

ASX ANNOUNCEMENT

31 January 2020

Report to Shareholders for the Quarter Ended 31 December 2019

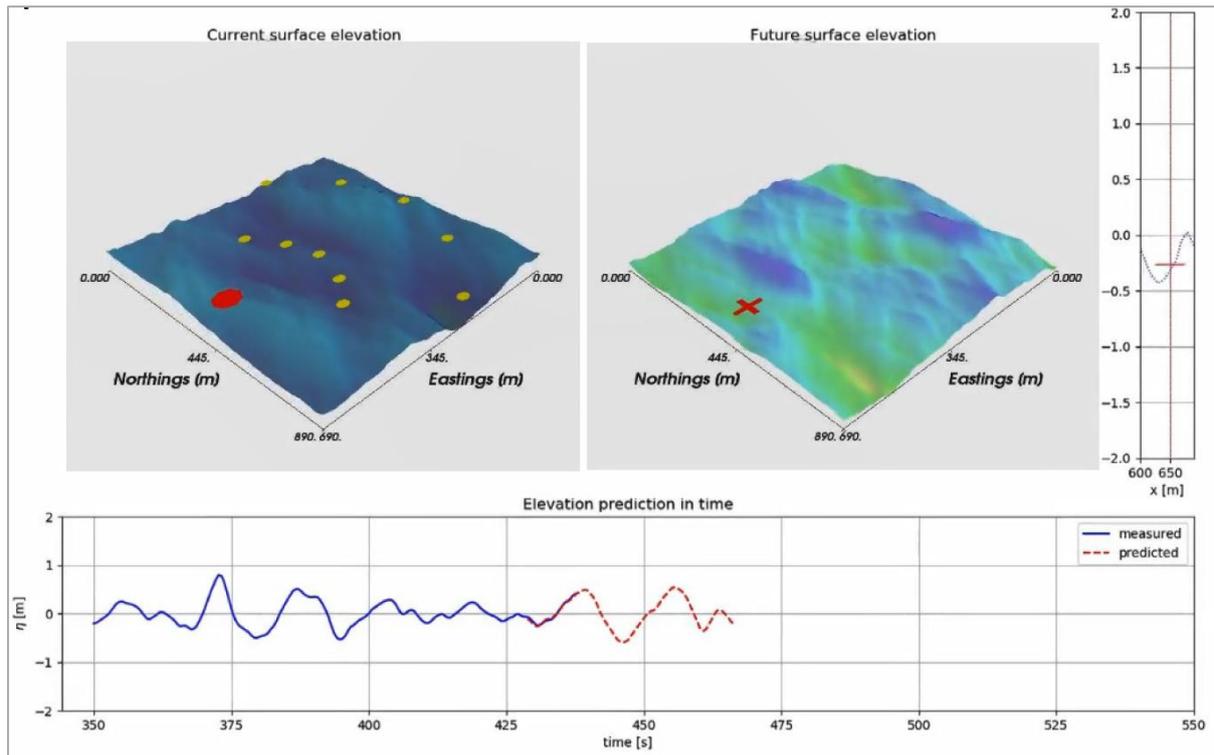
- Carnegie recapitalised and returns to normal trading
- Machine Learning (ML) wave predictor nearing milestone
- Funding for European tank testing of ML wave predictor awarded
- Payment of \$865k for CETO 6 project received from ARENA
- 1000 MWh generation milestone reached for Garden Island solar system

During the quarter, Carnegie successfully recapitalised the business and emerged from administration with the effectuation of the Deed of Company Arrangement and the resignation of the Deed Administrators on 28 October 2019. This enabled Carnegie shares to be reinstated to trading on the ASX on 31 October 2019.

Since coming out of administration in October, the Carnegie team has been completing a range of corporate activities associated with the reinstatement of the business, delivering on the CETO technology development pathway outlined in the Prospectus and operating Carnegie's Garden Island Microgrid asset.

CETO Development

The Carnegie team continues progressing the CETO technology along the new technology development pathway outlined to shareholders in the Prospectus Recapitalisation Plan. The funds raised are supporting the development of the core CETO technology and intellectual property, the key unique aspects of the technology that set CETO apart from other wave energy technologies and which is intended to deliver long term value to Shareholders. Carnegie has made notable progress on its machine learning activities, a core stream of the development pathway. Carnegie anticipates providing a status update on the development of the machine learning Wave Predictor in the coming weeks.



Screenshot of the Wave Predictor visualisation tool

Carnegie was pleased to be awarded 2 weeks of wave tank testing at the Cantabria Coastal and Ocean Basin in Spain, funded through the European funded Marinet2 program which provides transnational access to key infrastructure across Europe in order to support the research, development and testing of Offshore Renewable Energy systems. This is Carnegie’s third successful application to the Marinet program. Carnegie’s funded tank testing program, expected to take place in approximately April-May, is an important step in the ongoing machine learning activities outlined in the Prospectus. The award of this free access allows Carnegie to complete this key task at a significantly reduced cost.



The wave tank in Cantabria, Spain

In addition to progressing the core CETO technology, Carnegie continues developing the non-core technology pathway through a range of collaborative projects. The non-core technology

pathway includes technologies which will be utilised by Carnegie but are generally products (or services) that are developed externally and more broadly utilised across the industry. This includes technologies such as novel foundation solutions, quick-connect moorings and connectors, offshore cables, novel construction materials and more. Whilst the CETO technology will benefit from advancements in these sectors, these are not core aspects of the CETO technology in terms of delivering shareholder value. As such, Carnegie's approach is to engage with the wider sector to inform and support these activities without committing significant shareholder funds. Carnegie participates in many of these projects to represent the industry requirements and also benefits from the outputs through the use of CETO as a case study.

During the quarter, one of the Projects that Carnegie is participating in to develop non-core technologies was awarded grant funding. Wave Energy Scotland (WES) recently awarded funding to Subsea Riser Product's (SRP) Rocksteady WEC Mooring and Electrical Connection Project which Carnegie is a paid participant and aims to demonstrate the feasibility of a variant of one of Subsea Riser Products' connector for wave energy converters. SRP supplied connectors for the CETO 5 array.



The SRP designed CETO 5 connector (red component in centre) during onshore testing, 2015

Carnegie also continues to participate in wider industry clusters and projects including its role as a member of the Australian Ocean Energy Group and a participant in the \$300m+ Blue Economy Cooperative Research Centre (CRC). During the quarter, Carnegie participated in the Australian Ocean Energy Group's invitation only Ocean Energy Market Development Summit. At the end of January, Carnegie also participated in the inaugural workshop of the Blue Economy CRC which brought participants together to identify and pursue opportunities to address the challenges the CRC has been funded to address over the next 10 years, namely offshore food and energy production.



Blue Economy CRC Participant Workshop: Carnegie's CEO on the international expert panel (left); 140 participants in workshop mode in the Hobart Convention Centre (right)

During the quarter, Carnegie also received \$865k from ARENA as the final payment for the previous CETO 6 Project.

Carnegie's planned recruitment process is ongoing and is bringing additional expertise into the Engineering team. A new recruit started in January with expertise in machine learning and control, significantly increasing Carnegie's capacity in this area.

Garden Island Microgrid

During the quarter, Carnegie's 100% owned Garden Island Microgrid achieved the significant milestone of delivering over 1000 MWh of clean, renewable energy to Department of Defence on Garden Island. All of the revenue from the sale of energy from this asset, post effectuation of the DOCA, comes directly to Carnegie.



Carnegie's Garden Island solar array

Carnegie continues working to strengthen the value of the Garden Island asset and maximise profit whilst addressing the initial challenges of a recently operating asset. This includes working through changes and impacts associated with Department of Defence's ongoing electrical upgrades at HMAS Stirling and working closely with a contractor to optimally operate and maintain the asset. For example, work was undertaken during the quarter to replace a small number of faulty panels with replacements supplied under warranty.

Corporate Activities

The key corporate activities during the quarter have largely revolved around the successful recapitalisation of the business. Carnegie emerged from Administration with the effectuation of the Deed of Company Arrangement and the resignation of the Deed Administrators on 28 October 2019. This enabled Carnegie shares to be reinstated to trading on the ASX on 31 October 2019. In November and December, the team worked to complete a number of other corporate tasks to reset the business following the administration process.

The Annual General Meeting was held in November at which all resolutions were passed including amendments to the Constitution and the appointment of Anthony Shields as a Director.

Following the end of the quarter Security Transfer Australia, Carnegie's provider for share registry services, was acquired by Automic Group who took over provision of services effective 20 January 2020. An announcement to this effect was issued on the same day.

For more information

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