ASX ANNOUNCEMENT

31 October 2017

Report to Shareholders for the Quarter Ended 30 September 2017

Highlights:

- $15.75m grant to Carnegie's Albany Wave Energy Project from WA State Govt following the completion of a globally competitive tender process.
- $3.75m WA Govt funding for a Wave Energy Centre of Excellence to be established involving Carnegie's Fremantle, Garden Island and Albany sites.
- Construction underway at Garden Island on the 2MW PV and 2MW/0.5MWh Microgrid Project.
- $7.5m debt funding secured for 10MW Northam Solar Farm project
- Board renewal process and $2m+ savings achieved

1. Wave Energy Developments

The Western Australian Government's Department of Primary Industries and Regional Development has awarded $15.75m grant funding to Carnegie's CETO technology and Albany Wave Energy Project following the completion of a globally competitive tender process for wave energy developers that attracted submissions from around the globe.

In addition, the WA Government has awarded $3.75m to the University of Western Australia to establish and manage an associated Wave Energy Research Centre in Albany, Western Australia. The Wave Energy Research Centre will elevate Western Australia to the forefront of offshore renewable energy research and technology and bring together more than 30 researchers to support Carnegie's ongoing research into wave, tidal and offshore wind energy.



Albany Wave Energy Project site and Carnegie licence area showing the consistent 24/7 swell

In parallel, the Australian Renewable Energy Agency (ARENA) Board has conditionally approved Carnegie's request to move ARENA's CETO 6 Project funding from Garden Island to Albany, subject to the signing of the detailed documentation. Accordingly, the remaining $11.7m grant funding from ARENA's CETO 6 Project funding will also be available to deliver the Albany Wave Energy Project. Carnegie will continue to use its Garden Island site for its own wave energy research and prototype testing as well as working with other wave energy developers at the site.

The Albany Wave Energy Project will involve the design, manufacture and installation of a CETO 6 unit in Carnegie's existing licence area offshore from Torbay and Sandpatch in Albany during the 2019/2020 summer weather window.

Carnegie has been working on plans for a wave farm in Albany for several years with activities including site studies, surveys, wave resource mapping, licensing and site design. Now that the Albany Wave Energy Project has secured WA State funding, and conditionally transferred the existing ARENA CETO 6 Project funding, Carnegie will immediately commence the project design and development process, including consideration of environment, Native Title, planning consent and grid connection studies and approvals. As part of the Project, further consultation will be undertaken with the local community, industry and other stakeholder groups.

The project aims to demonstrate Carnegie's commercial prototype, the CETO 6 unit, as well as the potential for WA and Australia to tap into a highly consistent renewable resource; delivering 24/7 clean power into the electrical grid at a time when recognition of the importance of reliable, clean energy in Australia has never been higher. The initial project phase involves delivery of a 1MW CETO 6 unit. Carnegie plans to follow this initial stage with a 20MW expansion which could in turn lead to a 100MW CETO wave farm at the site.

Carnegie has invested significant time and capital over the past 12 months incorporating a number of cutting edge updates into the CETO 6 design to boost performance. The updated design will be released shortly.

Associated with Carnegie's Albany Wave Project is the establishment of the national Wave Energy Research Centre to be run by the University of Western Australia's Oceans Institute and UWA's Albany Campus. The local Western Australian investment will apply WA's existing unique offshore energy capability to the development of a wave energy industry, creating domestic and export opportunities.

Carnegie will play a significant role in the Wave Energy Research Centre through close collaboration with UWA and all of the Research Centre partners. This will include sharing the Project's site-specific surveys and common user data. In addition, Carnegie intends to transfer the common user infrastructure to the State following the completion of the Project's operational period. Carnegie will also be working with the Research Centre to facilitate access for industry partners to Carnegie's wave energy research facility in North Fremantle and Carnegie's Garden Island demonstration site.

2. Microgrid Projects

Minister Frydenberg breaks ground and starts construction on the Garden Island Microgrid Project

Carnegie has commenced construction of the Garden Island Microgrid Project marking the occasion with a sod-turning ceremony attended by Hon. Joshua Frydenberg MP, Minister for the Environment and Energy, on behalf of the Prime Minister in August 2017.

Construction has commenced on the 2MW solar Photovoltaic (PV) and 2MW/0.5MWh battery energy storage system (BESS) components of the Garden Island Microgrid (GIMG) Project. The GIMG Project will be the largest embedded, grid-connected solar and battery microgrid in Australia. Carnegie has recently signed purchase agreements with the Department of Defence for the power and water produced by the Project to be used by HMAS Stirling, Australia's largest naval base.



ARENA CEO Ivor Frischknecht, Carnegie CEO Dr Michael Ottaviano and Hon Joshua Frydenberg MP at the Garden Island Microgrid sod-turning ceremony



Installation of the piles and frames at the solar farm site



Delivery and install of Battery Energy Storage System (BESS) components

The Project will also integrate with the existing Department of Defence diesel generators and the Western Power grid, to demonstrate both off-grid and on-grid functionality of a microgrid and 'bumpless' transfer between these two operating modes.

Minister Frydenberg officially broke ground on the Project after a tour of the site of the 2MW solar PV array and the building housing the 2MW/0.5MWh battery energy storage system and control system.

The Garden Island Microgrid is owned and operated by Carnegie. Carnegie's 100% owned subsidiary, Energy Made Clean (EMC), is responsible for the design, construction and ongoing maintenance of the Project. The desalination plant is already constructed at the site**.** Construction of the solar and battery project is due to complete by the end of 2017. The $7.5m project is supported by the Federal Government with $2.5m of ARENA funding.

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

During the quarter Carnegie announced that its 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 saving. The design is based on proven technology and control platforms that EMC has been integrating over the last three years.

This project will be the 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 project is due for completion in mid 2018**.**

3. Solar Energy Projects

Carnegie Clean Energy Secures Construction Debt Finance for 10MW Northam Solar Power Station

Carnegie has secured a 12-month construction debt finance facility for $7.5m for its Northam Solar power station. The debt finance will be provided by the Perth based private investment group Asymmetric Credit Partners Pty Ltd.

Upon completion of project construction and commissioning Carnegie plans to refinance the debt facility with a major Australian retail bank. As part of securing the construction finance facility Carnegie undertook a corporate debt restructure and forced the wind up of $2.8m of unlisted convertible note, first previously announced to the ASX on 18 November 2013. First draw down of the debt finance for the Northam project is planned to occur on 15 December 2017.



Artists Impression of the 10MW Northam Solar Power Station

4. Financial Activities

$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).

The $670,000 in grant funding from ARENA was 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.

$2 million+ cost saving initiative

Over the past quarter, Carnegie implemented changes to staffing levels and remuneration that resulted in an annualised saving of over $2m. These changes were part of a planned review six months after the acquisition of Energy Made Clean and will contribute to our goals of delivering a sustainable financial profit over the medium term.

5. Corporate Activities

Board of Directors Update

Carnegie has appointed to its Board of Directors two new, non-executive directors, Mr Terry Stinson and Mr Mark Woodall, to be effective from Carnegie's Annual General Meeting on 15 November 2017. At the same time, the Company's current Chairman, Mr Jeff Harding, will retire from his role as Chairman and from the Board of Directors and Mr Stinson will be elected to Chair the Board. These changes are part of Carnegie's ongoing program of business diversification and growth which involves Board renewal and cost reductions.

Mr Stinson has over 25 years of executive leadership experience with innovation companies globally. He was a formerly the Chief Executive Officer and Managing Director of ASX-listed Orbital Corporation Limited. In this role he led the Perth-based R&D and manufacturing group through a process of transformation and diversification achieving sustained share price growth. He was previously a Vice President and General Manager at Siemens AG responsible for overseeing an international business across multiple sites, over 1200 staff and delivering sales in excess of $300m per annum. Terry remains a non-executive director of Orbital and is also non-executive Chair of ASX-listed Talga Resources, an emerging high tech international materials company. Terry has a Bachelor of Business Administration (Magnum Cum Laude) from Marian University in Wisconsin, USA.

Mr Woodall has been a leader in the development and financing of renewable energy and clean technologies for nearly 25 years. He founded and led two specialist investment banking firms focused on the low carbon economy: Impax Capital (1994) and Climate Change Capital (2002). He has been the adviser, investor or principal in over 90 cleantech transactions with total capital deployed of over US$4.5 billion. Mark has an MBA (Dean's List) from Cranfield University and was an officer in the British Army.

EMC Kimberley

The company was advised on 30 October 2017 that Eastern Guruma has placed itself into administration. Eastern Guruma owns a 50% share of EMC Kimberley Pty Ltd which it acquired for cash in May 2016. EMC owns the remaining 50% of EMC Kimberley Pty Ltd which was setup to pursue solar, battery and microgrid projects in the Kimberley region. EMC Kimberley itself is not in administration and is currently actively working on projects in the Kimberley region.

Conferences and Presentations

During the quarter, Carnegie staff were pleased to present at various events including the Perth Scitech Future Earth Family Weekend to discuss Carnegie's innovative approach to wave energy, the ARENA Showcase in Canberra to display Carnegie's microgrid and wave energy capabilities and the UWA In the Zone Conference organized by the Perth US Asia Centre where CEO Michael Ottaviano sat on a panel to discuss opportunities to deliver power from the oceans to regional coastal communities.



Craig Wale, Hydraulics Engineer



Alex Pichard System Team Leader (Wave)



CEO Michael Ottaviano with panellists at UWA's In The Zone conference

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.



For more information

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Rule 4.7B

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	**Quarter ended ("current quarter")**
69 009 237 736	30 September 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	2,080	2,080
1.2	Payments for		
	(a) research and development	(941)	(921)
	(b) product manufacturing and operating costs	(3,693)	(3,693)
	(c) advertising and marketing	(20)	(20)
	(d) leased assets	(113)	(113)
	(e) staff costs	(1,664)	(1,664)
	(f) administration and corporate costs	(1,252)	(1,252)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	189	189
1.5	Interest and other costs of finance paid	(249)	(249)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	66	66
1.8	Other	-	-
1.9	**Net cash from / (used in) operating activities**	**(5,597)**	**(5,577)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(438)	(438)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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	(25)	(25)
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	**Net cash from / (used in) investing activities**	**(463)**	**(463)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
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	(5)	(5)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(36)	(36)
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**	**(41)**	**(41)**

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	17,105	17,105
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,597)	(5,597)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(463)	(463)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(41)	(41)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	20	20
4.6	**Cash and cash equivalents at end of quarter**	**11,024**	**11,024**

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	4,031	4,423
5.2	Call deposits	6,000	12,000
5.3	Bank overdrafts	-	-
5.4	Other – *Guarantee facilities*	993	682
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**11,024**	**17,105**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	381
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

Payments to Directors are consulting fees, salary, and superannuation.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
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

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**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	45,801	2,147

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. These convertible notes were subsequently fully converted in October 2017;

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 $45.8 million across two grants from the Australian Renewable Energy Agency - Emerging Renewables Program, one grant in the UK for the WaveHub project, and one grant from the Western Australian State Government.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	1,487
9.2	Product manufacturing and operating costs	585
9.3	Advertising and marketing	5
9.4	Leased assets	43
9.5	Staff costs	2,223
9.6	Administration and corporate costs	687
9.7	Other (provide details if material)	
	Investment in Carnegie owned Solar projects	1,396
	Interest	174
9.8	**Total estimated cash outflows***	**6,600**

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:  Date: 31 October 2017

(Company secretary)

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.