

# Ceramic Fuel Cells Limited

## Notice of Annual General Meeting 2007

Dear Shareholder

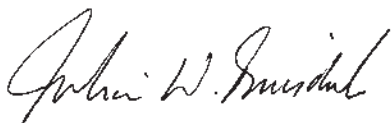
On behalf of the directors of Ceramic Fuel Cells Limited, I am pleased to invite you to attend our 2007 Annual General Meeting. Along with this Notice of Annual General Meeting, you will receive a proxy form. (AIM Depository Interest holders will receive a 'Form of Intention', which is similar to a proxy form.) If you are attending the meeting, please bring your proxy form or Form of Intention with you. Corporate shareholders should complete a Certificate of Appointment of Representative, to enable a representative to attend and participate in 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 Intention and return it to our share registry. Instructions on how to return the forms are set out in this Notice of Annual General Meeting.

As an additional service to shareholders, portions of the meeting will also be available as a webcast after the meeting. Details will be posted on [www.cfcl.com.au](http://www.cfcl.com.au).

On behalf of the Company I encourage you to sign up to Computershare's e-Tree service to receive shareholder information online. Just go to [www.cfcl.com.au/e\\_Tree](http://www.cfcl.com.au/e_Tree) and follow the links to register.

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 **Thursday 22 November 2007** at the offices of DLA Phillips Fox, Level 21, 140 William Street, Melbourne, Victoria 3000 for the following purposes.

## 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 2007.

### Item 2: Election of Directors

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

"That Mr Jeffrey Harding be elected as a director of CFCL."

### Item 3: Grant of Options to Brendan Dow under the 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 grant of up to 585,000 options to Brendan Dow (or his nominee) under the Directors and Employee Benefits Plan on the terms 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 director and any of his 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.

### Item 4: Grant of Options to David Carruthers under the 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 grant of 100,000 options to David Carruthers (or his nominee) under the Directors and Employee Benefits Plan on the terms 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 director and any of his 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.

### Item 5: Grant of Options to Michael Dureau under the 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 grant of 100,000 options to Michael Dureau (or his nominee) under the Directors and Employee Benefits Plan on the terms 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 director and any of his 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.

### Item 6: Grant of Options to Jeffrey Harding under the Directors and Employee Benefits Plan

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

"Subject to the passing of the resolution under Item 2, that, for the purposes of the ASX Listing Rules and for all other purposes, the shareholders approve the grant of 100,000 options to Jeffrey Harding (or his nominee) under the Directors and Employee Benefits Plan on the terms 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 director and any of his 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.

### Item 7: Grant of Options to Robert Kennett under the 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 grant of 100,000 options to Robert Kennett (or his nominee) under the Directors and Employee Benefits Plan on the terms 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 director and any of his 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.

### Item 8: Remuneration Report

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

"That the remuneration report for the year ended 30 June 2007 be adopted."

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

By order of the Board



Secretary

Andrew Neilson  
10 October 2007

## 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 Intention 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 Intention.

### 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 7.00pm (Melbourne time) on 20 November 2007.

### 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

These Explanatory Notes have been prepared to provide you with material information to enable you to make an informed decision in relation to the business to be conducted at the Annual General Meeting of the Company. They form part of the Notice of Annual General Meeting.

### Item 1 Accounts

This item gives shareholders an opportunity to raise questions on the Annual Report 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 Chris Dodd, 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 Mr Jeffrey Harding as a director

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, the Board appointed Mr Jeffrey Harding as a Non-Executive Director on 17 September 2007. Mr Harding is also a member of each of the Board Audit, Technical and Remuneration and Nomination committees.

In accordance with Rule 72 of the Constitution, Mr Jeffrey Harding is eligible for election at this Annual General Meeting and offers himself accordingly.

Mr Harding, aged 61, has extensive experience in the renewable energy sector. From 1995 to 2005 Mr Harding was Managing Director of Pacific Hydro Limited, Australia's largest renewable energy developer with wind and hydro energy projects in Australia, Asia and Chile. During his tenure, Mr Harding oversaw the international expansion of the business with growth in market capitalization from A\$5 million to over A\$750 million and an increase in profit after tax each year from 1996 to 2005, when Pacific Hydro was sold to IFM Renewable Energy. Previously he was a Divisional General Manager of Brambles Australia for 5 years.

Mr Harding has Degrees in Civil Engineering, Economics, and has a Master of Science in Industrial Administration; he is a Fellow of the Australian Institute of Company Directors and resides in Europe and Australia and is currently a director of the AIM listed Renewable Energy Holdings Plc.

Mr Julian Dinsdale retires by rotation as a director in accordance with Rule 81 of the Constitution and has not offered himself for re-election. It is foreshadowed that Mr Jeffrey Harding would be appointed as the Chairman of the Board assuming that he is elected as a director at the Annual General Meeting.

The Directors (other than Jeffrey Harding) recommend that shareholders vote in favour of electing Mr Harding as a director of the Company. The Chairman intends to vote undirected proxies in favour of this resolution.

### Items 3-7 Grant of Options to Directors under the Directors and Employee Benefits Plan

#### Background

ASX Listing Rule 10.14 prevents the Company from granting securities to directors or their associates under the Company's Directors and Employee Benefits Plan unless pre-approved by the shareholders. To enable shareholders to consider the resolutions, the following information is provided in relation to each of the resolutions to grant options to directors.

The resolution under Item 3 seeks approval to grant options to the Managing Director Mr Brendan Dow. The information regarding Item 3 is provided under ASX Listing Rule 10.15A.

The resolutions under Items 4-7 seek approval to grant options to non-executive Directors. The information regarding these items is provided under ASX Listing Rule 10.15.

### **CFCL Directors and Employee Benefits Plan**

Subject to receiving shareholder approval to do so, the grant of options to subscribe for fully paid ordinary shares will be made under the Rules of the CFCL Directors and Employee Benefits Plan approved by shareholders at the Company's AGM held on 28 November 2006.

The terms of the Directors and Employee Benefits Plan were summarised in the Notice of Annual General Meeting for 2006. The Directors and Employee Benefits Plan is designed to give the Board greater flexibility about what form of benefit to offer directors and employees to best achieve the Company's goals of attracting and retaining quality directors and staff and aligning their incentives with shareholders' interests.

Since the Directors and Employee Benefits Plan was last approved, no Director or their associates have been granted options.

The following persons are directors of CFCL and are entitled to participate in the Directors and Employee Benefits Plan. Their associates are also named.

J W Dinsdale  
 B L Dow  
 D Carruthers (TCA Pty Ltd ATF the TCA Staff Superannuation Fund)  
 J P Dempsey  
 M B Dureau (SAN Solutions Pty Ltd)  
 J Harding  
 R J Kennett.

Details of any securities issued to directors or their associates under the Directors and Employee Benefits Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under Listing Rule 10.14.

Any additional directors or their associates who become entitled to participate in the Directors and Employee Benefits Plan after the resolution was approved and who were not named in this Notice of Annual General Meeting, will not participate until approval is obtained under Listing Rule 10.14.

### **Issuing options to non-executive directors**

Items 4 – 7 seek shareholder approval to grant options to each non-executive director apart from Mr Julian Dinsdale (who retires as a director at this Annual General Meeting) and Mr John Dempsey (who is restricted from holding options in CFCL by the policies of Energex Limited, of which he is also a director).

In 2006, the Company's shareholders approved the Directors and Employee Benefits Plan, which gives the Board broad discretion to offer equity, including options, to staff and, with prior shareholder approval, to directors.

The Directors are mindful that the ASX Corporate Governance Council's guidelines recommend that non-executive directors should normally be remunerated by way of cash fees (or salary sacrifice into equity) rather than by options.

The Directors note that the ASX Corporate Governance Council's guidelines are intended to encourage Boards to actively consider the issues raised in the guidelines, decide what form of compliance is in the best interests of shareholders in each company's particular circumstances and then explain to shareholders the reasoning behind any non-compliances. The guidelines seek to encourage "if not, why not" reporting, rather than a prescriptive "black letter" compliance approach.

The Directors consider that the proposed grant of options to non-executive directors is in the best interests of shareholders for a number of reasons.

The ASX Corporate Governance Council's guidelines appear to support the principle that directors' remuneration should not be linked to company performance, whereas an alternative view in other markets (including Europe, and even more so in the USA) is that directors' personal interests should be strongly linked to company performance (and hence shareholders' interests). In this respect the Company has received advice that UK investors in particular are in favour of directors and senior managers holding more equity in the Company.

The Board considers that it is important to create a strong alignment of interests between staff (including senior managers and directors) and shareholders, and that at this stage of the Company's development it is appropriate for the Company to achieve this alignment by offering options, which result in a (modest) cash inflow to the Company, rather than by the Company paying higher cash bonuses.

For these reasons the Board has significantly increased the offer of options to staff, however even including the proposed grant of options to directors, the total number of options granted by CFCL to staff and directors as at 10 October 2007 would represent 2.1% of issued capital. For comparison, the rules of the Directors and Employee Benefits Plan approved by shareholders allowed the Board to issue up to 10% of issued capital. The Company has also received advice that among CFCL's peer group of other AIM-listed fuel cell companies, the average level of options held by directors and staff as a percentage of issued capital is significantly higher than CFCL's own level.

The terms of the proposed grant of options to Directors have been determined to ensure that the remuneration is competitive with market standards for comparative companies, including other AIM listed companies at a similar stage of development to CFCL.

The principal terms of the proposed grant of options to non-executive Directors (Items 4 – 7) are:

- there will be no issue price for the options;
- the options will not be listed on ASX or AIM;
- assuming shareholders approve the grant, the options would be granted no later than 6 December 2007;
- the exercise price is \$1.02, being the average closing ASX price for the 30 trading days up to 30 June 2007 (which is the same exercise price as the options offered to staff as part of the Company's remuneration review after the end of the 2007 financial year);
- there is a one year waiting period before the options may be exercised;
- the options will lapse four years after they are granted (if they have not lapsed or been exercised earlier).

### **Capital Structure**

As at 10 October 2007, the Company had on issue 309,741,670 fully paid ordinary shares and 5,575,930 options. If all options proposed to be granted to Directors are granted, the number of options would increase by 985,000, to 6,560,930.

Until exercised the grant of the options will not impact on the number of ordinary shares on issue in the Company. If all options proposed to be granted to Directors are granted and then exercised, an additional 985,000 ordinary shares would be issued representing approximately 0.3% of all ordinary shares.

### **Taxation**

As far as the Company is aware, there are no adverse taxation consequences to the Company arising from the proposed grant of the options.

**Value of benefit**

The options will not be listed on the ASX or AIM market and accordingly have no readily identifiable market value. An indicative valuation of the proposed grant of options to non-executive Directors has been determined, at \$0.30 per option. This valuation was calculated using a trinomial lattice option pricing model that takes into account the exercise price, the term of the option, the share price at valuation date, an expected price volatility range of the underlying share, the restrictions on exercise applied by the CFCL Securities Trading Policy, an allowance for expected early exercise, the expected dividend yield and the risk-free rate for the term of the option.

The model inputs for the options proposed to be granted to the non-executive directors (Items 4 – 7) include:

Parameter	Input
Consideration for grant of option	Nil
Option life (years)	4
Vesting period (years)	1
Exercise price	\$1.02
Share price at valuation date (20 September 2007)	\$0.78
Expected price volatility range <sup>1</sup>	Initially 60.6%, through to 55%
Share price multiple (of exercise price) at which early exercise expected	2
Expected dividend yield	Nil
Risk-free interest rate: range over option life	6.54% to 6.87%

1. The term structure of price volatility is based on historic volatility and expected changes to future volatility.

The Company is required to expense the value of the options in the Income Statement over the vesting period. Based on the indicative valuation above, the expense of the options to the Company would be approximately \$70,000 in FY08 and \$50,000 in FY09.

The model inputs for the options proposed to be granted to Mr Brendan Dow are discussed under Item 3 below.

**Current remuneration of Directors**

The non-executive directors, Messrs Harding, Carruthers, Dureau and Kennett, currently receive an annual fee plus statutory superannuation.

The current annual fees for Australian based non-executive directors are \$45,000, plus \$10,000 for chairing the Board Audit or Technical committee. The annual fee for the non-executive Chairman is \$90,000. Directors do not currently receive additional 'per meeting' fees. These fees have not been increased since November 2004. The current annual fee for the non-executive directors based in Europe is £40,000, which is consistent with guidance from an independent recruitment consultant in the United Kingdom on typical rates for non-executive directors in that market, given the time commitment required for the role.

Mr Dow is an executive director of the Company and receives a remuneration package comprising an annual salary package plus an annual incentive of options (in lieu of a cash bonus) depending on personal and Company performance against agreed key performance indicators.

Directors' remuneration for the year to 30 June 2007 is shown below.

Name	Cash salary & fees \$	Non-monetary benefits \$	Super-annuation \$	Options \$	Total \$
<b>Managing Director</b>					
B L Dow	338,776	21,162	36,000	108,000	503,938
<b>Non-Executive Directors</b>					
J W Dinsdale	90,000	-	8,100	-	98,100
D Carruthers	-	-	59,950	-	59,950
J P Dempsey	-	-	49,050	-	49,050
M B Dureau	-	-	59,950	-	59,950
R J Kennett (24/8/2006–30/6/2007)	84,395	-	-	-	84,395
<b>Total Directors</b>	<b>513,171</b>	<b>21,162</b>	<b>213,050</b>	<b>108,000</b>	<b>855,383</b>

(Mr Jeff Harding is not shown as he was appointed as a director on 17 September 2007.)

More details of directors' remuneration are set out in the Directors' Report released to the ASX on 24 September 2007, and also available at [www.cfcl.com.au](http://www.cfcl.com.au).

**Directors' interest in CFCL shares and options**

As at 10 October 2007, the interests of the directors who are proposed to be granted options (before the proposed grant) in shares and options are as follows.

Director	Number of Shares	Number of Options
B L Dow	-	200,000
D Carruthers	50,000	-
M Dureau	-	-
J Harding	50,000	-
R J Kennett	-	-
<b>Total</b>	<b>100,000</b>	<b>200,000</b>

**Use of funds**

All funds received from the exercise of the options will be applied towards the working capital and cash requirements of the Company when the options are exercised.

**Item 3 Grant of Options to Brendan Dow under the Directors and Employee Benefits Plan**

To enable the shareholders to approve the resolution under Item 3, the following information (in addition to the information above) is provided in compliance with ASX Listing Rule 10.15A:

On 19 April 2006, the Company agreed to grant to Mr Brendan Dow up to 300,000 options at the end of every financial year for a period of three years (totalling a maximum 900,000 options), commencing on 1 July 2005. The grant of options referred to in Item 3 represents the second and third such proposed grant of options to Mr Dow. (The first tranche was granted to Mr Dow in 2006, before he was appointed to the Board, so did not require shareholder approval.)

If shareholders approve the resolution in Item 3, within 10 business days of receiving this approval, the Company will grant 285,000 options to Mr Dow. If he becomes entitled to the third tranche of options (which may be up to 300,000 options), they will be granted as soon as practicable after that entitlement arises and in any event no later than the 3rd anniversary of the date of this Annual General Meeting.

The options will be governed by the rules of the CFCL Directors and Employee Benefits Plan (**Plan**). The Plan rules provide that, subject to the Board's discretion, options will generally lapse if they are not exercised or redeemed within the applicable exercise period or within certain time periods after the recipient ceases to be a CFCL employee or director. The exercise period for the options proposed to be issued to Mr Dow expires four years after the options are granted.

The maximum number of options which may be granted will always be in accordance with the following formula:  $O = 300,000 \times S\%$  where

$O$  = the number of options which may be applied for under the terms of the offer.

$S\%$  = satisfaction of the key performance indicators, expressed as a percentage, as determined by the Board in its discretion.

In this instance the maximum number of options which may be granted to Mr Dow is 285,000. Next year, he may become entitled to a third tranche of up to 300,000 options.

By way of performance incentive, an amount equal to one quarter (25%) of Mr Dow's base salary is 'at risk' as it will only be paid depending on the level of his performance over the financial year in question.

The Exercise Price per option will be calculated as follows: (30 day Volume Weighted Average Price (VWAP) calculated over the period ending on 30 June each year - Discount Factor).

The Discount Factor is calculated by dividing the value of the 'at risk'

component of Mr Dow's total remuneration, by 300,000 (being the maximum number of options which may be offered to Mr Dow).

Based on Mr Dow's FY07 base salary of \$390,000, the Discount Factor is \$97,500 / 300,000, namely \$0.3250. Accordingly, as the 30 day VWAP for the period ending 30 June 2007 was \$1.02, the Exercise Price of each Option is \$0.695 (i.e \$1.02 – \$0.3250).

Based on Mr Dow's FY08 base salary of \$405,600, the Discount Factor will be \$101,400 / 300,000, namely \$0.3380.

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

The Directors consider that it is in the best interests of shareholders that Mr Dow, as the Company's Managing Director, has a significant component of "at risk" remuneration, to directly link his remuneration to Company performance and align his interests with shareholders' interests. The Directors also consider that it is in the best interests of shareholders that Mr Dow's remuneration package includes an annual incentive of options, rather than the Company paying Mr Dow a cash bonus.

#### **Item 4 Grant of Options to David Carruthers under the Directors and Employee Benefits Plan**

If shareholders approve the resolution in this Item, within 10 business days of receiving this approval, the Company will grant 100,000 options to Mr Carruthers (or his nominee). This grant represents that maximum number of options that may be granted to Mr Carruthers (or his nominee) under the resolution.

The options will be governed by the rules of the CFCL Directors and Employee Benefits Plan (Plan). The Plan rules provide that, subject to the Board's discretion, options will generally lapse if they are not exercised or redeemed within the applicable exercise period or within certain time periods after the recipient ceases to be a CFCL employee or director.

The options cannot be exercised until after the 1st anniversary of the date at which they were granted, and the exercise period expires on the 4th anniversary of the date at which they were granted. The Exercise Price per option is \$1.02.

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

#### **Item 5 Grant of Options to Michael Dureau under the Directors and Employee Benefits Plan**

If shareholders approve the resolution in this Item, within 10 business days of receiving this approval, the Company will grant 100,000 options to Prof. Dureau (or his nominee). This grant represents that maximum number of options that may be granted to Prof. Dureau (or his nominee) under the resolution.

The options will be governed by the rules of the CFCL Directors and Employee Benefits Plan (Plan). The Plan rules provide that, subject to the Board's discretion, options will generally lapse if they are not exercised or redeemed within the applicable exercise period or within certain time periods after the recipient ceases to be a CFCL employee or director.

The options cannot be exercised until after the 1st anniversary of the date at which they were granted, and the exercise period expires on the 4th anniversary of the date at which they were granted. The Exercise Price per option is \$1.02.

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

#### **Item 6 Grant of Options to Jeffrey Harding under the Directors and Employee Benefits Plan**

If shareholders approve the resolution in this Item, within 10 business days of receiving this approval, the Company will grant 100,000 options to Mr Harding (or his nominee). This grant represents that maximum number of options that may be granted to Mr Harding (or his nominee) under the resolution.

The options will be governed by the rules of the CFCL Directors and Employee Benefits Plan (Plan). The Plan rules provide that, subject to the Board's discretion, options will generally lapse if they are not exercised or redeemed within the applicable exercise period or within certain time periods after the recipient ceases to be a CFCL employee or director.

The options cannot be exercised until after the 1st anniversary of the date at which they were granted, and the exercise period expires on the 4th anniversary of the date at which they were granted. The Exercise Price per option is \$1.02.

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

#### **Item 7 Grant of Options to Robert Kennett under the Directors and Employee Benefits Plan**

If shareholders approve the resolution in this Item, within 10 business days of receiving this approval, the Company will grant 100,000 options to Mr Kennett (or his nominee). This grant represents that maximum number of options that may be granted to Mr Kennett (or his nominee) under the resolution.

The options will be governed by the rules of the CFCL Directors and Employee Benefits Plan (Plan). The Plan rules provide that, subject to the Board's discretion, options will generally lapse if they are not exercised or redeemed within the applicable exercise period or within certain time periods after the recipient ceases to be a CFCL employee or director.

The options cannot be exercised until after the 1st anniversary of the date at which they were granted, and the exercise period expires on the 4th anniversary of the date at which they were granted. The Exercise Price per option is \$1.02.

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

#### **Item 8 Remuneration Report**

As required by the Australian Corporations Act 2001 (Cth), 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*.

The Remuneration Report is set out on pages 17 to 23 of the Annual Report for the year ended 30 June 2007 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.