

# Ceramic Fuel Cells Limited

## Notice of Annual General Meeting 2006

Dear Shareholder

On behalf of the directors of Ceramic Fuel Cells Limited, I am pleased to invite you to attend our 2006 Annual General Meeting. Along with this notice of meeting, you will receive a proxy form.

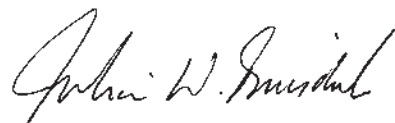
(AIM Depository Interest (DI) holders will receive a 'Form of Instruction', which is similar to a proxy form.) If you are attending the meeting, please bring your proxy form with you. (AIM DI holders should indicate on the voting card their intention to attend. The custodian will then provide you with the necessary authorisation). Corporate shareholders should complete a Certificate of Appointment of Representative, to enable a representative to attend the meeting on their behalf. A form of this certificate is available from the Company's share registry.

If you are unable to attend the meeting, I encourage you to complete the proxy form or Form of Instruction and return it to our share registry. Instructions on how to return the forms are set out in this notice of meeting.

As an additional service to shareholders, particularly European shareholders, this year's meeting will be webcast. Details of the webcast will be posted on [www.cfcl.com.au](http://www.cfcl.com.au).

On behalf of the Company I encourage you to receive our shareholder information online. This saves resources and costs, and ensures that you receive immediate notice of significant Company announcements. You can easily elect to receive notices electronically at [www.cfcl.com.au](http://www.cfcl.com.au) or [www.computershare.com](http://www.computershare.com).

Yours sincerely



Julian Dinsdale

*Chairman*

**Ceramic Fuel Cells Limited** (ACN 055 736 671) (CFCL) will hold its Annual General Meeting at 5.30 pm on **Tuesday 28 November 2006** at the offices of Phillips Fox, Lawyers, Level 21, 140 William Street, Melbourne, Victoria 3000 for the following purposes.

## Ordinary business

### Item 1: Accounts

To receive and consider the accounts, annual financial report, directors' report and auditor's report for CFCL for the year ended 30 June 2006.

### Item 2: Election of Directors

To consider and, if thought fit, to pass the following resolutions as separate resolutions:

- 2.1 "That Mr David Carruthers be re-elected as a director of CFCL."
- 2.2 "That Professor Michael Dureau be elected as a director of CFCL."
- 2.3 "That Mr Robert Kennett be elected as a director of CFCL."

### Item 3: Remuneration Report

To consider, and if thought fit, to pass the following resolution:

"That the remuneration report for the year ended 30 June 2006 be adopted."

Note – the vote of this resolution is advisory only and does not bind the directors.

## Special business

### Item 4: Directors and Employee Benefits Plan

To consider and, if thought fit, to pass the following resolution:

"That, for the purposes of the ASX Listing Rules and for all other purposes, the shareholders approve the issue of securities under the Directors and Employee Benefits Plan as described in the Explanatory Notes accompanying this Notice of meeting".

### Voting Exclusion Statement

CFCL will disregard any votes cast in relation to this resolution by any directors of CFCL and any of their associates. However, CFCL need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### By order of the Board



### Secretary

Andrew Neilson  
20 October 2006

## Proxy and Voting Information

### Proxies

If you are unable to attend the Annual General Meeting, please note that a shareholder entitled to attend and vote at the Annual General Meeting has the right to appoint a proxy (which may be an individual or a body corporate). A proxy need not be a member of CFCL. A shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. (If proportions or numbers are not specified, each proxy may exercise half the available votes.)

A Proxy Form accompanies this Notice of Annual General Meeting.

For the appointment of a proxy to be effective, you must return the completed Proxy Form (and, if the appointment is signed by the appointor's attorney, the authority under which the appointment was signed or a certified copy of the authority) to Computershare Investor Services Pty Ltd (ABN 48 078 279 277) (**Computershare Australia**) at least 48 hours before the meeting.

You can send your proxy form to Computershare Australia by using the Reply Paid Envelope enclosed with this notice, or:

- faxing it to +61 3 9473 2555; or
- posting it to GPO Box 242, Melbourne VIC 3001, Australia.

### Depository Interest holders

Holders of Depository Interests traded on the London Stock Exchange AIM market will receive a Form of Instruction instead of a Proxy form. The Form of Instruction allows the Depository Interest holder to direct the Custodian of the Depository Interest, Computershare Company Nominees Limited, to vote on their behalf at the Annual General Meeting.

Depository Interest holders should return the Form of Instruction to Computershare in the United Kingdom – not to CFCL or to Computershare Australia. The address and deadline for returning the form are set out in the Form of Instruction.

### Corporate Representatives

Corporate shareholders wishing to appoint a representative to attend the meeting on their behalf must provide that person with a properly executed letter confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this meeting only or for all meetings of CFCL and should be produced prior to admission.

### Eligibility to vote at the meeting

CFCL has determined, for the purposes of voting at the meeting, that CFCL shares are taken to be held by those shareholders registered at 5.30pm (Melbourne time) on 26 November 2006.

### Registration

If you are attending the meeting, please bring your personalised proxy form with you. The barcode at the top of the form will make it easier for you to register to vote. If you do not bring your form, you will still be able to attend the meeting, but representatives from CFCL or Computershare will need to verify your identity when registering.

### Undirected Proxies

The Chairman of CFCL will chair the meeting and will vote undirected proxies in favour of all resolutions. CFCL encourages all shareholders who submit proxies to direct their proxy how to vote on each resolution.

## Explanatory Notes

### Item 1: Accounts

This item gives shareholders an opportunity to raise questions on the annual reports and on the performance of the company generally.

The auditor (or a suitable representative) is required under the Corporations Act to attend the meeting to be available to take questions on the conduct of the audit and the preparation of and content of the auditor's report. Members may forward written questions to the auditor on these matters for response at the meeting. These should be emailed to investor@cfcl.com.au or mailed to Mr Charles Christie, Partner, PricewaterhouseCoopers, Freshwater Place, 2 Southbank Boulevard, Southbank VIC 3006 and may be submitted up to 5 business days before the meeting. CFCL is required by law to forward all questions to the auditor and the auditor is required to prepare a list of questions that the auditor considers are relevant to the conduct of the audit and the content of the auditor's report. The auditor may omit questions that are the same in substance to other questions and questions that are not received in a timely manner.

At the meeting the Chairman will give the auditor a reasonable opportunity to answer the questions on the question list. In addition, copies of the list of questions will be available at the meeting.

### Item 2: Election of Directors

#### 2.1 Re-election of Mr David Carruthers

Rule 81(1) of CFCL's Constitution provides that at each annual general meeting, one third of directors (other than the Managing Director), or if their number is not a multiple of three then the number nearest to but not exceeding one third, retire from office and may submit themselves for re-election. Mr Carruthers retires as a director in accordance with Rule 81(1) of the Constitution, and, being eligible, offers himself for re-election.

Mr David Carruthers has been a Non-Executive Director of CFCL since 1 September 2004. He is also Chairman of the Board Audit Committee.

During his career with BP Finance Mr Carruthers was Chief Financial Officer of global operations, based in London, and the European Regional CEO based in Brussels. On returning to Australia he was Managing Director of Treasury Corporation of Victoria during the state's privatisation program. More recently Mr Carruthers has provided advisory services in financial risk management to clients in the Asia-Pacific region and currently manages the corporate finance division of Tristar Corporate Advisors. Mr Carruthers is aged 58.

The Directors (other than Mr Carruthers) recommend that shareholders vote in favour of re-electing Mr Carruthers. The Chairman of the meeting for this resolution intends to vote undirected proxies in favour of this resolution.

#### 2.2 Election of Professor Michael Dureau

In accordance with the Corporations Act 2001 (Cth) and Rule 72 of the Constitution, directors appointed by other directors under Rule 72 of the Constitution, to fill a casual vacancy or as an addition to the existing directors, must have their appointment as a director confirmed by resolution of the shareholders at the next annual general meeting.

As previously announced to the market on 8 December 2005, the Board appointed Professor Dureau as a Non-Executive Director on 8 December 2005, under Rule 72 of the Constitution. In accordance with that Rule, Professor Dureau is eligible for election at this Annual General Meeting. Professor Dureau is also Chairman of the Board Technical Committee.

Professor Dureau is Executive Director of the Warren Centre for Advanced Engineering, Chairman of the Australian Power Institute Ltd, and has served on boards of several companies and not-for-profit bodies in the engineering and power industries. Professor Dureau is aged 65 and has significant experience in the water, power and process industries.

The Directors (other than Professor Dureau) recommend that shareholders vote in favour of electing Professor Dureau. The Chairman intends to vote undirected proxies in favour of this resolution.

#### 2.3 Election of Mr Robert Kennett

As previously announced to the market on 29 August 2006, the Board appointed Mr Robert (Bob) Kennett as a Non-Executive Director on 24 August 2006, under Rule 72 of the Constitution. In accordance with that Rule, Mr Kennett is eligible for election at this Annual General Meeting.

Mr Kennett is CFCL's first Non-Executive Director based in the United Kingdom. His appointment is consistent with CFCL's focus on the European market and follows CFCL's listing on the London Stock Exchange AIM market in March 2006.

Mr Kennett, aged 56, has spent his career in the energy sector, focusing on combined heat and power (CHP) and renewable energy operations. He was Managing Director of Powergen Combined Heat and Power Ltd for 12 years and Chairman of PowerGen Renewables Ltd. Mr Kennett currently advises financiers and investors on business opportunities in the United Kingdom CHP and renewable energy markets. He is also a board member of the Power Industries division of the Institution of Mechanical Engineers.

The Directors (other than Mr Kennett) recommend that shareholders vote in favour of electing Mr Kennett. The Chairman intends to vote undirected proxies in favour of this resolution.

### Item 3: Remuneration Report

Following changes introduced to the Australian Corporations Act 2001 (Cth) in 2004, the remuneration report is submitted to shareholders for consideration and adoption by way of non-binding resolution. The Company also notes that disclosing details of the Company's remuneration policies is consistent with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* released in March 2003.

The remuneration report is set out on pages 16 to 23 of the Annual Report for the year ended 30 June 2006 accompanying this Notice of meeting.

Among other things, the report:

- explains the Board's policies on remuneration of directors and senior managers of the Company;
- discusses the link between these policies and Company performance;
- provides details of performance conditions applicable to any element of remuneration; and
- provides details of the remuneration of each director and certain key management personnel.

Shareholders will be given a reasonable opportunity to discuss the remuneration report at the meeting.

The Chairman intends to vote undirected proxies in favour of this resolution.

## Item 4: Directors and Employee Benefits Plan

CFCL currently has a Share Option Plan, which was first approved by shareholders on 26 November 1999 (**Old Plan**). Any Options and Shares issued under the Old Plan will continue to be governed by the terms of that plan.

However, in order to give the Board greater flexibility about what form of benefit to offer to employees to best achieve CFCL's goals of attracting and retaining quality staff and aligning employee incentives with shareholders' interests, the Board adopted a new Directors and Employee Benefits Plan on 24 August 2006, the terms of which are summarised below (**New Plan**). As at the date of this Notice, the Board has not issued any securities under the New Plan. The Board seeks shareholder approval of the issue of securities under the New Plan under ASX Listing Rule 7.2 for the purpose of ASX Listing Rule 7.1.

ASX Listing Rule 7.1 restricts the number of securities which a listed company may issue in any 12 month period, without obtaining prior shareholder approval, to 15% of the number of shares on issue at the start of the period, subject to certain adjustments and permitted exceptions. One of the permitted exceptions is contained in ASX Listing Rule 7.2 (Exception 9), which states that ASX Listing Rule 7.1 will not apply to an issue of securities under an employee incentive scheme if, within 3 years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

The Board seeks such shareholder approval under the resolution in Item 4 to enable CFCL to issue securities under the New Plan at any time within 3 years of this Annual General Meeting (subject to the disclosure requirements of the Corporations Act and requirements of the ASX Listing Rules), without further reference to shareholders under ASX Listing Rule 7.1 and without any securities issued under the Plan counting towards the 15% limit referred to in ASX Listing Rule 7.1.

The Board will obtain separate shareholder approval before issuing any securities under the New Plan to directors or any of their associates and other person for whom prior shareholder approval is required under the ASX Listing Rules.

To enable the shareholders to approve the resolution in Item 4, the terms of the New Plan are summarised below.

- 1 Under the New Plan, CFCL is entitled to issue Shares, Options and/or Performance Rights to directors, company secretaries, employees and contractors of CFCL or any Group Company (**Eligible Persons**) subject to such terms and restrictions as the Board identifies and at issue or exercise prices as the Board determines.
- 2 Invitations to participate in the New Plan must be made in writing and identify any restrictions or conditions attaching to the Shares, Options or Performance Rights in addition to those specified in the New Plan.
- 3 Each Option confers an entitlement to subscribe for and be issued one ordinary share in CFCL. Options are non-transferable with permitted exceptions, as set out in the Plan or as otherwise determined by the Board. Options are exercisable within the exercise period and for an exercise price as determined by the Board and as specified in an Invitation to participate in the New Plan. Within the exercise period, Options may be redeemed by CFCL at the election of the Option holder and with the written approval of the Board.
- 4 Each Performance Right confers an entitlement to one ordinary share in CFCL at no cost upon satisfaction of certain performance criteria determined by the Board and specified in the Invitation to participate in the New Plan. Performance Rights are non-transferable.
- 5 Options and Performance Rights will automatically lapse in certain circumstances as set out in the New Plan, including if an Eligible Person ceases to be employed by CFCL or a Group Company or brings CFCL or any Group Company into disrepute.
- 6 The Shares issued under the New Plan, including the Shares issued upon exercise of Options or Performance Rights, will be:
  - 6.1 Fully paid ordinary shares in CFCL which will rank equally with all existing fully paid ordinary shares on issue.
  - 6.2 Subject to restrictions on disposal and unable to be dealt with in any way until expiry of the Restriction Period (if any), which may be set by the Board at its discretion.
  - 6.3 Forfeited, or capable of forfeiture, in certain circumstances as specified in the New Plan, including if a Shareholder ceases to be employed by CFCL or a Group Company or brings CFCL or any Group Company into disrepute during the Restriction Period set by the Board.
  - 6.4 Subject to CFCL's Securities Trading Policy.
  - 6.5 Quoted on the Australian Stock Exchange and any foreign exchange on which CFCL's Shares are quoted within a reasonable time of expiry of any trading restrictions as set out in the New Plan.
- 7 If a takeover bid is made to acquire the whole or any number of the shares on issue in CFCL, or a scheme of arrangement is initiated, all Restrictions attaching to Shares, Options and/or Performance Rights will automatically be lifted.
- 8 If there is a reorganisation of CFCL's share capital by way of a bonus issue, rights issue or reconstruction, the numbers of Options (and their exercise price) and/or Performance Rights issued under the Plan may be adjusted.
- 9 The Board must not issue any Shares, Options or Performance Rights under the New Plan if, immediately after the issue, the sum of:
  - 9.1 The total number of un-issued shares over which Options, Performance Rights or other options (which remain outstanding) which have been granted under the New Plan and any other Group employee incentive scheme (including the Old Plan); and
  - 9.2 the total number of shares issued during the preceding five years under the Plan and any other employee incentive scheme (including the Old Plan), would exceed 10% of the total number of shares on issue at the time of the proposed issue.
- 10 The New Plan will be administered by the Board in accordance with the terms of New Plan which may be amended by the Board at any time, subject to certain limitations set out in the Plan.

As the Board is entitled to participate in the New Plan, it makes no recommendation in relation to this resolution. The Chairman intends to vote undirected proxies in favour of this resolution.