



28 August 2008

## Employee options

Ceramic Fuel Cells Limited (AIM / ASX: CFU) announces that its Board has approved the grant of up to 3,737,808 options over Ordinary Shares to employees under the CFCL Directors and Employee Benefits Plan ("**Plan**"). This represents 1.1% of the Company's existing issued capital.

Under the Plan, approved by shareholders in November 2006, the Board offers options to staff as a long-term incentive component of remuneration. These options are being offered to staff as part of the Company's annual performance and remuneration review, based on the Board's assessment of the Company's performance against agreed milestones over the 2008 financial year.

The Board has approved the offer of options to a total of 79 staff members, including all senior managers.

For the offer to staff, the Exercise Price of each option is A\$0.45, which is equal to the volume weighted average of CFCL's closing price on ASX for the month to 30 June 2008. The options have a one year waiting period, and can be exercised in the period 28 August 2009 – 27 August 2018 (unless they lapse earlier under the Plan rules).

As part of the 2008 performance and remuneration review, the Board will also offer 285,000 options to Managing Director Mr Brendan Dow. These options have an exercise price of \$0.11, the options vest on issue and have a four year life. The exercise price is calculated by applying a discount factor to the market price for June 2008, based on the 'at risk' component of Mr Dow's total remuneration. The terms are further described in the notice of the Annual General Meeting held on 22 November 2007, at which shareholders approved the offer.

At the Company's next Annual General Meeting in November 2008 the Board proposes to seek shareholder approval to change the structure of Mr Dow's annual options offer, away from the practice of issuing a smaller number of options with a discounted exercise price, towards the current practice for other senior managers, whereby a larger number of options would be issued with an exercise price equal to the market price. Full details of the proposal will be provided to shareholders in the Annual General Meeting notice to be issued in October 2008.

The Company proposes to make the offers to staff in the coming weeks. The Company will notify shareholders again when the options have been formally issued. If all of these options are issued, the total number of options outstanding, including prior offers, would represent approximately 3.5% of the Company's existing issued capital.

**ENDS**

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