ASX Announcement

6 August 2019

Grant of ASX Listing Rule Waivers

Carnegie Clean Energy Limited (subject to Deed of Company Arrangement) (ASX:CCE) (Carnegie or the Company) advises that, further to its ASX announcement dated 9 July 2019, ASX has granted the Company the following additional waivers from Listing Rules 10.1, 7.3.2, 10.13.3 and 10.13.5.

Waiver of Listing Rule 10.1

As part of the restructure and recapitalisation of the Company to be effected by way of a deed of company arrangement (Recapitalisation Proposal), it is proposed that the Company will:

(a) issue new convertible notes (2021 Notes) to the existing convertible noteholders and Log Creek Pty Ltd ATF the 88 Green Trust (Log Creek) and HFM Investments Pty Ltd (HFM) (entities associated with non-executive director Mr Mike Fitzpatrick) in satisfaction of the existing debt owing by the Company to the convertible noteholders, Log Creek and HFM; and

(b) enter into a general security agreement to grant security over certain of the assets of the Company (the Security) in favour of the holders of the 2021 Notes, including Log Creek and HFM (2021 Noteholders).

Listing Rule 10.1 provides that a company must obtain shareholder approval to acquire a substantial asset from, or dispose of a substantial asset to, a related party of the company (amongst others). Broadly, an asset will be a substantial asset if its value, or the value of the consideration for it is, 5% or more of the equity interests of the company as detailed in the latest accounts given to ASX under the Listing Rules. Under the Listing Rules, the grant of a security over an asset constitutes disposing of the asset and, given that HFM and Log Creek will be 2021 Noteholders pursuant to which the Security will be granted, the Company has sought and received a conditional waiver in respect to Listing Rule 10.1.

The waiver of Listing Rule 10.1 is conditional upon:

(a) the Security including a term that if an event of default occurs and HFM and Log Creek exercises their rights under the Security, neither HFM and Log Creek or any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including Listing Rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by HFM and Log Creek exercising their power of sale under the Security and selling the assets to an unrelated third party on arm's

length commercial terms and conditions and distributing the cash proceeds to HFM and Log Creek or their associates in accordance with their legal entitlements;

(b) the Company including a summary of the material terms of the Security in each annual report of the Company during the term of the Security;

(c) any variations to the terms of the Security which is:
   (i) not a minor change; or
   (ii) inconsistent with the terms of the waiver,
   being subject to shareholder approval;

(d) the requirement that the Company, Log Creek and HFM must seek to discharge the Security when the funds advanced to the Company are repaid, or if it is not discharged, seek shareholder approval for the continuation of the Security for any further period;

(e) the Company immediately releasing to the market an announcement which sets out the terms of this waiver, including:
   (i) the Company's plans with respect to the repayment of the funds advanced under the new notes, and discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur; and
   (ii) a statement of the reasons why the Company has chosen to obtain a financial accommodation from a Listing Rule 10.1 party rather than a lender that is not a related party or substantial holder, and the steps the Company's board has taken to satisfy itself that the transaction is being entered into on arms' length terms and is fair and reasonable from the perspective of the Company's securityholders.

In respect to paragraph (e)(i) above, the Company intends to repay the funds advanced under the 2021 Notes and discharge the Security before the maturity date of the 2021 Notes, being 31 March 2021. If the Company raises over the minimum subscription amount under the entitlement offer, being $5,500,000 (refer to the ASX announcement dated 1 August 2019), the Company will repay some of the 2021 Notes using these funds. In respect to the 2021 Notes that are not repaid (or converted) and remain outstanding at maturity, the Company intends to repay these 2021 Notes:

(a) by undertaking a refinancing with a third party lender;

(b) from cash reserves from the operation of the Garden Island Microgrid; or

(c) via proceeds from the sale of certain of the Company's assets (including the Garden Island Microgrid).

The 8% coupon payments accruing under the 2021 Notes are payable via the issue of fully paid ordinary shares in the Company (Shares). If the Company is unable to obtain alternative financing on favourable terms, operate Garden Island Microgrid on a cash flow positive basis or divest its assets, the Company may be required to raise further funding, whether debt or equity.

In respect to paragraph (e)(ii) above, Company has chosen to obtain a financial accommodation from HFM and Log Creek, being existing lenders to the Company, as part of the Recapitalisation Proposal to restructure the current debt owing to HFM and Log Creek under the bridging loan facility agreement and the amounts owing under the existing convertible notes issued by the Company. The Board considers the terms of the 2021 Notes, which were negotiated and approved by creditors as part of the Recapitalisation Proposal and are also being offered to existing convertible noteholders, to be fair and reasonable and on arm's length terms.

Waiver of Listing Rule 7.3.2

ASX has granted a waiver from Listing Rule 7.3.2 to the extent necessary to permit the notice of meeting dated 30 July 2019 (Notice) seeking shareholder approval for, amongst other matters, the issue of up to a maximum of 221,666,667 Shares to unrelated third parties (Unrelated Party Interest Shares) at a deemed issue price of the greater of $0.001 per Share or the 90 day volume weighted average market price (VWAP) calculated prior to the relevant interest payment date in lieu of the interest payable under the terms of the 2021 Notes pursuant to the Recapitalisation Proposal, not to state that the Shares will be issued no later than 3 months after the date of the general meeting on the following conditions:

(a) the Notice sets out the proposed issue dates for the quarterly issues of the Unrelated Party Interest Shares and states that the Unrelated Party Interest Shares will be issued no later than 31 March 2021;

(b) for any annual reporting period during which the Unrelated Party Interest Shares are issued or any of them remain to be issued, the Company's annual report sets out in detail the number of Unrelated Party Interest Shares issued during the reporting period, the number that remain to be issued and the basis on which they may be issued;

(c) in any half year or quarterly report for a period during which the Unrelated Party Interest Shares are issued or remain to be issued, the Company includes a summary statement of the number issued during the reporting period, and the number that remain to be issued and the basis on which the they may be issued;

(d) the Notice states that the maximum number of Unrelated Party Interest Shares to be issued is 221,666,667;

(e) the Notice contains the full terms and conditions of the Unrelated Party Interest Shares; and

(f) the Company immediately releases to the market an announcement which sets out the terms of this waiver.

Waiver of Listing Rule 10.13.3 and 10.13.5

ASX has granted waivers from Listing Rules 10.13.3 and 10.13.5 to the extent necessary to permit the Notice seeking shareholder approval for, amongst other matters, the issue of a maximum of

136,166,666 Shares (Related Party Interest Shares) in lieu of interest payable under the terms of the 2021 Notes to HFM and Log Creek pursuant to the Recapitalisation Proposal, not to state the Related Party Interest Shares will be issued no later than 1 month after the date of the Meeting and the issue price of the Related Party Interest Shares, subject to the following conditions:

(a) the Notice sets out the proposed issue dates for the quarterly issue of the Related Party Interest Shares and states that the Related Party Interest Shares will be issued no later than 31 March 2021;

(b) the Notice states that a maximum of 136,166,666 Related Party Interest Shares will be issued to HFM and Log Creek;

(c) for any annual reporting period during which the Related Party Interest Shares are issued or any of them remain to be issued, the Company's annual report sets out in detail the number of Related Party Interest Shares issued during the reporting period, the number that remain to be issued and the basis on which they may be issued;

(d) in any half year or quarterly report for a period during which the Related Party Interest Shares are issued or remain to be issued, the Company includes a summary statement of the number issued during the reporting period, and the number that remain to be issued and the basis on which the they may be issued;

(e) the Notice contains the full terms and conditions of the Unrelated Party Interest Shares;

(f) the Notice states that the issue price of the Related Party Interest Shares to be issued will be the greater of:

    (i) $0.001 per Share; and
    (ii) the VWAP for Shares calculated over the 90 days on which sales in the Shares were recorded immediately prior to the relevant date for the interest to be paid;

(g) the Notice includes a worked example of the dilution that will occur to existing shareholders of the Company as a result of the issue of the Related Party Interest Shares; and

(h) the Company immediately releases to the market an announcement which sets out the terms of this waiver.

For more information:
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