

Ceramic Fuel Cells Limited

Notice of Annual General Meeting 2009

Dear Shareholder

On behalf of the directors of Ceramic Fuel Cells Limited, I am pleased to invite you to attend our 2009 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 Instruction', which is similar to a proxy form.)

If you are attending the meeting, please bring your proxy form or Form of Instruction 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 Instruction 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. Links to the webcast will be available on 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 and follow the links to register.

Yours sincerely



Jeff Harding
Chairman

Meeting Details:

Time: 5.30 pm, Tuesday 24 November 2009

Place: DLA Phillips Fox, Level 21, 140 William Street, Melbourne

Ceramic Fuel Cells Limited (ACN 055 736 671) (CFCL) will hold its Annual General Meeting at 5.30 pm on **Tuesday 24 November 2009** at the offices of DLA Phillips Fox, 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 2009.

Item 2: Election of Director - Mr Robert Kennett

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

"That Mr Robert Kennett be re-elected as a director of CFCL."

Item 3: Election of Director - Dr Peter Binks

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

"That Dr Peter Binks be elected as a director of CFCL."

Item 4: Election of Director - Mr Roy Rose

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

"That Mr Roy Rose be elected as a director of CFCL."

Item 5: Remuneration Report

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

"That the remuneration report for the year ended 30 June 2009 be adopted."

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

Special business

Item 6: 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.

Item 7: Amendments to the Constitution

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

"That the CFCL Constitution be amended as outlined in the Explanatory Notes accompanying this Notice of meeting"

By order of the Board



Andrew Neilson, Company Secretary

9 October 2009

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 (**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 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); 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. If Depository Interest holders wish to attend the meeting they should contact Computershare's UK office for a Letter of Representation.

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 22 November 2009.

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 questions will be available at the meeting.

Item 2 Re-Election of Mr Robert Kennett as a director

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, must retire from office and may submit themselves for re-election.

Prof. Michael Dureau retires by rotation as a director in accordance with Rule 81 of the Constitution and has not offered himself for re-election.

Mr Kennett retires as a director in accordance with Rule 81(1) of the proposed amended Constitution, and, being eligible, offers himself for re-election. Mr Kennett lives in the United Kingdom and has been a Non-Executive Director of the Company since August 2006.

Mr Kennett, aged 59, has spent his career in the energy sector, specialising in Combined Heat and Power and renewables. He was Managing Director of Powergen Combined Heat and Power Ltd for 12 years and, for three years simultaneously, was the Chairman of PowerGen Renewables Ltd. In his ten years in this position, Mr Kennett successfully established and managed a leading and profitable business in the UK Combined Heat and Power market with assets of more than £600m at 22 sites. Mr Kennett is currently a consultant advising financiers and investors on business opportunities in the UK Combined Heat and Power and Renewable Energy markets. He is on a Panel of Independent Assessors for DTI Energy Programmes, a board member of the Power Industries division of the Institution of Mechanical Engineers, a board member of the UK Combined Heat and Power Association and the Chairman of the Micro CHP committee of that organisation.

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

Item 3 Election of Dr Peter Binks 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 Dr Peter Binks as a Non-Executive Director on 6 May 2009. Dr Binks, aged 49 and based in Melbourne, is also the Chairman of the Board Technical committee and a member of the Board Remuneration and Nominations Committee.

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

After completing a science degree at the University of Tasmania (Hons) majoring in Physics, Dr Binks attended Oxford University as a Rhodes Scholar. He completed his doctoral thesis in Theoretical Physics. Dr Binks has had a successful career with McKinsey & Company, BHP, Telstra and Nanotechnology Victoria Ltd. He was most recently the CEO of NanoVentures Australia Ltd, a company set up to attract funding and commercialise outcomes from Nanotechnology Victoria. Dr Binks is currently a director of NanoVentures Australia Limited, a director of NanoVic Commercial, and a director of NanoVic IP Holdings. From January 2006 to June 2008 Dr Binks was also a director of The Australian Nano Business Forum. On September 1 2009 Dr Binks took up the position of CEO of the General Sir John Monash Foundation, and joined the Board of that Foundation.

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

Item 4 Election of Mr Roy Rose 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 Roy Rose as a Non-Executive Director on 7 July 2009. Mr Rose, aged 62 and based in Melbourne, is also a member of the Board Technical and Audit committees.

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

Mr Rose has 30 years experience in the paint, chemicals, fertilizer and medical products industries, possessing strong skills in technology and innovation, including experience commercialising and manufacturing innovative technologies. He has held non-executive directorships of Incitec Limited, CRC for Environmental Biotechnology and Qenos Pty Ltd, as well as having held senior management positions at Orica Australia.

Mr Rose is currently Chairman of CSIRO's Future Manufacturing Flagship Advisory Committee. He is also a non-executive director and Chairman of the Audit and Risk Management Committee of ITL Limited, an ASX-listed medical technology company. Mr Rose has served on numerous Australian industry groups, including as a member and Past President of Australian Industrial Research Group.

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

Item 5 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 14 to 22 of the Annual Report for the year ended 30 June 2009 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 6 Directors and Employee Benefits Plan

CFCL currently has a Directors and Employee Benefits Plan, which was approved by shareholders on 28 November 2006 (**Equity Plan**). The Board seeks shareholder approval of the issue of securities under the Equity 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 Equity 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 Equity Plan to directors or any of their associates and other person for whom prior shareholder approval is required under the ASX or AIM Listing Rules.

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

1. Under the Equity 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 Equity 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 Equity 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 Equity 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 Equity Plan. Performance Rights are non-transferable.
5. Options and Performance Rights will automatically lapse in certain circumstances as set out in the Equity 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 Equity 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 Equity 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 Equity 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 Equity 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 Equity Plan and any other Group employee incentive scheme; and
 - 9.2. the total number of shares issued during the preceding five years under the Equity Plan and any other employee incentive scheme, would exceed 10% of the total number of shares on issue at the time of the proposed issue.
10. The Equity Plan will be administered by the Board in accordance with the terms of Equity Plan which may be amended by the Board at any time, subject to certain limitations set out in the Plan.
11. There have been 16,023,844 options issued under the Equity Plan since 28 November 2006.

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

Item 7 Amendments to the Constitution

Summary

The Company's current Constitution was adopted in November 2005. Since then, a number of regulatory changes have occurred and the ASX Corporate Governance Council has issued revised Corporate Governance Principles and Recommendations to provide additional guidance to companies on corporate governance practices.

The Company has therefore conducted a review of its Constitution, with a view to updating the Constitution in line with those developments.

The Board has identified a number of changes to the existing Constitution that it considers appropriate to propose for consideration by the shareholders. A copy of the Constitution, marked up to indicate proposed amendments, can be obtained prior to the Meeting from the Company's website at www.cfcl.com.au or on request from the Company Secretary. The proposed principal amendments to the Constitution are:

Appointment of directors

Under Share Subscription Agreements entered into in December 2001 ("**2001 Agreements**"), Energex Limited and Metasource Pty Ltd were each entitled to appoint Directors in proportion to their shareholding in the Company. This right is reflected in paragraph 69 of the current Constitution. The current Constitution, at paragraph 70, also allows a shareholder with more than 20% to appoint one Director.

The Board considers that in the interests of good corporate governance the provisions in the current Constitution regarding appointment and removal of directors are no longer appropriate and in any event, the shareholders in question no longer have a shareholding of the requisite size entitling them to appoint a director. It is therefore proposed to delete the relevant provisions.

Calls

The Board proposes two changes to the section of the current Constitution dealing with payment of calls on shares.

Proposed Paragraph 17 provides that the payment in advance of a call does not entitle the relevant shareholder to a benefit or advantage to which it would not have otherwise been entitled.

Proposed Paragraph 21 provides that until a call, plus any associated interest and expenses, has been paid, a shareholder will not be entitled to receive a dividend or bonus or be present and vote at a general meeting (except as a proxy for another shareholder).

These changes reflect the requirements of the ASX Listing Rules and are proposed to be included in the new constitution for clarification purposes. Shareholders should note that all of the Company's shares currently on issue are fully paid shares. The sections of the Constitution dealing with calls on shares do not apply to fully paid shares.

Direct Voting

ASX Corporate Governance Council's guidance on shareholder meetings encourages companies to consider shareholder participation through direct voting. Direct voting allows a shareholder to vote on resolutions to be considered at the meeting without the need to attend the meeting in person or to appoint a proxy or other representative. A direct vote would typically be submitted to the registry prior to the meeting in the same way as a shareholder would submit a proxy form.

The proposed amendments to the Constitution include the addition of a new paragraph to allow the Directors to approve other means (including electronic) by which shareholders may vote at general meetings. Whilst the Company has no immediate plans to implement electronic voting arrangements, including this provision in the Constitution will enable these arrangements - such as online or direct voting systems - to be implemented in the future if the Directors consider it appropriate and in the interests of all shareholders.

Miscellaneous

It is proposed that a number of minor technical and drafting amendments be incorporated into the Constitution, for instance to correct inconsistencies and reflect consequential changes in references.

ASX has confirmed that, in relation to compliance with ASX Listing Rules, it has no objections to the proposed amendments to the Constitution.

The Directors recommend that shareholders vote in favour of this resolution. The Chairman of the meeting intends to vote undirected proxies in favour of this resolution.