

ASX/Media Announcement

15 October 2009

WA Commercial Project Site Decision

- **WA commercial demonstration site feasibility studies complete**
- **First WA project to be in waters off Garden Island near Perth**
- **Subsequent projects to follow around WA and other states**

Wave Energy Developer Carnegie Wave Energy Limited (ASX: CWE) has received the results of its site feasibility studies which highlight the waters off Garden Island as the preferred location for Carnegie's first Western Australian small scale commercial demonstration wave project.

For the past 12 months, Carnegie has been undertaking feasibility studies on potential wave project sites around Western Australia in the mid-west, south-west and metropolitan regions under its wave energy investigation licenses covering waters throughout the State. The investigations have been conducted in conjunction with independent technical experts Arup, Atteris, RPS MetOcean and GHD.

The site, in the waters to the West of Garden Island near Perth and Rockingham, was selected due to its optimum combination of a range of technical and economic factors including wave resource characteristics, environmental factors, pipeline route options, grid connectivity, water depth, scale of plant and deployment and servicing logistics.

Subject to the receipt of all approvals, the small scale commercial demonstration project will be a 5MW project, generating sufficient power for around 3,500 households. The Project is forecast to create 30 jobs and save over 500,000 tonnes in greenhouse gas emissions over the life of the project. The Project will utilise Carnegie's \$12.5 million LEED grant from the Western Australia Government announced earlier this year, subject to the finalisation of contracts. The grant funds will be paid on milestone basis and require \$1 for \$3 in matched funding. Detailed cost and design activities will be undertaken at the front end of the project.

The primary aim of the project is to demonstrate the CETO technology in commercial operation for the first time. However, it will also deliver Carnegie its first project-based revenues from the sale of power.

Carnegie's Managing Director and CEO, Dr Michael Ottaviano said,

"Carnegie's project will be the first time Western Australia's abundant wave resource has been harnessed to produce zero-emission renewable energy. It is satisfying that the project utilises a home grown technology developed by a local company. The demonstration of Carnegie's CETO technology off Perth will allow larger scale Carnegie wave projects to be deployed around the State, across Australia and internationally."

Garden Island is home to Australia's largest Naval Base (HMAS Stirling) and is connected to the mainland via a causeway and to WA's main electricity transmission grid, the South-West Interconnect System (SWIS). Earlier this year Carnegie and the Department of Defence signed a Memorandum of Understanding outlining their intent to investigate the feasibility of a Carnegie wave power project on Garden Island.

The customer for power produced by the project will be the subject of a power supply contracting decision later this year. The site offers the possibility of direct power supply to HMAS Stirling located on Garden Island or back into the SWIS for either residential or industrial use.

The Project will be deployed in two stages; the first will involve the deployment of single autonomous, commercial scale CETO units. These stand-alone units consist of a CETO unit coupled to energy dissipation and instrumentation systems to validate the energy delivery performance of each unit. The performance data is transmitted back to Carnegie's Fremantle facility for monitoring and analysis. Planning, design and approval aspects of Stage 1 began at the start of 2009 and Stage 1 is expected to be completed in 2010.

The second stage of the project is the deployment of the remaining CETO units and associated balance of plant including pipework and an onshore power generation system required for the 5MW plant. This is expected to occur in 2011.

Feasibility studies continue on other potential project sites around Australia and internationally and a decision on whether the first large scale commercial demonstration project will be located in Australia is expected soon.

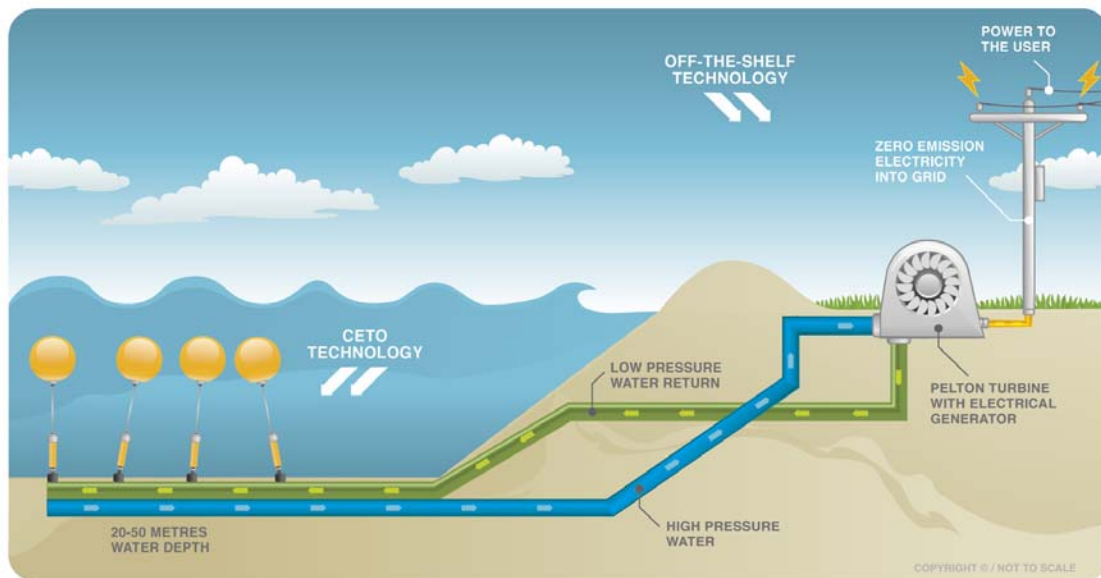
About CETO

The CETO system distinguishes itself from other wave energy devices by operating out of sight and being anchored to the ocean floor. An array of submerged buoys is tethered to seabed pump units. The buoys move in harmony with the motion of the passing waves, driving the pumps which in turn pressurise water that is delivered ashore via a pipeline.

High-pressure water is used to drive hydroelectric turbines, generating zero-emission electricity. The high-pressure water can also be used to supply a reverse osmosis desalination plant, replacing greenhouse gas emitting electrically driven pumps usually required for such plants.

CETO Technology characteristics include:

- CETO converts wave energy into zero-emission electricity
- CETO is environmentally friendly, has no visual impact and attracts marine life
- CETO is fully submerged in deep water away from popular surf breaks and safe from storms.



About Carnegie

Carnegie Wave Energy Limited, is an Australian, ASX-listed (CWE) wave energy and clean technology developer. Upon completion of its transaction outlined in the Heads of Agreement with Renewable Energy Holdings and recently approved by Carnegie shareholders, the CETO Technology intellectual property and global development rights will be 100% owned by Carnegie.

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