ASX ANNOUNCEMENT

30 July 2018

Report to Shareholders for the Quarter Ended 30 June 2018

Summary

The past quarter has seen a significant opportunity to merge Carnegie's subsidiary Energy Made Clean Pty Ltd (EMC) and ASX-listed Tag Pacific Limited (Tag) to create one of the region's largest, specialist Engineering, Procurement, Construction (EPC) and Build, Own, Operate (BOO) specialists in the rapidly growing off-grid and fringe-of-grid solar, battery and microgrid markets.

EMC's growth potential was demonstrated with turnover doubling in the second half of the 2018 financial year to approximately $10m versus the first half of $5m, however the business remains loss making. EMC revenues need to further increase significantly to move from loss making to profitability. EMC has the potential to achieve profitability through organic growth, however the timing is unsure and additional capital may be required.

The acquisition of EMC by Tag will deliver sufficient scale to bring forward profitability for the benefit of Carnegie shareholders who will continue to retain exposure via the proposed in-specie distribution of fully paid ordinary shares in Tag upon completion of the transaction.

Carnegie shareholders will receive approximately 32% of the combined EMC/Tag entity before a proposed $4 million capital raise to be undertaken by Tag. The new combined entity, to be renamed MPower, has pro forma 2018 combined revenue of approximately $50 million and starts the 2019 financial year with a committed order book already of some $20 million. We would anticipate that through delivery of scale and liquidity the Mpower transaction should unlock significant value for Carnegie and Tag shareholders going forward.

Carnegie shareholders will also retain their shares in Carnegie which will continue as a renewable energy company focusing on commercialising its CETO wave energy technology and investigate other related marine opportunities. Carnegie will continue to own the Garden Island Microgrid and 50% ownership of the Northam Solar Farm. The value of these assets can be used to support CETO commercialisation going forward.

Carnegie will shortly be sending the Notice of Meeting providing transaction information and timing for a meeting targeted for September 2018. In the meantime, EMC continues to deliver on business commitments and is working to convert the significant number of prospects in its sales pipeline.

During the quarter, Carnegie progressed the CETO 6 wave energy technology design, site development and engagement activities for the Albany Wave Energy Project through the acquisition and analysis of data related to both the site-specific conditions and the virtual modelling and simulation, allowing it to finalise the CETO unit design for Albany. We also continue to progress our portfolio of collaborative research and development projects; pursuing innovations with the potential to reduce the long term levelised cost of energy and establishing partnerships that will help accelerate the commercialisation of the technology.

Michael Ottaviano
Chief Executive Officer & Managing Director

21 Barker Street, Belmont, Western Australia, 6104
enquiries@carnegiece.com +61 8 6168 8400 +61 8 6230 4025 www.carnegiece.com

1. Merger of Energy Made Clean and MPower

At the end of the quarter, Carnegie signed an Implementation Deed which sets out the terms and key steps for the acquisition by Tag Pacific Limited (ASX: TAG) of Carnegie's Energy Made Clean (EMC) to create one of the region's largest, specialist Engineering, Procurement, Construction (EPC) and Build, Own, Operate (BOO) specialists in the rapidly growing off-grid and fringe-of-grid solar, battery and microgrid markets.

Upon completion of the transaction, the combined ASX-listed business will be renamed MPower and will have enhanced national reach, with over 130 staff on both coasts of the country. It will be a leading renewables, battery storage and microgrid developer, designer and constructor in the region with active projects across Australia, New Zealand and the Pacific.

As consideration for EMC, Carnegie will receive fully paid ordinary shares in Tag which will be distributed to Carnegie shareholders by way of in-specie distribution. Carnegie shareholders will hold approximately 32% of the fully paid ordinary shares on issue in Tag post completion of the transaction but pre-capital raise by Tag. Carnegie shareholders will continue to retain their existing fully paid ordinary shares in Carnegie.

The proposed, combined entity would have had combined pro forma revenue in FY2018 in excess of $50 million. In line with market growth expectations, revenue of the enlarged group is expected to increase in FY2019 and beyond. The combined entity would start FY2019 with a combined committed order book of approximately $20 million and once the EMC business and the MPower business are fully integrated, the combined business should have sufficient scale to enable sustainable profitability.

Upon completion of the transaction, Carnegie will continue as a renewable energy company focusing on commercialising its CETO wave energy technology and potentially expansion into other synergistic marine renewable technologies and opportunities. It will also retain 100% ownership of the Garden Island Microgrid, and its current 50% ownership of the Northam Solar Farm. As a consequence of the transaction, Carnegie will also preserve its eligibility for the R&D tax cash back incentive.

The combined business will integrate the engineering, procurement and construction activities of both existing businesses, maintaining their strong presence in WA and NSW to deliver a national and regional capability. It will also integrate EMC's solar project development pipeline in order to create a stand-alone build, own and operate solar and microgrid asset portfolio.

The ASX-listed MPower will be led by current Tag Pacific CEO, Nathan Wise, with a Board and Management team combined from each business. As the first step in a board renewal process, Tag would invite CCE to nominate two directors to join the MPower board from completion of the proposed transaction.

The proposed transaction is subject to a number of conditions precedent including the execution of binding legal documents, a number of novations and consents, and approval of both TAG and CCE shareholders. Shareholder Meetings are expected to be held in September and more information will be provided to shareholders in advance of the meetings.

Upon completion of the transaction, MPower intends to undertake capital raising to fund the growth of the enlarged group and the development and financing of Build, Own, Operate projects.

2. CETO 6 and Albany Wave Energy Project

During the quarter, the CETO team has been focused on progressing the Albany site development activities, CETO Unit design and Albany Common User Infrastructure design. In addition, the team has continued to actively advance Carnegie's ongoing global portfolio of research and development projects.

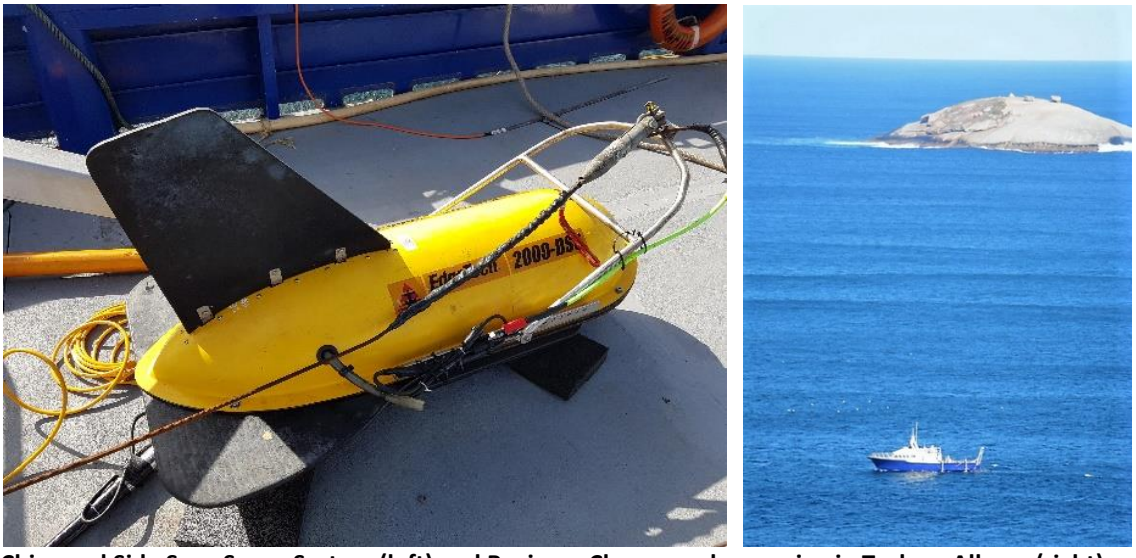
Carnegie and the University of Western Australia (UWA) have continued to build on their ongoing collaborative relationship, working together on existing and new funded R&D projects including activities undertaken through the new Wave Energy Research Centre (WERC). Carnegie and UWA have continued building a Metocean model for Albany which supports the development of the Albany Wave Energy Project as well as provide useful data to future wave energy developers deploying at the Albany site as well as other local industries. This includes analysis of new site data from Carnegie's wave buoy, UWA's wave buoys, UWA's acoustic wave and current profiler, UWA's SWAN numerical model and bathymetry data captured by the Australian Hydrographic Office who performed an airborne LIDAR survey of the site while working in the region.

At the start of June, Carnegie completed a geophysical site survey of the proposed Albany offshore deployment site. The purpose of the geophysical survey is to establish the offshore geology and suitable strata thickness to inform the technical and economic feasibility of the proposed CETO 6 foundation design.

The survey was completed by EGS Survey based out of Henderson, utilising the vessel Business Class owned and operated by Empress Marine of Dunsborough. In addition, South Coast Natural Resource Management of Albany provided a local expert in marine fauna who was on board the vessel to ensure the operations conform with all state and federal legislation regarding marine wildlife.

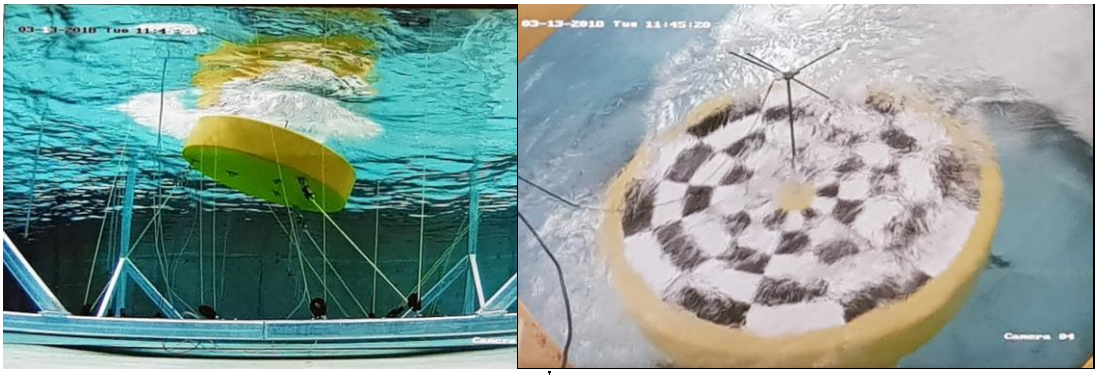
The geophysical survey collected very accurate bathymetry data, seabed sediment identification and geological data to a depth of approximately 50m below sea bed. This has allowed for the identification of the preferred geological conditions for the foundation installation and is contributing to the development of a geological model.

The geophysical survey team has consisted of three vessel crew, four survey crew, a client representative for Carnegie and a marine mammal observer. These have been supported by the Carnegie and EGS management teams from Perth and Albany.



Chirp and Side Scan Sonar System (left) and Business Class vessel surveying in Torbay, Albany (right)

Carnegie's engineers have also been analysing the data collected during the tank testing program run at University of Plymouth in March. The wave tank tests investigated the response of wave energy converters in extreme conditions as well as methods for determining the design wave of the CETO device.



CETO 6 Wave Tank Testing at University of Plymouth in March 2018

Carnegie also continues to be actively engaged in a diverse portfolio of collaborative research and development projects both within Australian and in the UK and Europe that are exploring opportunities to reduce the long term cost of energy of marine energy technologies.

CWE UK, Carnegie's 100% owned UK subsidiary, continues to support the development of a future commercial CETO array at Wave Hub through a series of local collaborations with strategic partners such as Wave Hub Limited, University of Plymouth and James Fisher Marine Services. Wave Hub specifically, and the UK and Europe more generally, remain important markets and locations for future CETO deployments and projects. The European Commission has invested over €300 million ($480m) in ocean energy research and development over the past 10 years with significant additional investment in research, development and testing infrastructure from the UK Government. In the UK alone, there has been more than £500 million ($916m) of government and private investment in the UK wave and tidal sector. This level of strategic industry funding support alongside with the local marine renewable resource and supply chain expertise means that Europe and UK will remain important factors in the commercialisation of CETO.

3. Projects under construction during the quarter:

- **Northam Solar Farm** – The 10MW Northam Solar Farm is being constructed approximately 100kms east of Perth. The project construction works are now well advanced and the project is on track to commence commercial operations in the last quarter of the 2018 calendar year. All detailed engineering is complete as is all procurement for major long lead items.

  Western Power connection works to 22kVa substation feeder are on target for completion this month. All site preparatory works (site access, fencing, gates and security, internal roads and site buildings and facilities) are complete. Piling works for the solar array are well advanced and tracking system construction has commenced.

  The first solar modules have been mounted to confirm layout accuracy and fine tune construction jigs. Trenching for cable runs is also now under way. The fabrication of the solar farm's substation is also well progressed at EMC's Belmont facility.

  Carnegie retains its 50% share of the Northam Solar Farm as part of the recently announced proposed merger of Carnegie's EMC subsidiary with ASX-listed Tag Pacific. The Northam asset

is a source of value for Carnegie to support the ongoing commercialisation of its CETO wave technology.



Northam Solar Farm construction Images: HEX Drone Solutions

- **Garden Island Microgrid Project** – The solar PV and battery system construction has been completed on Garden Island and pre-commissioning of both systems complete. Final cabling installation work has been delayed by parallel infrastructure upgrades at HMAS Stirling but are now underway and operations are scheduled to commence in the current quarter. Carnegie maintains its 100% ownership of the Garden Island Microgrid as part of the recently announced proposed merger of Carnegie's EMC subsidiary with ASX-listed Tag Pacific.



Garden Island Microgrid at HMAS Stirling

- **Delamere** - EMC was awarded a contract to design, construct and install a Microgrid System at the Delamere Air Weapons Range in the Northern Territory of Australia in a competitive tender process in 2017. The solar farm construction on site is now complete and the battery energy storage system (BESS) has completed manufacture and factory acceptance testing. The project has now entered its final phase which involves installing the BESS containers, primary

and standby diesel generators and solar invertors at site ahead of site acceptance testing and commissioning. The project is on track to complete this quarter.



Delamere Microgrid Project

4. Financial Activities

Share Purchase Plan

In April, Carnegie initiated a Share Purchase Plan which allowed all eligible Carnegie shareholders to purchase between $2,500 and $15,000 worth of shares in Carnegie at 3 cents per share. In May, Carnegie completed the Share Purchase Plan which raised $5.3 million.

5. Corporate Activities

Board of Directors Renewal

Consistent with Carnegie Board's previous stated intention around Board renewal, John Davidson and Kieran O'Brien both resigned from the Board of Carnegie. Mr Davidson's role as Managing Director of EMC was also made redundant. Separately he has entered into a voluntary escrow agreement for 12 months with Carnegie for the currently tradeable shares in CCE and his remaining shares will stay subject to the current escrow arrangements. The shares Mr Davidson receives in specie from the proposed transaction will have the same escrow periods as his Carnegie shares.

Conferences and Presentations

During the quarter, Carnegie staff presented at a number of targeted events including:

- Institute of Marine Engineering, Science & Technology (IMarEST) presentation, Fremantle
- Society for Underwater Technology Young Engineers and Scientists (SUT YES) and University of Western Australia (UWA) presentation, Perth
- Mathworks MATLAB 2018 Conference, Perth
- International Society of Offshore and Polar Engineers Conference, Sapporo, Japan

- Goldfields Environmental Management Group Conference, Kalgoorlie
- Powering the Future of WA, Collie
- Energy and Mines Australia Summit, Perth

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).

About Tag Pacific Limited

Tag Pacific Limited is a Sydney-based investment house listed on the Australian Securities Exchange with a focus on niche areas of the power industry. Tag has invested in a diverse range of companies and activities that have been brought together primarily to operate under the banner of MPower. The company's mission is to invest in the power industry in a manner that creates and enhances value over time.

About MPower

MPower is an Australian owned and operated subsidiary of Tag Pacific Limited and is an industry leader providing innovative, reliable products and power solutions on a national and international level. Our capabilities are like no other; we combine new and old technologies with a skilled and experienced workforce to create dependable products and power solutions that last the distance. Put simply, we have the energy to deliver and can create products and solutions from solar panels and batteries to engineering, technical support and full turn-key systems.

About Department of Primary Industries and Regional Development

The Department of Primary Industries and Regional Development (DPIRD) is committed to building vibrant regions with strong economies through jobs growth, economic growth and capable people. The Department is responsible for the effective planning, coordination and delivery of the State Government's regional development agenda. This includes the management of the Royalties for Regions investment program and maintaining effective relationships with key partners across government, industry and the community. The Western Australian State Government, via DPIRD, is investing $15.75m in grant funding into the Albany Wave Energy Project and a further $3.75m into the Wave Energy Research Centre via the University of Western Australia.

About ARENA

ARENA was established by the Australian Government to make renewable energy technologies more affordable and increase the supply of renewable energy in Australia. Through the provision of funding coupled with deep commercial and technical expertise, ARENA provides the support needed to accelerate the development of promising new solutions towards commercialisation. ARENA invests in renewable energy projects across the innovation chain and is committed to sharing knowledge and lessons learned from its portfolio of projects and information about renewable energy. ARENA always looks for at least matched funding from the projects it supports and to date has committed $1.1 billion in funding to more than 270 projects. For more information, visit www.arena.gov.au

For more information

Dr Michael Ottaviano
CEO & Managing Director
Carnegie Clean Energy Limited
+61 8 6168 8400
enquiries@carnegiece.com
www.carnegiece.com