

ASX Announcement

31 October 2019

QUARTERLY UPDATE

- **Recapitalisation completed with \$5.5 Million Rights Issue**
- **Wave Energy Virtual Prototype underway- Milestones set**
- **Garden Island Microgrid operational and selling power**

It has been a busy and pivotal few months for Carnegie, the team and our Shareholders. During the quarter, Carnegie diligently progressed through the recapitalisation process and with the support of existing Shareholders and new third-party investors, the Company raised \$5.5m to allow the recapitalisation to proceed. This enabled the Company to progress through the final steps of the process to effectuate the Deed of Company Arrangement (DOCA), meet the ASX conditions to reinstatement and come out of administration on 28 October 2019.

Carnegie is now able to start delivering on the business plans and strategies outlined in the Prospectus, including renewed focus on its CETO wave energy technology using a new digital development pathway and continuing the operation of the Garden Island Microgrid. The whole Carnegie team wish to extend thanks to all our existing and new Shareholders for their support.

Recapitalisation

On 31 July 2019, Carnegie released its Prospectus which outlined Carnegie's future business plans and strategy as well as the Offers making up the recapitalisation proposal, including the Entitlement Offer and Shortfall Offer. The Offers closed in September and successfully raised \$5.5 million, sufficient under the DOCA to enable the recapitalisation to proceed.

DOCA Completion and Reinstatement to Trading

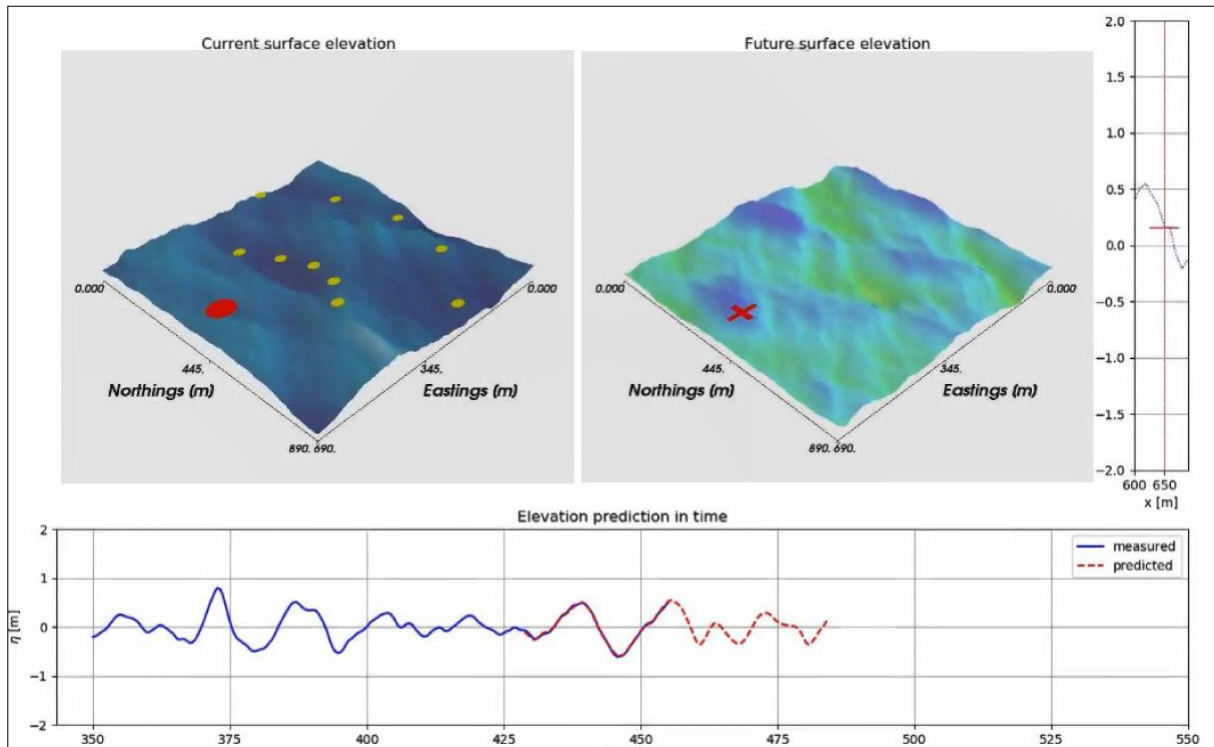
Throughout the quarter and into October, the Carnegie team progressed through the required steps to enable the DOCA to effectuate (complete) including, amongst other things, the Entitlement Offer. On 28 October 2019, the DOCA effectuated and the Deed Administrators resigned, returning control of the Company to the Directors. After a challenging chapter for the Company, the team and the Shareholders, this has been a significant and exciting achievement. The Company anticipates reinstatement of its shares to trading on the ASX tomorrow, 31 October 2019.

Wave Energy

During the quarter, the Carnegie team continued progressing the CETO technology development within the constraints imposed during the administration period. Now that Carnegie has emerged from administration, the team will be able to make more significant steps along the pathway outlined

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in the Prospectus. Carnegie intends to bolster its technical team with several key appointments planned for the current quarter which will support the delivery of the digital development pathway.



Carnegie's machine learning based wave predictor visualisation tool showing accurate wave prediction in complex sea

Following the end of the quarter, Carnegie and the Australian Renewable Energy Agency (ARENA) finalised an agreement to mutually terminate the existing ARENA CETO 6 Project Funding Agreement which had been intended to support the Albany Wave Energy Project, as that Project is no longer proceeding. ARENA has approved a final payment of approximately \$865,000 to support the work completed and the ongoing knowledge sharing from that Project.

Throughout the quarter, the Carnegie team continued its ongoing involvement with the broader development of the wave energy industry in Australia and internationally. In September, Carnegie's Chief Technology Officer and Senior Engineer attended and presented at the European Wave and Tidal Energy Conference (EWTEC), a key international technical conference where industry, universities and other stakeholders come together to meet, share knowledge and explore new ideas and opportunities for the sector. This year, the conference was sponsored by Enel Green Power. Carnegie has also continued its work within the Australian Ocean Energy Group (AOEG), an industry-led cluster facilitating collaboration amongst the ocean energy industry to create value for Australia. The cluster's primary aim is to accelerate the addition of ocean energy to Australia's energy resource mix. Carnegie values the important work being done by the cluster and appreciates the opportunity to collaborate with colleagues engaged in the sector around the country.

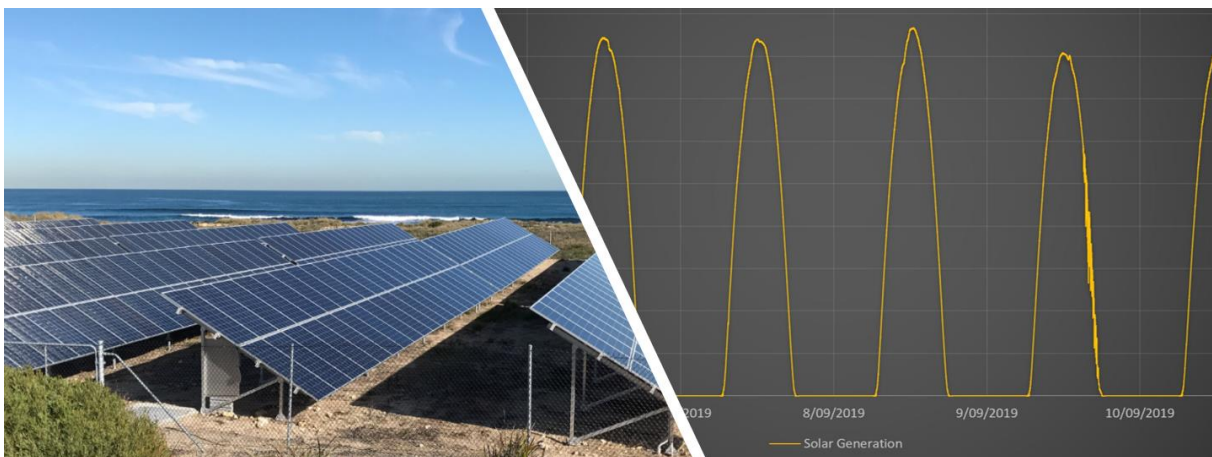
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Carnegie's Chief Technology Officer presenting at EWTEC (right) and visiting EGP booth with Senior Engineer (left)

Garden Island Microgrid

During the Quarter, following intensive approval processes with Western Power and Department of Defence, Carnegie commenced operations at the Garden Island Microgrid (GIMG). As outlined in the Prospectus, Carnegie has retained 100% ownership of this revenue generating asset. The system has produced over 500 MWh of electricity which is being sold to the Department of Defence under an Electricity Supply Agreement. On 30 October 2019, Carnegie received its final \$200,000 milestone payment from the Australian Renewable Energy Agency for the GIMG Project.



Garden Island 2 MW solar array in the spring sunshine (left) and recent smooth spring solar profiles (right)

Appointment of Anthony Shields as Non-Executive Director

Carnegie has also now appointed Mr. Anthony Shields as a non-executive director. Mr. Shields is the managing director of Asymmetric Investment Management Fund Pty Ltd (Asymmetric), a Perth based investment manager specialising in private debt, venture capital and risk management. A long-term Carnegie supporter and shareholder, Anthony also provided funding support and was a proponent of the DOCA, alongside non-executive director Grant Mooney, to support the Company through administration and enable the recapitalisation of the Company.

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Annual General Meeting

Carnegie's Annual General Meeting will be held at 9am on Monday 25 November 2019 at the Swan Yacht Club, Riverside Road, East Fremantle WA. Carnegie's Annual Report has also been released and is available on the ASX.

For more information:

Carnegie Clean Energy Limited

+61 8 6168 8400

enquiries@carnegiece.com

www.carnegiece.com

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