CHAIRMAN'S ADDRESS
2018 ANNUAL GENERAL MEETING

My role as non-exec Chairman at Carnegie Clean Energy began one year ago at the AGM. The year has been a turbulent one for me, my fellow board members and for the business. We have witnessed a world leading wave energy company attempt to expand into hybrid solar through the acquisition of EMC and fail to deliver a satisfactory outcome for shareholders. The cost of this failure to the business and to shareholders was high. The Board has decided it is in the Company's best interests to revert back to its roots, Wave and Marine Energy.

Technically, Carnegie has achieved much through the year. The EMC solar business delivered several "first of kind" hybrid solar projects and in parallel, the Wave Team continued to advance the Carnegie Wave Energy Technology. Commercially, it would be an understatement to say that Carnegie failed to deliver on expectations. On $10 million in revenue, the Company lost $63 million (including a $34.9 million write-down of intangibles). The losses continue into this year, however not at the same magnitude. We are disappointed the share price fell from $0.057 to $0.024 through the past year and is now less than $0.01. This has been a disappointing year, however we need to accept the current situation and focus on future success for the business.

On a positive note, over the past year, EMC earned a positive reputation in the market for technical capability, customer support, quality, and project delivery. Financially, the EMC business performed far below expectations, and again this is an understatement. There are many reasons for the poor commercial performance. For example, all the major EMC projects that were in train when I joined a year ago were over budget and behind schedule. These same projects continue to be over-budget and behind schedule. Many of the projects are now close to completion and in my view, the situation is now stabilised, but stabilising the business, and keeping it alive, came at a significant cost to Carnegie.

Project costs and time overages were not the only reasons for the poor financial performance. Hybrid Solar is a very competitive market; winning orders requires aggressive quoting and low prices, leaving little margin for variances. Further, EMC's revenue was too low to offset the costs of the minimum infrastructure required to support the ongoing projects and the staff required to find new business. Arising technical challenges, supplier issues, and misunderstood customer specifications added rework, cost and time to the projects.

Over the year, the EMC business integration into Carnegie was continuing, this too creating additional costs and inefficiencies. The Lend Lease Joint Venture also started with expected new venture growing pains, cultural adaptations, and associated additional costs. To compound the operational issues, management had to deal with the issues and challenges related to the various debt structures created to support the on-going solar projects. The Board and Management had a strong focus on cost reduction and systems improvements over the year and did make progress. For example, the size of the Carnegie Board has reduced by four board members or 60%, the over-all Carnegie business headcount reduced by 40%, admin and overhead costs were also reduced, while continuing with productivity improvements and delivering projects that met customer specifications. The EMC team got smaller and worked harder and smarter. We have a new management team, cost rationalisation is continuing, and there will be additional savings when we vacate our current premises and return to

Fremantle early next year. In the face of significant diversity, the EMC team worked hard and did their best. At the same time, the Wave Team continued to develop new ideas for reducing cost, enhancing functionality, and increasing electrical output. Carnegie and EMC have made significant progress over the year, but the progress was not enough, and not fast enough, and the cost was high.

In parallel to addressing immediate business issues, the Board and management also explored other options like M&A, divesture and various structures. The option that emerged as best for the business and for shareholders was the M-Power merger. As announced this morning, this transaction is now at an end, largely as a result of TAG not being able to meet a key condition precedent, being the raising of $4 million to fund the combined businesses of EMC and MPower. Carnegie has invested and made improvements to EMC and is now open to explore other opportunities including M&A.

The new CEO and the management team understand that the business must change to succeed, to grow, and to deliver on shareholder expectations. Carnegie's wave opportunities have not diminished over the year. Wave energy remains one of the largest untapped renewable resources globally and Carnegie is best placed to deliver on this opportunity. We are not there yet, we must continue to transition the hybrid solar business and manage the legacy costs and put our full focus on Wave and Marine Energy development. The future WAVE and Marine Energy research, development and commercialisation will require continued financial support from our shareholders and funders. I would like to take this opportunity to thank the Western Australian Government for their continued support as well as the Australian Renewable Energy Agency (ARENA).

I understand and accept that shareholders have already invested and are understandably disappointed. The existing and new shareholders that believe in Wave Energy and continue to believe in Carnegie can enable the future.

Management's goal over the coming year is to clearly communicate with shareholders our various; strategies, plans, aspirations, failures and challenges. The CEO and management will be working hard to deliver on Carnegie's full potential and to regain the support from shareholders and ensure the future success of our Carnegie Clean Energy.

Terry Stinson
CHAIRMAN