

28<sup>th</sup> October 2016

Dear Shareholder

We were delighted last month to announce the 100% acquisition of leading solar and battery microgrid developer, Energy Made Clean (EMC). This transaction followed our strategic alliance with, and investment in, EMC earlier this year. The acquisition is subject to the approval of our shareholders.

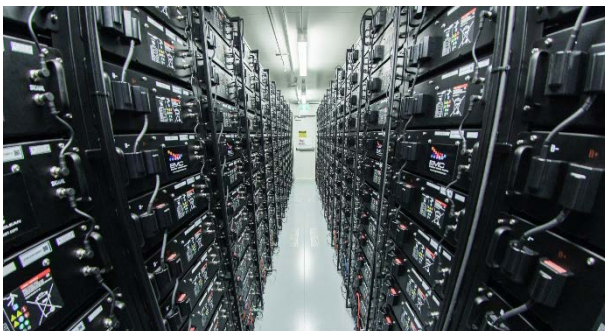
This acquisition will make Carnegie the only ASX-listed company with a dedicated renewable energy microgrid project delivery capability at a time when the microgrid market is experiencing transformational growth. The potential for the global microgrid market is estimated at US\$40 billion per annum by 2020.

The agreement will see Carnegie invest \$2.6 million over three staged cash payments and \$10.4 million in Carnegie shares to acquire the remaining 65% per cent stake in EMC, adding to the 35% stake Carnegie currently owns. EMC, with its track record of projects, is a proven specialist in the design, construction and operation of microgrids, commercial scale solar projects and energy storage systems.

Through this acquisition, Carnegie will be at the forefront of designing, developing, financing, constructing, operating and maintaining microgrids, utilising a world-first combination of wave, solar, wind, energy storage, desalination and diesel in both on and off grid applications in Australia and internationally.

The acquisition diversifies Carnegie's clean energy product offering beyond just that of wave energy, without distracting from CETO wave energy development. It also broadens the base of Carnegie's business by bringing in a company that is earning material revenues of \$16m in 2016, up from \$5m in 2015. The staged cash tranches are tied to the revenues of EMC continuing to grow beyond \$20m in 2017 and \$30m in 2018. This transaction will not only enable EMC to continue its rapid expansion into a growing market, but will also deliver sustainable profitable growth for the company.

To better reflect our expanded interest across wave, solar, battery and microgrids, it is timely for us to rebrand our company. We have chosen the name **Carnegie Clean Energy Limited** as it communicates the broadened focus whilst retaining the strong brand awareness and credibility that Carnegie has built in the renewable market space. We will trade on the Australian Stock Exchange under a new ASX code of **CCE**.



EMC's containerised utility battery system for Synergy's Alkimos Project (left) and solar array for CSIRO's Square Kilometre Array (right)

EMC has been able to develop a unique capability in pioneering microgrid systems for blue-chip clients such as Western Power, Synergy, Horizon Power, Water Corporation and the Australian Department of Defence. Its track record of grid connected and off grid microgrid projects include:

- Delivery of New Zealand's first grid connected, commercial Battery Energy Storage System (BESS) for Alpine Energy, with strategic alliance partner Infratec.
- Solar, BESS and diesel microgrid project with remote monitoring on Mackerel Island off the coast of Onslow in Western Australia.
- Engineering, procurement and construction of a 1.6MW solar array and 2.4MWh BESS for the CSIRO-led Australian Square Kilometre Array Pathfinder.
- Construction of a 600KW solar farm on Rottnest Island, Western Australia for Hydro Tasmania.
- Delivery of a 1.1MWh BESS for Western Australian power retailer Synergy in Western Australia.
- Delivery and ongoing remote monitoring and maintenance of a number of Standalone Power Systems (SPS) to Western Power customers, replacing traditional poles and wires and bringing energy security, reliability and stability of supply in areas that had suffered significant fire damage in Western Australia.

EMC is currently working with Carnegie on its Mauritius wave and microgrid design project. Carnegie's 100% ownership of EMC will enable the company to capitalise on its existing strategic relationships in Sri Lanka and Bermuda - among others - to further expand this project pipeline. This acquisition will allow Carnegie to fast track its delivery of a combination of renewable technologies such as solar, wave, wind and energy storage in the form of microgrids to islands, off grid and grid connected communities.

I'd encourage you to vote in favour of this transformational transaction for Carnegie and also to attend our Extraordinary General Meeting of Shareholders at 2pm on December 2<sup>nd</sup> in the Perth CBD at the Function Room at Trustee Bar and Bistro, 133 St George's Terrace.

Sincerely



Dr Michael Ottaviano  
**Managing Director**