



2 July 2009

Staff Options

Issue of Options to Staff

Ceramic Fuel Cells Limited (AIM / ASX: CFU) announces that on 30 June 2009 it issued 4,718,654 options over Ordinary Shares to staff under the CFCL Directors and Employee Benefits Plan ("**Plan**"). This represents approximately 0.4% of the Company's existing issued capital.

Under the Plan, approved by shareholders in November 2006, the Board offers options to staff as an important component of remuneration. In this tranche options were issued to 82 staff, including all senior managers, based on the Board's assessment of the Company's performance against agreed milestones over the 2009 financial year.

Of the total of 4,718,654 options issued, 3,266,720 options were issued to staff as a long term incentive. These options have a one year waiting period before they vest.

An additional 776,934 options were issued to staff as a short term incentive component of remuneration. There is no waiting period for these options.

In prior years short term incentives have been paid in cash. In the current market environment the Company believes it is prudent to conserve cash wherever possible and accordingly these options are issued in lieu of any cash bonus payments. For similar reasons there will be no general 'cost of living' salary increase for staff in the current remuneration review.

Finally, 675,000 options have been issued to Managing Director Brendan Dow for performance over the 2009 financial year. The issue of these options was approved by shareholders at the Annual General Meeting in November 2008.

For all options, the Exercise Price is A\$0.175, which is equal to the average of CFCL's closing price on ASX during June 2009.

Adjusting the Exercise Price of Existing Options

CFCL has issued options to staff and directors under two plans: the 2004 Share Option Plan, and the Employee and Directors Benefits Plan (approved by shareholders in 2006).

Each plan provides for the exercise price of options to be adjusted after a rights issue, subject to the ASX Listing Rules. ASX Listing Rule 6.22.2 sets out a formula for reducing the exercise price of options to take into account the impact of a rights issue.

Applying this formula, the exercise price of options already on issue will be reduced by one cent. This change takes effect on 1 July 2009.

There are 12,649,160 options on issue, of which 6,005,330 are exercisable. Of the 12,649,160 options on issue, only 285,000 (or 2%) have an exercise price which is lower than the current share price.

Details of options on issue, including the revised Exercise Prices, are set out in the Form 3B filed with ASX today, and also available on the Company's website.

ENDS

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About Ceramic Fuel Cells Limited

Ceramic Fuel Cells Limited is a world leader in developing solid oxide fuel cell technology to provide highly efficient and low-emission electricity from widely available natural gas. The company is developing micro combined heat and power and distributed generation units that generate electricity and heat for homes and other buildings. Ceramic Fuel Cells is developing products with leading appliance partners and utility customers in Germany, France, the United Kingdom and Japan. In May 2009 the company launched its BlueGen gas-to-electricity product. Headquartered in Melbourne, and with operations in the UK and Germany, Ceramic Fuel Cells is listed on the London Stock Exchange's AIM market and the Australian Securities Exchange (code CFU).

www.cfcl.com.au

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Ceramic Fuel Cells Limited

ABN

82 055 736 671

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|------------------|
| 1 | +Class of +securities issued or to be issued | Unlisted options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 4,718,654 |

+ See chapter 19 for defined terms.

<p>3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<p>Options issued to staff under the company's Directors and Employee Benefits Plan:</p> <p>3,266,720 options issued to staff as s 'Long Term Incentive' component of remuneration:</p> <ul style="list-style-type: none"> • Exercise Period is 30 June 2010 to 29 June 2020 <p>776,934 options issued to staff as s 'Short Term Incentive' component of remuneration, in lieu of a cash bonus for FY09 performance:</p> <ul style="list-style-type: none"> • Exercise Period is 30 June 2009 to 29 June 2019 <p>675,000 options issued to Managing Director Brendan Dow for FY09 performance:</p> <ul style="list-style-type: none"> • Exercise Period is 30 June 2009 to 29 June 2013 <p>Exercise price of all options is \$0.175, the average closing ASX price during June 2009.</p>
<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No – only fully paid ordinary shares are quoted.</p>
<p>5 Issue price or consideration</p>	<p>Nil</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Issued to employees under the CFCL Directors and Employee Benefits Plan.</p>

7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	30 June 2009	
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		1,029,873,280	Fully paid ordinary shares
9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		See schedule 1	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the ⁺ securities will be offered	
14	⁺ Class of ⁺ securities to which the offer relates	
15	⁺ Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	

⁺ See chapter 19 for defined terms.

18 Names of countries in which the entity has ⁺security holders who will not be sent new issue documents

Note: Security holders must be told how their entitlements are to be dealt with.

Cross reference: rule 7.7.

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19 Closing date for receipt of acceptances or renunciations

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|----|---|--|
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders | |
| 25 | If the issue is contingent on +security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |

+ See chapter 19 for defined terms.

32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)?

33 ⁺Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

Entities that have ticked box 34(b)

38 Number of securities for which
+quotation is sought

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39 Class of +securities for which
quotation is sought

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40 Do the +securities rank equally in all
respects from the date of allotment
with an existing +class of quoted
+securities?

If the additional securities do not
rank equally, please state:

- the date from which they do
- the extent to which they
participate for the next dividend,
(in the case of a trust,
distribution) or interest payment
- the extent to which they do not
rank equally, other than in
relation to the next dividend,
distribution or interest payment

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41 Reason for request for quotation
now

Example: In the case of restricted securities, end of
restriction period

(if issued upon conversion of
another security, clearly identify that
other security)

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42 Number and +class of all +securities
quoted on ASX (*including* the
securities in clause 38)

Number	+Class

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:

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Date: 2 July 2009

Print name:

Andrew Neilson
Company Secretary

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Schedule 1 - Ceramic Fuel Cells Limited securities not quoted on ASX

Share Options issued under the CFCL Share Option Plan and Directors and Employee Benefits Plan as at 30 June 2009

Grant Date	Expiry Date	<i>Old</i> Exercise price (\$)	<i>New</i> Exercise Price (\$)	Balance	Exercisable
15 May 2000	14 May 2010	1.50	1.49	60,000	60,000
25 Jul 2000	24 Jul 2010	1.50	1.49	134,000	134,000
23 Feb 2001	22 Feb 2011	1.50	1.49	1,000	1,000
27 Jul 2001	26 Jul 2011	1.50	1.49	3,000	3,000
6 May 2004	5 May 2014	2.01	2.00	170,000	170,000
1 Sep 2004	31 Aug 2014	0.77	0.76	30,000	30,000
12 Oct 2005	11 Oct 2015	0.58	0.57	347,700	-
9 Aug 2006	8 Aug 2016	0.61	0.60	150,000	150,000
24 Aug 2006	23 Aug 2016	0.59	0.58	571,520	571,520
26 Oct 2006	26 Oct 2010	0.2799	0.2899	200,000	200,000
29 Aug 2007	28 Aug 2017	1.02	1.01	3,515,810	3,515,810
29 Aug 2007	28 Aug 2017	1.00	0.99	100,000	100,000
4 Dec 2007	3 Dec 2011	0.695	0.685	285,000	285,000
4 Dec 2007	3 Dec 2011	1.02	1.01	300,000	300,000
28 Mar 2008	27 Mar 2018	0.46	0.45	2,011,900	-
28 Aug 2008	27 Aug 2018	0.45	0.44	3,284,230	-
28 Aug 2008	27 Mar 2012	0.112	0.102	285,000	285,000
5 Dec 2008	5 Dec 2012	0.46	0.45	200,000	200,000
5 Dec 2008	20 Jun 2014 *	0.45	0.44	1,000,000	-
Total Number of Options				12,649,160	6,005,330

(* or earlier if the Board agrees to an earlier vesting date)

Note: the Exercise Prices have been reduced by one cent to take into account the impact of the rights issues conducted by the Company in April 2009, applying the formula set out in ASX Listing Rule 6.22.2.