



CARNEGIE CLEAN ENERGY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 009 237 736

SUPPLEMENTARY PROSPECTUS

The Deed Administrators, who have granted the Directors their approval under the Deed of Company Arrangement (DOCA) to exercise the Directors' powers reflected herein, have not independently verified any of the information contained in this Supplementary Prospectus. The Deed Administrators and their employees and agents do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Supplementary Prospectus.

THIS IS A SUPPLEMENTARY PROSPECTUS TO THE PROSPECTUS LODGED WITH ASIC ON 31 JULY 2019 AND MUST BE READ TOGETHER WITH THAT PROSPECTUS.

THIS IS AN IMPORTANT DOCUMENT REQUIRING YOUR IMMEDIATE ATTENTION AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, SOLICITOR, OR OTHER PROFESSIONAL ADVISOR.

AN INVESTMENT IN THE SECURITIES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED HIGHLY SPECULATIVE IN NATURE.

1. IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 31 July 2019 (**Prospectus**), issued by Carnegie Clean Energy Limited (Subject to Deed of Company Arrangement) (ACN 009 237 736) (**Company**). The Prospectus was prepared in order to, among other things:

- (a) complete the Entitlement Offer to effect the Recapitalisation Proposal and effectuate the DOCA; and
- (b) complete the Additional Offers that related to the Recapitalisation Proposal.

This Supplementary Prospectus dated 3 September 2019 was lodged with the ASIC on that date. ASIC and its officers take no responsibility for the contents of this Supplementary Prospectus.

Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus as an electronic prospectus and may be accessed on the Company's website at <https://www.carnegiece.com/>.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

2. SUPPLEMENTARY INFORMATION

The purpose of this Supplementary Prospectus is to make the following revisions to the Prospectus.

3. LETTER TO SHAREHOLDERS

The Letter to Shareholders is deleted and replaced with the following:

3 September 2019

Dear Shareholder

Carnegie Clean Energy Limited (**Carnegie** or the **Company**) has a renewed opportunity to create value for shareholders as marine energy continues to mature around the world. Wave energy remains one of the largest untapped sources of clean energy. As Directors, we are pleased to provide you with an opportunity to participate in Carnegie's recapitalisation and development of its wave energy technology.

Carnegie has now addressed the previous problems in the Company, which stemmed from the failed EMC business. The Company's difficulties in completing the Albany Wave Energy Project arose primarily from the significant cash losses incurred by that EMC business and proposed R&D tax changes. This left the Company unable to finance the Albany Wave Energy Project, which was the cause of the Albany Wave Energy Project not being completed rather any failure or loss of confidence in our core wave power technology. EMC has been wound down, meaning that Carnegie will no longer be required to fund losses incurred by EMC and has no further financial exposure to that business. This will enable Carnegie to focus on its core business of wave energy research, development and commercialisation. Following completion of the recapitalisation proposal (**Recapitalisation Proposal**), the Company also intends to continue to operate the Garden Island Microgrid (**GIMG**) under its existing arrangement with the Department of Defence. Carnegie will seek to operate GIMG on a cash flow positive basis.

The Recapitalisation Proposal provides for the extinguishment of pre-administration claims and the conversion of a proportion of Carnegie's debt to equity, with the remaining debt being restructured and carrying over to the recapitalised entity in the form of new convertible notes maturing in 2021. Refer to Section 2 for further details of the Recapitalisation Proposal.

The Recapitalisation Proposal has been developed with funding and support from two of Carnegie's key stakeholders, Mooney & Partners (a corporate advisory firm associated with Non-Executive Director, Mr Grant Mooney) and Asymmetric (one of Carnegie's existing Shareholders and lenders), who together have provided aggregate funding of \$500,000 to support Carnegie through the administration process.

The Recapitalisation Proposal also has the support of Carnegie's existing Directors (Mike Fitzpatrick, Terry Stinson and Grant Mooney) and management (Jonathan Fiévez), who will continue in their existing roles following completion of the Recapitalisation Proposal, lending their extensive knowledge of Carnegie's business and expertise with previous generations of CETO technology to assist Carnegie to execute the business strategy further detailed in the Prospectus. In addition, Anthony Shields will be joining the Board (as a nominee of Asymmetric) to provide financial management and strategic advice and assist with the commercialisation of Carnegie's wave energy technology.

Carnegie has developed a considered plan to reboot the operations of the Company and is seeking to improve the CETO unit design by utilising a low-cost, digital development pathway that requires substantially less capital than the previous heavy engineering approach of iteratively building large physical prototypes. With the failed EMC business now removed, the Directors believe that Carnegie will be much better placed to deliver its core business objective - the development and commercialisation of the CETO technology, with a significantly lower capital requirement.

The management team of Carnegie have defined targets for the digital development pathway and the Company will provide regular updates on its progress. The Company will seek to utilise collaboration alliances with CSIRO / Pawsey, University of Western Australia and Enel Green Power to assist in its goal of making Carnegie's technology a globally competitive source of renewable energy, with an aim of competing with more recently commercialised sources of renewables such as offshore wind generation.

To provide Carnegie with funding to execute the rebooted business strategy over the next 12 months, Carnegie is undertaking a non-renounceable pro rata entitlement offer of four (4) New Shares for every one (1) Share held by Eligible Shareholders at the Record Date at an issue price of \$0.001 per New Share to raise a minimum of \$5,500,000 (before costs) and a maximum of approximately \$11,525,810 (before costs).

Should Shareholders take up their entitlements in full and the offer is fully subscribed (raising \$11,525,810), the dilution effect following completion of the Recapitalisation Proposal (defined below) will be a maximum of 16.1% (based on the maximum subscription).

With its new streamlined structure, Carnegie is confident that it can reduce the funding burden on Shareholders and continue with its mission of delivering Shareholder value from renewable energy technologies.



The New Shares offered under this Prospectus should be regarded as highly speculative. Refer to Section 7 for a summary of the key risks associated with an investment in the Company. We encourage you to read this Prospectus carefully and in full before applying for any New Shares. If you are in doubt as to any of the contents of this Prospectus, you should consult your stockbroker, accountant, solicitor or other professional advisor.

Yours faithfully



Terry Stinson
Non-Executive Chairman

4. BUSINESS OVERVIEW AND STRATEGY

Sections 3.2 and 3.3 of the Prospectus are amended to include the following additional information and correct certain typographical errors as follows:

- (a) Delete the 4th, 6th and 7th paragraph in Section 3.2(a) and replace with the following:

Carnegie's 100% ownership of the CETO Technology provides flexibility to explore potential commercialisation pathways including joint ventures, Original Equipment Manufacturer (OEM) technology licencing and/or royalty arrangements, product sales as well as the provision of technical and engineering services. The active and continued generation of new intellectual property throughout the development of the CETO Technology is a key competency within Carnegie's technical team, with the generation and capture of new ideas widely encouraged. The CETO Technology's intellectual property portfolio includes seven patent families, ranging in maturity, with 70 granted patents and 18 patents pending as at 23 August 2019.

The offshore and onshore infrastructure at Fremantle and Garden Island remain valuable assets for the Company's own purposes but will also be offered for use to other wave industry participants. This will serve to potentially strengthen industry partnerships and may, in the future, potentially enable the Company to generate revenue from those assets.

Whilst Carnegie didn't reach the point of building infrastructure at Albany (due to a shortage of capital) significant knowledge of the soil conditions, wave and meteorological conditions, permitting and approval processes, port capacity and the grid connection requirements has been acquired and retained. Carnegie also retains a licence to undertake research and deploy wave energy instrumentation in the Torbay area - Albany. Refer to Section 3.2(c) for further details.

- (b) Delete the 3rd and 4th paragraph in Section 3.2(b) and replace with the following:

The GIMG received the Approval to Operate from Western Power in late June 2019 and in late July received final sign-off from DoD to commence operations of the solar-battery system. Following approval from the DoD, the GIMG has commenced operations.

The GIMG is subject to various operational conditions and a forecast network change external to the system itself. Additionally, the first year of operation is likely to uncover start-up issues that are typical of most equipment of this nature. As a result, additional expenditure may be required for the system to maintain operations and connection to the network. These costs are estimated to be up to \$356,220.

- (c) Delete the 5th paragraph in Section 3.2(c) and replace with the following:

Carnegie holds a licence, issued by the State of Western Australia, to occupy an area offshore from Albany to undertake research and deploy wave energy instrumentation. This licence grants exclusive occupation for the purpose of wave energy (ie. the licensor will not grant a licence, interest or other right to another person for any wave energy project in respect of the licence area) but is otherwise non-exclusive. The current term of the licence is valid until March 2020, with a further optional term of 2 additional years.

- (d) Insert in Section 3.3(a) the following:

It is not the Company's current intention to own and/or operate large scale or commercial "wave energy" farms.

5. USE OF FUNDS

Section 5.1 of the Prospectus is amended to include a new Note 5 in sections 5.1(a), (b) and (c) in respect to the "Working Capital" for each table as follows:

5. *Cash contingencies and surplus working capital.*

6. DILUTION

The table in Section 5.3 of the Prospectus is deleted and replaced with the following:

Shareholder	Shareholding as at the date of this Prospectus	%	Entitlement under the Entitlement Offer (Minimum Subscription)	Entitlement under the Entitlement Offer (Maximum Subscription)	% ¹	% ²	% ³	% ⁴	% ⁵	% ⁶
Shareholder 1	7,203,631	0.25%	13,750,000	28,814,524	0.18%	0.11%	0.20%	0.14%	0.06%	0.04%
Shareholder 2	28,814,525	1.00%	55,000,001	115,258,100	0.72%	0.43%	0.81%	0.56%	0.25%	0.16%
Shareholder 3	50,425,418	1.75%	96,250,000	201,701,672	1.25%	0.75%	1.42%	0.98%	0.45%	0.29%
Shareholder 4	72,036,311	2.50%	137,499,999.4	288,145,244	1.79%	1.07%	2.03%	1.41%	0.64%	0.42%
Shareholder 5	144,072,623	5.00%	275,000,000.8	576,290,492	3.58%	2.14%	4.06%	2.81%	1.29%	0.84%

Notes

1. On completion of the Recapitalisation Proposal on an undiluted basis and assuming Minimum Subscription.
2. On completion of the Recapitalisation Proposal on a fully diluted basis and assuming Minimum Subscription.
3. On completion of the Recapitalisation Proposal on an undiluted basis and assuming Maximum Subscription.
4. On completion of the Recapitalisation Proposal on a fully diluted basis and assuming Maximum Subscription.
5. On completion of the Recapitalisation Proposal on a fully diluted basis and assuming Minimum Subscription and the Shareholder does not take up his / her entitlement.
6. On completion of the Recapitalisation Proposal on a fully diluted basis and assuming Maximum Subscription and the Shareholder does not take up his / her entitlement.

7. ADDITIONAL INFORMATION

Section 11 of the Prospectus is amended to include the following additional information:

- (a) Section 11.5 of the Prospectus is amended to include the following paragraph:

Based on information available to the Company, following completion of the Recapitalisation Proposal, Mr Mike Fitzpatrick and his associated entities (refer to Section 11.3 for further details) will be a significant Shareholder of the Company holding approximately 8.85% based on a Minimum Subscription and approximately 5.7% based on a Maximum Subscription of the total issued share capital of the Company (assuming Mr Fitzpatrick does not take up his entitlement) and approximately 13.3% based on a Minimum Subscription and approximately 8.7% based on a Maximum Subscription of the total issued share capital of the Company (assuming Mr Fitzpatrick takes up his entitlement). If Mr John Rix Davidson takes up his entitlement, assuming Minimum Subscription, he will remain a significant shareholder of the Company (holding approximately 6.6% of the total issued share capital of the Company). As at the date of this Prospectus, the Company is not in a position to advise if any other Shareholder or a third party will become a significant Shareholder following completion of the Recapitalisation Proposal and notes that a list of the Company's 20 largest Shareholders will be released on its ASX platform prior to reinstatement to Official Quotation (refer to the ASX conditions retailed in Section 2.6).

- (b) Section 11.12 of the Prospectus is amended to include the following:

The following additional parties are included in the table:

Name	Role
HLB Mann Judd	Auditors
KordaMentha	Administrators and Deed Administrators

The following paragraph is inserted:

In addition, ENEL Green Power and the Pawsey Supercomputing Centre have given their consent to the inclusion of information and statements in Section 3.1 of the Prospectus in the form and context in which they are included.

8. CONSENTS

Each of the Directors has given his or her written consent to being named in this Supplementary Prospectus in the context in which they are named and have not withdrawn their consent prior to lodgement of this Supplementary Prospectus with ASIC.

9. APPLICATION FOR SECURITIES

The Directors believe that the changes in this Supplementary Prospectus are not materially adverse from the point of view of an investor. Accordingly, no action needs to be taken if you have already applied for Securities under the Offers.

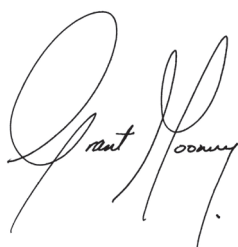
Applications for Shares under the Entitlement Offer can be made using the Application Form provided with the Prospectus (as supplemented by this Supplementary Prospectus). The Application Form contains detailed instructions on how it is to be completed.

10. GENERAL

Other than as provided in this Supplementary Prospectus, all other information contained in the Prospectus remains unchanged.

11. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC.



Grant Mooney
Executive Director

Dated: 3 September 2019