

ASX ANNOUNCEMENT**31 July 2017****Report to Shareholders for the Quarter Ended 31 July 2017****Dear Shareholder,**

The final quarter of the 2017 financial year has seen Carnegie complete its transition to a uniquely positioned, ASX-listed developer and integrator of solar energy, battery storage, wave and microgrid technologies. Carnegie acted to expand its business last year just as renewable energy has become the mainstream energy investment asset; the calendar year 2016 for example, was first time ever global annual investment in renewables and power grids (US\$718 billion) versus outstripped total oil and gas investment (US\$650 billion).

We have now completed the first 6 months ownership of EMC where we have spent time defining the competitive advantage of our expanded group capabilities to focus on larger, complex projects which will offer sustainable competitive advantage and therefore sustainable profits. These sorts of projects include the CSIRO solar/battery microgrid shipped to site this quarter or the Garden Island Microgrid for the Department of Defence in Western Australia due to start construction this quarter.

Larger projects, more complex projects enable us to leverage our unique advantages of integrating multiple technologies as well as leveraging our ability to develop innovative financing structures to allow us to own power stations and sell power, and to bring capital and capability to develop greenfield projects. We will continue to deliver these as design and construction projects as EMC has traditionally done but will also look to build, own and operate projects to provide a mix of revenue streams to Carnegie's business.

We are just starting to see this strategic transformation pay off. This quarter we move into construction of first our first two build, own operate solar projects at Northam and Garden Island in Western Australia and delivery of the newly won the solar/battery/diesel microgrid for the Australian Department of Defence and Lendlease Buildings at the Delamere Weapons Range base in the Northern Territory. The EMC business will turnover in excess of \$11 million for the 2017 financial year and starts the 2018 financial year with a job order book already in excess of \$15 million.

Carnegie's unique capabilities were recognised during the quarter with its selection by the U.S. State Department and the Unreasonable Group as the company to lead global business in achieving the United Nation's Sustainable Development Goal number 7 – Affordable and Clean Energy. The program is focused on accelerating the delivery of United Nation's Sustainable Development Goals (SDGs). We are delighted to be part this mission and leveraging our capabilities in the developing world, particularly in Asia.

We are also making excellent progress in the background with the development of our CETO wave energy technology. Significant design advancements have been undertaken which will be revealed later this quarter and a final decision on the first CETO 6 site will be also be taken and announced.

We were delighted to complete an oversubscribed \$18 million capital raise in April to support business growth and we finish the quarter with \$17m cash at bank and \$29m in undrawn government grants and funding.



Dr Michael Ottaviano
CEO & Managing Director



1. Battery Energy Projects

Carnegie Delivers Australia's Largest Battery System

During the quarter, Carnegie through its wholly owned subsidiary, Energy Made Clean, completed the factory build and testing of 1.6MW solar PV inverter and 2.6MWh Battery Energy Storage Systems (BESS) for the CSIRO. The BESS and PV inverter passed factory acceptance testing at its 3,500m² workshop in Belmont and have been successfully delivered to site at the Murchison Radio-astronomy Observatory (MRO), approximately 800km northeast of Perth, Western Australia. Factory acceptance testing involved a full functionality test of all the key equipment and control systems, including a simulated integration with the existing diesel power station.

The batteries are now undergoing on site installation and integration with the previously installed 1.6MW Solar PV array. The BESS and PV array will be integrated and commissioned with the existing power station on site in the coming months.

These are the largest batteries ever designed and assembled in Australia, which will be used to power one of the most sophisticated telescopes globally.



The BESS being delivered to CSIRO's Murchison Radio-astronomy Observatory

2. Solar Energy Projects

Carnegie gets approval to develop a 10 MW solar power station in Northam, Western Australia

Also during the quarter, Carnegie continued to advance its 10MW Northam Solar Project including receiving approval from the Mid-West/ Wheatbelt Joint Development Assessment Panel (JDAP) for the 34,000 solar panel project. The project will be constructed on 25 Hectares of strategically located land 100km east of Perth to deliver approximately 24,000 MWh of electricity per annum on the Western Australian grid and into the wholesale electricity market.

The JDAP is one of a number of final approvals required for the project with remaining requirements including the Western Power grid connection and works contracts, signing of the construction contract with the EMC/Lendlease joint venture and the final investment decision by the Carnegie Board of Directors. Construction by the EMC/Lendlease Joint Venture will then start immediately and is estimated to take 6 months.

3. Microgrid Projects

Garden Island Microgrid project progress

The \$7.5 million Garden Island Microgrid project involves a world first combination of solar, battery, wave, desalination and diesel systems capable of running both on and off-grid modes. Significant steps forward were taken with the Department of Defence during the quarter to complete final sign-offs to enable construction of the project to commence imminently. The first stage of construction will involve the 2MW solar PV project and its integration with the 2MW/0.5MWh battery energy storage system. This will integrate into the Department of Defences existing island grid including its diesel generation as well as with Carnegie's existing desalination plant. It will be the first Carnegie built, owned and operated solar project and will sell its output to the Department of Defence for use at HMAS Stirling, Australia's largest naval base, on Garden Island. The Project is supported by \$2.5m in funding from ARENA, the Australian Governments Renewable Energy Agency.

Carnegie's Energy Made Clean secures a multimillion dollar contract for microgrid at Delamere Air Weapons Range

Carnegie's wholly owned subsidiary, Energy Made Clean (EMC) has been awarded a contract to design, construct and install a Microgrid System at Delamere Air Weapons Range in the Northern Territory of Australia.

EMC has been awarded a contract by Lendlease Building Pty Ltd (Lendlease) as Managing Contractor on behalf of the Department of Defence to design, construct, install and integrate a solar, diesel and battery energy storage system (BESS) microgrid at the Delamere Air Weapons Range, located approximately 400km south of Darwin, NT. The hybrid power system will supply high penetration solar power to approximately 200kVA peak load and deliver a 61% diesel consumption savings. The design is based on proven technology and control platforms that EMC has been integrating over the last 3 years.

This project will be EMC's second Department of Defence contract for a renewable energy hybrid microgrid system, following on from the Bathurst Island project that EMC delivered in 2015 for a 35kVA peak load system with remote monitoring facilities.

The CEO of Carnegie, Dr Michael Ottaviano said:

"Off-grid, renewable based microgrids are cheaper, cleaner and more secure than current diesel powered systems. Every diesel powered load should be running a renewable microgrid. This project is a great example of the larger, more complex systems where Carnegie and EMC are demonstrated leaders."

The project is due for completion in mid 2018.

4. Wave Energy Developments

Significant CETO 6 progress

Over the past 12 months, Carnegie has made significant progress in the design of CETO 6 to boost output and reduce long term levelised cost of energy forecasts. These changes utilise the proprietary cutting edge modelling tools developed in-house, billions of computational runs on super computers and build on intellectual property developed over the past few years with the benefit of both in-ocean and tank testing of CETO units. A design update is due to be released this quarter.

Significant progress has also been made in selecting the first site to deploy CETO 6, including discussions with the various Government funding agencies associated with each site. In relation to this, the Western Australian Government has now commenced a formal process to award its grant funding promised earlier this year for a wave power project located at Albany. We expect to make a decision as to the location of the first CETO 6 project site also this quarter.

Renewable energy roadmap, assessment and designs for Mauritius

In this quarter, Carnegie completed a High Penetration Renewable Energy Roadmap, Wave Resource Assessment and Renewable Energy Integrated Hybrid Power Station Design for The Republic of Mauritius. The outcomes were presented at a workshop held in Bagatelle, Mauritius, organised by the Mauritius Research Council in collaboration with the Australian High Commission.

The workshop included key stakeholders such as senior Mauritian Government Ministers, including the Deputy Prime Minister and Minister for Energy and Public Utilities, as well as academics, researchers and representatives of the public and private sectors.

The Mauritius project has delivered an ambitious renewable energy roadmap that provides a pathway towards higher penetration of renewable energy in Mauritius. The project has also delivered a detailed assessment of the Mauritian wave energy resource, including deployment of a wave buoy off the south coast of Mauritius, and the identification of a preferred site for commercial CETO wave energy technology. The project also completed the detailed design of a wave energy integrated solar/ battery hybrid power station, combined with automation and intelligent control systems to ensure reliable, utility grade power quality and grid stability.

The 12 month, \$990,000 project has been funded by the Australian Government in partnership with the Mauritian Government and Carnegie Clean Energy.



From left to right: Dr Arjoon Suddhoo, Executive Director, Mauritius Research Council; Hon Premdoot Koonjoo, Minister of Ocean Economy, Marine Resources, Fisheries and Shipping; Her Excellency Ms Susan Coles, High Commissioner of Australia to Mauritius; Hon Yogida Sawmynaden, Minister for Technology, Communication and Innovation; Tim Sawyer, Project Development Officer, Carnegie Clean Energy; Mr Sid Masilamani, Manager Microgrids, Carnegie Clean Energy.

5. Financial Activities

\$18 million Capital Raise

In April 2017, Carnegie completed a capital raise via a share purchase plan and private placement, resulting in an oversubscribed capital raise totalling \$18 million. The money is to be used to fund Carnegie's equity share of the 10MW Northam Solar Project as well as supporting Carnegie's project pipeline development and delivery.

\$850k in Grant Funding Received

Over the past quarter, Carnegie received \$670,000 of grant funding from the Australian Renewable Energy Agency (ARENA) and approximately \$183,000 European Union through the European Regional Development Fund (ERDF).

Carnegie has received \$670,000 in grant funding from the Australian Renewable Energy Agency (ARENA) in recognition for the completion of two milestones for the Garden Island Microgrid Project. Carnegie's UK subsidiary, CETO Wave Energy UK (CWE UK), received £108,265 (approximately \$183,000) as the first two quarterly grant payments for progress on its European funded CETO 6 Wave Hub Project. Carnegie's £9,551,963 grant from the European Regional Development Fund, is part of the European Structural and Investment Funds Growth Programme 2014-2020, and forms 65% of funding for the proposed £14.7m CETO 6 Wave Hub Project.

6. Corporate Activities

Progressing the United Nation's Clean Energy Sustainability Goal

Carnegie was delighted to be selected as the company to lead global business in achieving the United Nation's Sustainable Development Goal number 7 – Affordable and Clean Energy.

Unreasonable Goals is a partnership between the U.S. State Department and Unreasonable Group with the singular focus of accelerating and achieving the United Nation's Sustainable Development Goals (SDGs) by leveraging market forces.

Carnegie Clean Energy joined the US State Department and 15 other companies from around the world in a two-week program in early July to develop their strategies and partnerships in tackling each of the 16 SDGs. The two-week program brought together leaders from the US State Department, investors, mentors from organizations such as Tesla, GE, Google X, USAID, and multinationals to actively work with Carnegie and other companies in driving the achievement of the Sustainable Development Goals.

Carnegie Clean Energy will look to Asia to drive its clean energy strategy – specifically with microgrids and fringe of grid projects – which can deliver clean, reliable and affordable clean energy. Carnegie Clean Energy is already working with Small Island States and has just completed a roadmap for the Government of Mauritius on the pathway towards higher penetration of renewable energy. This project has been supported by the Australian Government's DFAT.



Chief Technology Officer Jonathan Fievez speaking during the Unreasonable Goal Summit at the United States Institute for Peace in Washington, D.C

Conferences and Presentations

During the quarter, Carnegie was pleased to host events at our Belmont office and workshop, including the Clean Energy Council Mixers Sundowner event with special guest the Hon Ben Wyatt MLA, WA Minister for Energy and Clean Energy Council CEO Kane Thornton. Carnegie also hosted the WA School of Mines Alumni for a panel discussion on 'Mining and the Energy Revolution', featuring the WA Minister for Regional Development, the Hon Alannah MacTiernan MLC.



Clean Energy Council Mixers Sundowner event with special guest the Hon Ben Wyatt MLA, Minister for Energy.

In July, Chief Technology Officer Jonathan Fievez joined a panel at Perth Big Data week to discuss the role of data science, as well as presenting on our Hybrid System capabilities at the Australian Institute of Energy luncheon series. Carnegie's CEO, Michael Ottaviano attended the All-Energy Conference in Glasgow to provide an update on CETO technology and Carnegie's developments over the last twelve months. In June, Mr Ottaviano presented in Sydney at both The Australian Energy Storage Conference and the Australian Energy Policy Forum on Microgrids for Urban, Rural and Off Grid Applications.



Carnegie Managing Director Dr Michael Ottaviano speaking at The Australian Energy Storage Conference in Sydney

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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 European Regional Development Fund

The CETO 6 Wave Hub Project is receiving £9,551,962 of funding from the England European Regional Development Fund as part of the European Structural and Investment Funds Growth Programme 2014-2020. The Department for Communities and Local Government (and in London the intermediate body Greater London Authority) is the Managing Authority for European Regional Development Fund. Established by the European Union, the European Regional Development Fund helps local areas stimulate their economic development by investing in projects which will support innovation, businesses, create jobs and local community regenerations. For more information, visit <https://www.gov.uk/european-growth-funding>.



European Union

European Regional
Development Fund

For more information:

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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")

30 June 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		2,972	5,671
1.2 Payments for			
(a) research and development		(1,101)	(6,857)
(b) product manufacturing and operating costs		(2,917)	(7,957)
(c) advertising and marketing		(25)	(145)
(d) leased assets		(56)	(140)
(e) staff costs		(1,974)	(5,286)
(f) administration and corporate costs		(1,022)	(3,732)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		40	153
1.5 Interest and other costs of finance paid		(279)	(665)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		762	4,974
1.8 Other – Royalty Income		-	678
1.9 Net cash from / (used in) operating activities		(3,600)	(13,306)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(4,224)	(6,614)
(b) businesses (see item 10)		-	(1,619)
(c) investments		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other - Cash acquired with business purchase	-	2,200
2.6	Net cash from / (used in) investing activities	(4,224)	(6,033)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	18,028	18,778
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	(317)	(401)
3.5	Proceeds from borrowings	-	5,498
3.6	Repayment of borrowings	-	(41)
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	17,711	23,834

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	7,218	12,610
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,600)	(13,306)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,224)	(6,033)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	17,711	23,834

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	17,105	17,105

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	4,423	6,415
5.2	Call deposits	12,000	-
5.3	Bank overdrafts	-	-
5.4	Other – <i>Guarantee facilities</i>	682	803
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,105	7,218

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
441
-

Payments to Directors are consulting fees, salary, superannuation and long service leave cashout.

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	9,600	7,800
8.2 Credit standby arrangements	-	-
8.3 Other – Government grant funding	29,359	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) 2,800 convertible notes at an issue price of \$1,000 each, convertible to equity at any time at 3.8 cents per share and pay an 8.0% p.a. coupon;
- 2) 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
- 3) \$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 \$29.4 million across two grants from the Australian Renewable Energy Agency - Emerging Renewables Program and one grant in the UK for the WaveHub project.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	1,320
9.2 Product manufacturing and operating costs	3,254
9.3 Advertising and marketing	40
9.4 Leased assets	14
9.5 Staff costs	2,887
9.6 Administration and corporate costs	998
9.7 Other (provide details if material) Investment in Carnegie owned Solar projects	3,104
9.8 Total estimated cash outflows***	11,617

Notes

*** The estimated cash outflows are required to exclude all cash receipts. As such, there has been no inclusion of receipts from sales, government grants, and research and development tax offsets.

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:



(Company secretary)

Date: 31 July 2017

Print name: Aidan Flynn

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.