

ASX ANNOUNCEMENT

31 January 2018

Report to Shareholders for the Quarter Ended 31 December 2017

Highlights:

- \$15.75m grant to Carnegie's Albany Wave Energy Project and updated CETO 6 design
- 50% equity investment by Indigenous Business Australia and Perth Noongar Foundation and \$7.5m debt funding term sheet for 10MW Northam Solar Farm
- Garden Island Microgrid construction well advanced and \$1.6m ARENA grant milestone received

Summary

The last quarter saw material progress in the commercialisation of the CETO wave technology with the allocation of over \$27m in grant funding for Carnegie's CETO 6 Albany Wave Energy Project and the establishment of a Wave Energy Research Centre in conjunction with the Western Australian Government and the University of Western Australia. Significant progress on the company's first utility scale solar project, the 10MW Northam Solar Farm, was also achieved including securing the necessary equity and debt to deliver the project.

The December quarter marked 12 months since our acquisition of Energy Made Clean subsidiary, and the subsequent signing of our EPC joint venture with Lendlease services. The Carnegie management team and a renewed Carnegie Board has worked hard to ensure that EMC now has a clear focus on high value project contracts for utility grade customers and a pathway to scale our capability nationally. Given the sales cycle of a tender process with blue chip clients also runs for approximately 12 months, we would also now expect the joint venture to begin to bear fruit this quarter. Carnegie awarded the design and construct contract for the Northam Solar Farm to the JV during the December quarter and any new third-party contracts to close this quarter will add to the Company's existing major projects – Garden Island Microgrid in Western Australia, the CSIRO Square Kilometre Array Microgrid and Delamere Weapons Range Microgrid in the Northern Territory.

Michael Ottaviano, CEO & Managing Director

21 Barker Street, Belmont, Western Australia, 6104

✉ enquiries@carnegiece.com

☎ +61 8 6168 8400

🖨 +61 8 6230 4025

🌐 www.carnegiece.com

1. Albany Wave Energy Project

Western Australian Government Awards \$15.75m Grant Funding to the Albany Wave Energy Project

In October 2017, the Western Australian Government's Department of Primary Industries and Regional Development awarded \$15.75m grant funding to Carnegie's CETO technology and Albany Wave Energy Project following the completion of a globally competitive tender process for wave energy developers that attracted submissions from around the globe.

In addition, the WA Government has awarded \$3.75m to the University of Western Australia to establish and manage an associated Wave Energy Research Centre in Albany, Western Australia. The Wave Energy Research Centre will elevate Western Australia to the forefront of offshore renewable energy research and technology and bring together more than 30 researchers to support Carnegie's ongoing research into wave, tidal and offshore wind energy.

In parallel, the Australian Renewable Energy Agency (ARENA) Board approved Carnegie's request to move ARENA's CETO 6 Project funding from Garden Island to Albany. Accordingly, the remaining \$11.7m grant funding from ARENA's CETO 6 Project funding will also be available to deliver the Albany Wave Energy Project. Carnegie will continue to use its Garden Island site for its own wave energy research and prototype testing as well as working with other wave energy developers at the site.

The Albany Wave Energy Project will involve the design, manufacture and installation of a CETO 6 unit in Carnegie's existing licence area offshore from Torbay and Sandpatch in Albany during the 2019/2020 summer weather window. Success of the initial project phase is planned to be followed by a 20MW expansion which could in turn lead to a 100MW CETO wave farm at the site.

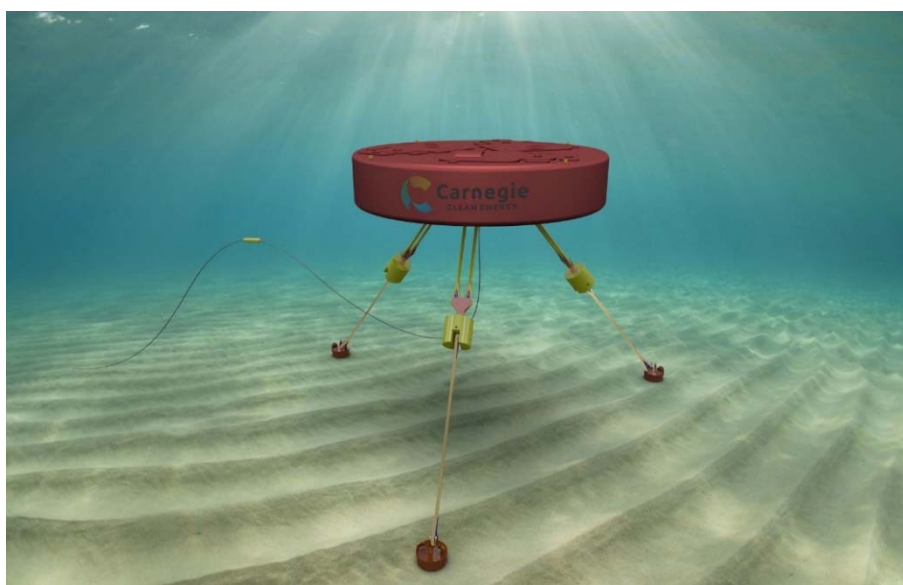
Carnegie has been working on plans for a wave farm in Albany for several years with activities including site studies, surveys, wave resource mapping, licensing and site design. Now that the Albany Wave Energy Project has secured WA State funding, and transferred the existing ARENA CETO 6 Project funding, Carnegie has commenced the project design and development process, including consideration of environment, Native Title, planning consent and grid connection studies and approvals. As part of the Project, further consultation will be undertaken with the local community, industry and other stakeholder groups.

Carnegie will provide a quarterly project activity update in the coming weeks.

CETO 6 Design Update

The updated CETO 6 design was released during the quarter. Carnegie has invested significant time and capital over the past 18 months incorporating a number of cutting edge updates into the CETO 6 design to boost performance. The CETO 6 design builds on intellectual property first lodged by Carnegie in 2013 incorporating on-board power generation and multiple moorings and power take off (PTO) modules. The associated US patent, granted on the 6th of November 2017, confirms the additional features as state of the art. These features boost power production and unit efficiency however also introduce additional complexity. Carnegie took a conservative development path to progressively introduce these features through its CETO 5 generation and only now with CETO 6, will these features be incorporated for the first time.

The new CETO 6 unit will have a nominal capacity of 1.5MW up from 1MW for the previous design. This capacity will vary in accordance with the specific site conditions for each project and the specific design tailored for a project site. The increase in energy production over the previous single moored CETO 6 unit design results in a more cost competitive unit able to compete with other mainstream renewable technologies, once it is manufactured in high volumes and incorporated in large projects.



CETO 6 unit incorporating multiple moorings and on-board generation

2. Microgrid Projects

Garden Island Microgrid Construction Progress

The Garden Island Microgrid Project involves the construction and installation of a 2MW solar PV array, a 2MW/0.5MWh battery energy storage system and a control system. The construction of the solar frames and panels is now complete as is the installation of the battery energy storage system, inverters and transformers. The team has now moved on to completion of cabling and commissioning.

Carnegie received \$1.63m in grant funding from the Australian Renewable Energy Agency (ARENA) in recognition of the completion a milestone for the Garden Island Microgrid Project (GIMG) – see finance section for further details.



Garden Island Microgrid 2MW solar farm construction – solar frames complete



Garden Island Microgrid 2MW solar farm construction - solar panels complete

3. Solar Energy Projects

10MW Northam Solar Farm Equity Investment and Construction Debt Finance Secured

During the quarter, Carnegie announced that WA's first merchant utility solar project, Carnegie's 10MW Northam Solar Farm, was underway with the selection of co-equity investors Indigenous Business Australia (IBA) and Perth Noongar Foundation (PNF) from a competitive investment process run by Carnegie.

The detailed transaction for the Partnership Agreement with these co-equity investors was then completed in January 2018 which results in IBA and PNF jointly owning 50% of the Northam Solar Farm alongside Carnegie's 50% ownership.



Artists Impression of the 10MW Northam Solar Farm

Carnegie also signed a term sheet for a \$7.5m construction debt finance facility for the Northam Solar Farm. The debt finance will be provided by the Perth based private investment group Asymmetric Credit Partners Pty Ltd. Upon completion of project construction and commissioning Carnegie plans to refinance the debt facility. As part of securing the construction finance facility Carnegie undertook a corporate debt restructure and forced the wind up of \$2.8m of unlisted convertible note, first previously announced to the ASX on 18 November 2013.

The Design and Construct Contract with the Energy Made Clean/Lendlease Joint Venture has also now been executed. The Northam Solar Farm project has a capital cost of approximately \$17m, which includes Carnegie's development fee. Significant progress has already been made with initial engineering works and long lead items ordered. The project is on track to complete in the second half of 2018 and when it will begin selling power into the Western Australian grid. It is the first and largest utility solar farm to be constructed in Western Australia on a "merchant" basis where the power is not contracted under a long term offtake agreement. Carnegie retains a 50% interest in the solar farm.

During the quarter, Carnegie has also made significant progress on a range of other associated activities including:

- Confirmation of a binding grid connection offer and signing of the Electricity Transfer Access Contract (ETAC) and Interconnection Works Contract (IWC) with Western Power;
- Formal award of Reserve Capacity Accreditation (RCC) from the Australian Energy Market Operator (AEMO) confirming the eligibility for capacity credit payments;
- Signing of a 25-year land lease agreement at site with a local Northam landowner;
- Finalisation and approval of the Development Application by the Mid-West / Wheatbelt Joint Development Assessment Panel (JDAP).

4. Financial Activities

\$1.63 million in GIMG Grant Funding Received

After the end of the quarter, Carnegie received \$1.63m in grant funding from the Australian Renewable Energy Agency (ARENA) in recognition of the completion a milestone for the Garden Island Microgrid Project (GIMG). The project involves the construction and installation of a 2MW solar PV array, a 2MW/0.5MWh battery energy storage system and a control system.

Carnegie has now received \$2.3m of a total \$2.5m funding package from ARENA to support the Garden Island Microgrid Project. ARENA's funding package for the Project is comprised of \$700,000 grant funding and \$1.8m of convertible note funding.

Accordingly, upon receipt of this Milestone payment, Carnegie issued \$1.6m in convertible notes to ARENA. The ARENA convertible notes will prima facie be unsecured debt with 0% interest over a six year term and can be converted by ARENA to ordinary shares in Carnegie at a conversion price of \$0.053 per share. The final \$200,000 in convertible notes will be issued to ARENA upon commissioning.

5. Corporate Activities

Annual General Meeting

On November 15, Carnegie held its Annual General Meeting in Perth. At the Annual General Meeting in November all resolutions were passed including the nomination of new Board of Directors and the approval of the new company Constitution.

Board of Directors Update

During the quarter, Carnegie announced a number of changes to the Board of Directors. This included the retirement of the Chairman, Mr Jeffrey Harding and the appointment of Mr Terry Stinson (Chairman) and Mr Mark Woodall (Non-Executive Director). Mr Stinson and Mr Woodall were formally appointed to the Board of Directors effective from Carnegie's November 2017 Annual General Meeting. In addition, Carnegie announced the resignation of Mr John Leggate as a Non-Executive Director and the transition of Mr Kieran O'Brien from Executive Director to Non-Executive Director.

Mr Stinson has over 25 years of executive leadership experience with innovation companies globally. He was formerly the Chief Executive Officer and Managing Director of ASX-listed Orbital Corporation Limited. In this role he led the Perth-based R&D and manufacturing group through a process of transformation and diversification achieving sustained share price growth. He was previously a Vice President and General Manager at Siemens AG responsible for overseeing an international business across multiple sites, over 1200 staff and delivering sales in excess of \$300m per annum. Terry remains a non-executive director of Orbital and is also non-executive Chair of ASX-listed Talga Resources, an emerging high tech international materials company. Terry has a Bachelor of Business Administration (Magnum Cum Laude) from Marian University in Wisconsin, USA.

Mr Woodall has been a leader in the development and financing of renewable energy and clean technologies for nearly 25 years. He founded and led two specialist investment banking firms focused on the low carbon economy: Impax Capital (1994) and Climate Change Capital (2002). He has been the adviser, investor or principal in over 90 cleantech transactions with total capital deployed of over US\$4.5 billion. Mark has an MBA (Dean's List) from Cranfield University and was an officer in the British Army.

These changes are part of Carnegie's ongoing program of business diversification and growth which involves Board Renewal and cost reductions including achieving approximately \$2.5m in annualised cost savings from the combined Carnegie group.

Resignation of Joint Company Secretary

In January 2018, Carnegie advised that Mr Aidan Flynn resigned as joint company secretary. The resignation is in conjunction with Mr Flynn's resignation from the position of Carnegie's Chief Financial Officer in order to take up a new role as CFO of an ASX listed company in the robotics industry.

Carnegie's Commercial Manager, Mrs Rebecca Cutter has been appointed interim CFO while a formal external recruitment process is conducted to make a permanent appointment. Mr Grant Mooney remains in the position of Company Secretary.

Conferences and Presentations

During the quarter, Carnegie staff presented at a number of targeted events including:

- In the Zone, Perth
- All Energy Australia, Melbourne
- Australia-Germany Energy and Resources Working Group, Perth
- What's Down The Track Forum and Exhibition, Kalgoorlie
- Isolated Power Systems Connect, Rottnest Island
- Australia Solar and Energy Storage, Brisbane

In November Carnegie was pleased to acknowledge that the Pawsey Supercomputing Centre received the HPCwire Editors' choice award for Best Use of High Performance Computing in Energy for the Centre's collaboration with Carnegie and the University of Western Australia for the use of Pawsey's Magnus supercomputer to analyse the fluid dynamics of extreme waves on CETO 6 unit design.

About Carnegie Clean Energy Limited

[Carnegie Clean Energy Limited](#) is an ASX-listed (ASX: CCE) solar energy, battery storage and wave energy, project developer with over 10,000 Australian shareholders. Carnegie is the 100% owner and developer of the CETO Wave Energy Technology intellectual property and is also 100% owner of leading Australian battery/solar microgrid Engineering Procurement and Construction (EPC) company Energy Made Clean (EMC). EMC specialises in the delivery of mixed renewable energy microgrid projects to islands and remote and fringe of grid communities. Carnegie is the only company in the world to offer a combination of wave, solar, wind, battery storage and desalination via microgrids which are ideally suited to islands, off grid communities and fringe of grid locations. Within Australia, Carnegie delivers its solar energy and battery storage projects via a joint venture between Energy Made Clean and multinational property and infrastructure company Lendlease (ASX: LLC).

About Energy Made Clean

Energy Made Clean is a leading solar and battery microgrid developer providing off-grid power and utility scale solutions. Recently named one of Australia's most innovative companies by the Australian Financial Review, EMC specialises in the delivery of mixed renewable energy microgrid projects, ideally suited to island, remote and fringe of grid communities. EMC offers an end to end renewable energy solution, dedicated to in-house research and development, custom design, construction, operation, maintenance and monitoring.

About the Energy Made Clean/ Lendlease Joint Venture Agreement

In December 2016, Energy Made Clean signed a 50/50 Joint Venture Agreement with Lendlease's Services business. By leveraging Lendlease's national footprint across Australia, this JVA is providing opportunities for EMC to increase its capacity to bid for and deliver a broader range of solar, BESS and microgrid opportunities within Australia, including increased access to the National Energy Market (NEM). Lendlease's Services business employs approximately 3,000 people and has a presence in every Australian state and territory.

About Northam Solar Project

The Build, Own and Operate 10MW Solar Power Station in Northam, Western Australia, will consist of approximately 34,000 solar panels constructed on 25 hectares of strategically located land to deliver approximately 24,000MWh of electricity per annum for at least the next 25 years. The system will also be utility scale battery storage ready. This will be the first large scale solar project to be delivered by the EPC Joint Venture between Carnegie Clean Energy's wholly owned subsidiary Energy Made Clean and leading property and infrastructure company Lendlease.

About Indigenous Business Australia

IBA is a commercially focused organisation. Our vision is for a nation in which the First Australians are economically independent and an integral part of the economy.

Economic independence for Aboriginal and Torres Strait Islander peoples is at the heart of what we do. Our programs assist Indigenous Australians to buy their own homes, be successful in business and invest in commercial ventures that provide strong financial returns.

We're deeply invested in the financial success and economic independence of our customers and partners at every step of their journey - it's why we exist.

About Perth Noongar Foundation

PNF is an incorporated association registered under the Associations Incorporation Act 1987 (WA) with a primary objective to engage in major enterprise acquisition and economic development projects, to provide a sustainable economic base for future generations of Whadjuk people in the Perth region.

About Department of Primary Industries and Regional Development

The Department of Primary Industries and Regional Development (DPIRD) is committed to building vibrant regions with strong economies through jobs growth, economic growth and capable people. The Department is responsible for the effective planning, coordination and delivery of the State Government's regional development agenda. This includes the management of the Royalties for Regions investment program and maintaining effective relationships with key partners across government, industry and the community. The Western Australian State Government, via DPIRD, is investing \$15.75m in grant funding into the Albany Wave Energy Project and a further \$3.75m into the Wave Energy Research Centre via the University of Western Australia.

About ARENA

ARENA was established by the Australian Government to make renewable energy technologies more affordable and increase the supply of renewable energy in Australia. Through the provision of funding coupled with deep commercial and technical expertise, ARENA provides the support needed to accelerate the development of promising new solutions towards commercialisation. ARENA invests in renewable energy projects across the innovation chain and is committed to sharing knowledge and lessons learned from its portfolio of projects and information about renewable energy. ARENA always looks for at least matched funding from the projects it supports and to date has committed \$1.1 billion in funding to more than 270 projects. For more information, visit www.arena.gov.au

For more information

Dr Michael Ottaviano
CEO & Managing Director
Carnegie Clean Energy Limited
+61 8 6168 8400
enquiries@carnegiece.com
www.carnegiece.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

CARNEGIE CLEAN ENERGY LIMITED

ABN

69 009 237 736

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	815	2,895
1.2	Payments for		
	(a) research and development	(1,165)	(2,106)
	(b) product manufacturing and operating costs	(1,730)	(5,423)
	(c) advertising and marketing	(22)	(42)
	(d) leased assets	(113)	(226)
	(e) staff costs	(1,457)	(3,121)
	(f) administration and corporate costs	(1,511)	(2,763)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	240	429
1.5	Interest and other costs of finance paid	(369)	(619)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	265	331
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	(5,047)	(10,645)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(48)	(486)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	59	34
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	11	(452)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(87)	(91)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(36)	(72)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(123)	(163)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	11,024	17,105
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,047)	(10,645)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	11	(452)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(123)	(163)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	50	70
4.6	Cash and cash equivalents at end of quarter	5,915	5,915

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,754	4,031
5.2	Call deposits	998	6,000
5.3	Bank overdrafts	-	-
5.4	Other – <i>Guarantee facilities</i>	1,163	993
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,915	11,024

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

396

-

Payments to Directors are consulting fees, salary, and superannuation.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	6,800	5,000
8.2 Credit standby arrangements	-	-
8.3 Other – Government grant funding	45,801	2,081
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The loan facilities include:

1) 500 convertible notes at an issue price of \$10,000 each, convertible to equity at any time at 8.0 cents per share and pay an 8.0% p.a. coupon; and

2) \$1.8 million in unsecured convertible notes from the Australian Renewable Energy Agency - Emerging Renewables Program. These notes have not been drawn down yet. The notes can convert to equity at 5.3 cents per share and do not pay an interest coupon.

Government funding consists of \$45.8 million across two grants from the Australian Renewable Energy Agency - Emerging Renewables Program, one grant in the UK for the WaveHub project, and one grant from the Western Australian State Government.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	1,248
9.2 Product manufacturing and operating costs	1,950
9.3 Advertising and marketing	5
9.4 Leased assets	44
9.5 Staff costs	2,634
9.6 Administration and corporate costs	1,688
9.7 Other (provide details if material)	
Investment in Carnegie owned Solar projects	1,113
Interest	138
9.8 Total estimated cash outflows*	8,820

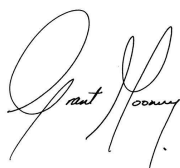
Notes

* The estimated cash outflows are required to exclude all cash receipts including receipts from sales, government grants, debt funding, and research and development tax cash offsets. As announced, Carnegie received a \$1.6m payment from ARENA in January 2018 after the last quarter end. Carnegie also announced the signing of a \$7.5m debt facility for the Northam Solar Farm with first drawdown planned in the next quarter. Further Government grant payments, customer receipts, CCE and EMC R&D tax cash offsets and debt funding are forecast to be received next quarter.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: _____ Date: 31 January 2018
(Company secretary)

Print name: Grant Mooney

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.