



NOTICE OF EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of the Company will be held at the Function Room at Trustee Bar & Bistro, 133 St Georges Terrace, Perth , Western Australia on Friday, 2 December 2016 at 2pm (WST).

The Notice of Extraordinary General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9335 3993.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

CARNEGIE WAVE ENERGY LIMITED

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NOTICE OF GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Carnegie Wave Energy Limited (**Company**) will be held at the Function Room at Trustee Bar & Bistro, 133 St Georges Terrace, Perth , Western Australia on Friday, 2 December 2016 at 2pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company at 2pm (WST) on 30 November 2016.

Terms and abbreviations used in the Notice are defined in Schedule 1.

AGENDA

1. Resolution 1 - Approval to issue EMC Consideration Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 297,142,857 Shares to the Trustee of the Davidson Trust (or its nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Trustee of the Davidson Trust or its nominees and any of their associates.

However, the Company will not disregard a vote if:

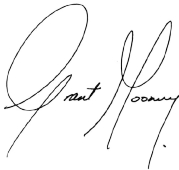
- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 - Proposed change of Company name

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That pursuant to and in accordance with section 157(1)(a) of the Corporations Act and for all other purposes, Shareholders approve the proposed change of the Company's name from Carnegie Wave Energy Limited to "Carnegie Clean Energy Limited" with effect from the date that ASIC alters the details of the Company's registration."

BY ORDER OF THE BOARD



Grant J Mooney
Joint Company Secretary
28 October 2016



Aidan J Flynn
Joint Company Secretary
28 October 2016

CARNEGIE WAVE ENERGY LIMITED

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EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Function Room at Trustee Bar & Bistro, 133 St Georges Terrace, Perth , Western Australia on Friday, 2 December 2016 at 2pm (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Resolution 1 - Approval to issue EMC Consideration Shares
Section 4:	Resolution 2 - Proposed change of Company name
Schedule 1:	Definitions

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and

- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Resolution 1 - Approval to issue EMC Consideration Shares

3.1 Background

The Company currently holds 35% of the shares in EMC Solar Construction Pty Ltd and EMC Engineering Pty Ltd (together, **EMC**).

EMC is a Western Australian-based group delivering practical commercial solutions to energy and carbon issues. EMC works with corporate and government organisations of all sizes with the goal of deploying innovative and robust clean energy solutions to improve the energy profile of clients.

The alliance between EMC and the Company focuses on the 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.

This alliance between EMC and the Company is considered to be complementary to and consistent with the Company's existing business of wave energy technology development.

A microgrid is a discrete energy system made up of distributed energy sources that are capable of operating independently from the main power grid. Renewable microgrids that combine multiple renewable energy generation sources (eg. solar, wind and wave) take advantage of different renewable energy profiles at different times of day, and with different seasonal variation, to reduce the amount of energy storage and diesel generation required.

In addition to the joint microgrid focus, the Company's collaboration with EMC also accelerates the commercialisation of the Company's CETO wave energy technology in island markets.

The Company announced on 26 October 2016 that it had entered into a binding agreement to acquire the remaining 65% of the shares in EMC from the Trustee (**Acquisition**).

3.2 Key terms of the Acquisition

- (a) Conditions precedent

The only remaining condition precedent to settlement of the Acquisition (**Settlement**) is the receipt of shareholder approval for the issue of the EMC Consideration Shares (as defined below).

- (b) Consideration payable at settlement

The consideration payable by the Company at Settlement will be comprised of:

- (i) 297,142,857 Shares (EMC Consideration Shares); and
- (ii) \$1,600,000 cash.

(c) Voluntary escrow

The EMC Consideration Shares will be subject to a voluntary escrow period, subject to customary exceptions in the event of a change of control occurring. Half of the EMC Consideration Shares will be subject to a 12 month voluntary escrow period, with the remaining half being subject to a 24 month voluntary escrow period.

(d) Deferred consideration

Deferred consideration of up to \$1,000,000 cash may become payable by the Company to the Trustee as follows:

- (i) \$700,000 (**Second Cash Tranche**) on the first anniversary of the Settlement date if EMC's gross earned revenue for the 2016/17 financial year (FY 17) is at least \$20 million. If such gross earned revenue is between \$16 million and \$20 million, the Second Cash Tranche will be scaled back on a pro-rata basis; and
- (ii) \$1,000,000 (**Third Cash Tranche**), less any amount paid as the Second Cash Tranche, on the second anniversary of the Settlement date if EMC's aggregate gross earned revenue for FY 17 and the 2017/18 financial year (FY 18) is at least \$50 million. If such gross earned revenue is between \$40 million and \$50 million, the Third Cash Tranche will be scaled back on a pro-rata basis.

(e) Board appointment

At the first Board meeting following Settlement, Mr John Davidson will be appointed as an Executive Director of the Company. Mr Davidson will also continue to perform the role of managing director of EMC.

John Davidson's involvement in the clean energy sector dates back to 1987 when he received a federal government grant to study applications for solar and energy storage in remote Australia.

In 1990 he sold his electrical engineering company Advanced Electrical Equipment and relocated to France where he took up a development role with the French Chamber of Commerce and Industry. During this role John was appointed Official Correspondent for the WA governments agent generals office in London.

In 2002 John founded Energy Made Clean Ltd (EMC) a Federal government registered pooled development fund. In 2005 EMC acquired Solar Sales Pty Ltd, one of Australia's largest PV integrators and went on to sell it to SunPower in 2008.

Under John's leadership, EMC has grown into one of Australia's most innovative and successful clean energy companies with a number of very successful market making projects across varied applications.

3.3 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period without shareholder approval.

The effect of Resolution 1 will be to allow the Company to issue the EMC Consideration Shares during the period of three months after the Meeting (or a longer period if permitted by ASX), without using the Company's 15% annual placement capacity.

3.4 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the EMC Consideration Shares:

- (a) a maximum of 297,142,857 Shares are to be issued as EMC Consideration Shares;
- (b) the EMC Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (c) the EMC Consideration Shares are to be issued in consideration under the agreement for the Acquisition and will therefore be issued at an issue price of nil;
- (d) the EMC Consideration Shares will be issued to the Trustee (or its nominees);
- (e) the EMC Consideration Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue, subject to the voluntary escrow arrangement described in Section 3.2(c);
- (f) no funds will be raised from the issue of the EMC Consideration Shares as they are to be issued in consideration under the agreement for the Acquisition;
- (g) it is intended that the EMC Consideration Shares will be issued on the same date, being the date of Settlement; and
- (h) a voting exclusion statement is included in the Notice.

3.5 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 1.

Resolution 1 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

4. Proposed change of company name

4.1 Background

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 2 seeks Shareholder approval for the proposed change of company name from Carnegie Wave Energy Limited to "Carnegie Clean Energy Limited" in accordance with section 157(1)(a) of the Corporations Act.

The Board considers that this change of name more accurately reflects the broader scope of the Company's clean energy operations.

Over the past year, the Company has expanded its operations to include its microgrid business unit, which is closely aligned with its existing core wave technology. The introduction of the microgrid business allows increased focus on building cashflows and ultimately, profitability from a new, rapidly growing domestic and global market opportunity, while the Company continues to develop its core wave technology.

The proposed name has been reserved with ASIC by the Company and if Resolution 2 is passed, the Company will lodge a copy of the special resolution with ASIC following the Extraordinary General Meeting in order to effect the change. The change of name will take effect when ASIC alters the details of the Company's registration.

4.2 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chairman intends to exercise all available proxies in favour of Resolution 2.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

Acquisition has the meaning given in Section 3.1.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors of the Company.

Chairman means the person appointed to chair the Meeting of the Company convened by the Notice.

Company means Carnegie Wave Energy Limited (ACN 009 237 736).

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

EMC means EMC Solar Construction Pty Ltd and EMC Engineering Pty Ltd.

EMC Consideration Shares has the meaning given in Section 3.2(b).

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of general meeting.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Settlement has the meaning given in Section 3.2(a).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Trustee means John Rix Davidson as trustee for the Davidson Trust.

WST means Western Standard Time, being the time in Perth, Western Australia.