the Company, to increase its sales and marketing spend in order to increase sales, to permit further value engineering to drive down manufacturing costs and to fund continuation of its research and product development programmes, as outlined in greater detail in the prospectus.

**Important dates**

Event	Indicative timing
Lodgement of Prospectus with ASIC and ASX and announcement of Offer	29 September 2014
"Ex" Date (securities are quoted on an ex basis and rights trading starts on a deferred settlement basis)	1 October 2014
Record Date	7.00pm 3 October 2014
Prospectus despatch date	8 October 2014
Renounceable rights trading ends	22 October 2014
New shares quoted on a deferred settlement basis	23 October 2014
Closing Date – last date for acceptance and payment in full	5:00 pm 29 October 2014
ASX notified of shortfall	3 November 2014
Settlement of shortfall (if any)	6 November 2014
Allotment and issue of New Shares and grant of Options	6 November 2014
Despatch date of holding statements	7 November 2014
Expected commencement of normal trading of New Shares	7 November 2014

*The dates above are indicative only and subject to the Listing Rules and the Corporations Act. The Company reserves the right to change any date, including to extend the closing date or to close the offer early without prior notice.*

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**Additional information**

If you have any queries at this time, please phone Computershare on 1300 850 505 or phone our office on +613 9554 2300 or send an email to [investor@cfcl.com.au](mailto:investor@cfcl.com.au).

Yours sincerely



**Mr Alasdair Locke**  
Chairman, Ceramic Fuel Cells Limited

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**Schedule**

**Share Options issued under the CFCL Share Option Plan and Directors and Employee Benefits Plan as at 10 September 2014**

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise price A \$</b>	<b>Balance at 10 September 2014</b>	<b>Exercisable at 10 September 2014</b>
12 Oct 2005	11 Oct 2015	0.57	123,250	-
24 Aug 2006	23 Aug 2016	0.58	199,200	199,200
29 Aug 2007	28 Aug 2017	1.01	756,210	756,210
28 Mar 2008	27 Mar 2018	0.45	690,400	690,400
28 Aug 2008	27 Aug 2018	0.44	1,118,430	1,118,430
26 Jun 2009	25 Jun 2019	0.175	1,731,710	1,731,710
1 Oct 2010	30 Sep 2020	0.1825	1,439,700	1,439,700
28 Sep 2011	27 Sep 2021	0.15	2,171,750	2,171,750
<b>Total Number of Options</b>			<b>8,230,650</b>	<b>8,107,400</b>

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