

**ARMADA MERCANTILE LTD.**  
**301-455 Granville**  
**Vancouver, British Columbia V6C 1T1**  
**Tel: 916-746-0029 Fax: 866-775-7765**  
[www.armadamercentile.com](http://www.armadamercentile.com)

**August 31, 2005**

**TRADE SYMBOL: AARM -Canadian Trading and Quotation System Inc.**  
**US TRADE SYMBOL: AAMTF.PK**

**Equity Acquisition and Research and Development Contract**

**NEWS RELEASE**

Armada Mercantile Ltd. (the Company), through its wholly-owned subsidiary Armada Group USA, Inc. (ArmadaUSA), has acquired an additional Series A Preferred equity interest in Evogy, Inc. (Evogy) of San Jose, California. Upon closing, the share acquisition increases ArmadaUSA's stock ownership in Evogy to approximately 34%.

Additionally, the Electric Power and Research Institute (EPRI) of Palo Alto, California has increased its Research and Development (R&D) funding to Evogy. Dan Rastler of EPRI comments:

The Electric Power Research Institute's Distributed Energy Research Program has issued a R&D contract to Evogy to investigate the merits and robustness of Evogy's advanced tubular solid oxide fuel cell technology. The R&D contract will support the evaluation of the cell/stack efficiency, performance and the durability of Evogy's technology. The specific objectives of EPRI's R&D contract are to:

- Evaluate the effect of fuel utilization on cell power density.
- Compare cell behavior at high fuel utilizations for planar and tubular configurations.
- Determine possible material degradation mechanisms under high fuel utilization.
- Define approaches to improve cell performance at high fuel utilizations.

Evogy shall prepare a technical report for EPRI summarizing the work performed. The technical report shall also outline the development plan for scale-up to a 1 kW solid oxide fuel cell stack and the R&D gaps and difficult challenges, which need to be overcome to validate a viable 1 kW stack. For more information, contact Dan Rastler [drastler@epri.com](mailto:drastler@epri.com) or at 650-855-2521.

About Evogy: "Evolution of Energy" is developing low cost, high-performance fuel cell stacks – the "electrochemical engine" within fuel cell systems. Evogy's patent-pending breakthrough technology incorporates novel components, low-cost materials and proprietary designs representing the best performing fuel cell stack. These advantages include the highest power density, lowest operating temperature, state-of-art stack design, rapid thermal cycling, unique thermal integration and low cost fabrication and assembly techniques. Thermal cycling is the time it takes for a fuel cell to warm up, and cool down. Thermal integration is how waste heat is recaptured for energy use. Combined, these benefits substantially reduce the manufactured cost of fuel cell stacks 90%, thereby reducing system cost by 27%. This price reduction will help enable the mass commercial market entry of "Evogy-powered" solid oxide fuel cell (SOFC) systems. Evogy's disruptive technology raises the bar for other SOFC-based projects under development, and will be the catalyst behind a paradigm shift whereby SOFCs replace traditional sources of power supply, and other fuel cells for stationary usage.

For more information pertaining to the Company, visit [www.armadamercentile.com](http://www.armadamercentile.com) or contact Patrick Cole at 916-746-0029.

“Patrick Cole”

President

*Certain statements included herein are "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. Management cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause the actual results of operations or financial condition of the Company to differ include, but are not necessarily limited to, the risks and uncertainties discussed in documents filed by the Company with the British Columbia, Alberta and Ontario Securities Commissions.*