

6th November 2015

Chairman's Address

The past 12 months has been a year of significant achievement for your Company. Our proprietary CETO wave energy technology has further progressed through the commercialisation pathway, with the successful operation of a world first CETO grid-connected array, the Perth Wave Energy Project, at Garden Island in Western Australia.

The successful, ongoing operation of the Perth Wave Energy Project has seen Carnegie achieve more than 14,000 cumulative operating hours so far, setting a record in the wave energy industry. We have demonstrated the survivability and reliability of the CETO technology, issues recognized by the wave energy industry as its greatest challenges. The success of the Perth Wave Energy Project has allowed Carnegie to make tangible progress towards commercialising its proprietary CETO technology.

We are still moving through the development phase. During the financial year our Research and Development expenditure exceeded \$9 million. Our revenue was \$1.7 million and we incurred a loss for the year of \$4.7 million.

Design development for the first CETO 6 Project, also at Garden Island, has continued to progress concurrently with the Perth Wave Energy Project. This new Project has the ongoing support of the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA) as well as the Australian Department of Defence. The support of these organisations is further confirmation of the validity of the CETO technology.

This exceptional progress has allowed us to focus our commercialisation strategy onto the two most lucrative early markets for Carnegie; the European and United Kingdom wave energy market; and the remote island/off-grid market.

As one of the few well capitalised wave technology developers in the world with tens of thousands of in-ocean operational, hours, Carnegie is well placed to benefit from industry support and funding opportunities available in Europe and the United Kingdom. Carnegie currently has a local subsidiary, CWE UK and a project site in Cornwall at the Wave Hub facility. We have been awarded grants for R&D and site development, and are actively applying for UK and European grant funding to support project and technology delivery. Further, we plan for our CEO Mike Ottaviano to spend a large amount of time based in the United Kingdom next year to progress these opportunities.

With remote islands, the commercial drivers for Carnegie include the opportunity to displace the high dependence on expensive, polluting, imported fossil fuels. This combines with the reality that many islands and remote communities are on the front line of climate change and are introducing aggressive, UN supported renewable energy targets.

Deploying CETO into island markets will inevitably involve its integration into existing grid infrastructure alongside existing diesel, and, increasingly, renewable power generation. Making islands "CETO-ready" therefore involves a natural extension of Carnegie's business into renewable energy microgrids. Such microgrids are combinations of different renewable energy technologies, often operated in conjunction with existing diesel generation and increasingly involve energy storage and sophisticated control systems.

Our recently announced Garden Island Microgrid Project (GIMG) will be the first such wave-integrated renewable microgrid development anywhere in the world. We are delighted to be working with Western Australia State Government utility Western Power in the delivery of this project which will combine wave energy with solar photovoltaic (PV), energy storage and desalination. This project will also be a great opportunity to demonstrate a real world, wave integrated microgrid system to our island customers such as the Governments of Mauritius and Seychelles, with whom we recently signed Collaboration Agreements.

Carnegie's Board of Directors believe your Company is well positioned to deliver fully integrated renewable microgrid projects, given our strong capabilities in delivering complex projects. We are skilled in design and management challenges; experienced with complex stakeholder relationships; competent with power and water systems; and well versed in project financing and the establishment of strong customer and Government relationships.

The Board would like to thank Mike and his team for their tireless efforts through what has been a momentous and ground-breaking year. We would also like to thank you, our loyal shareholders, for your ongoing support through project delivery as well as your continued support as our business moves to into a new and exciting phase of development.