ASX Announcement

April 29, 2016

Report to Shareholders for the Quarter Ended

March 31, 2016

Dear Shareholder,

Its been another quarter of excellent progress with the commercialisation of both CETO 6 and our island microgrid business including the completion of our Investment and Alliance Agreement with microgrid developer Energy Made Clean (EMC).

The growing momentum for renewable energy investment globally is enormous and was exemplified in the days following our EMC announcement with the signing of the Climate Change Agreement in New York by nations now totalling 49% of global greenhouse gas emissions. The Paris Climate Change Agreement from last December becomes legally binding once countries representing 55% of global emissions sign, so it now very close to reality. The background to all this, is of course measured data like that of NASA's showing that 2015 was even hotter than 2014's record breaking hottest ever year.

The completion of the Agreement between Carnegie and EMC means that work has now begun to deliver microgrid initiatives, the first of which is Carnegie's Mauritius Wave and Microgrid Design Project. This Project, which will be delivered on Mauritius and the neighbouring island of Rodrigues, will see Carnegie receive $800,000 through a partnership between the Australian and Mauritian Governments to deliver study and design activities focused on high penetration renewable energy microgrids. The first of the payments has now been received. Commencing work on Mauritius has marked the beginning of what will be a strong and enduring strategic alliance with EMC.

In parallel, Carnegie continues its focus on the development of CETO 6 with its team continuing with the design development for our Garden Island CETO 6 project and also carrying wave tank testing at the UK's University of Plymouth's unique Coastal, Ocean and Sediment (COAST) facility. Carnegie also received a $200,000 CETO 6 milestone payment from ARENA for completion of the CETO 6 concept design milestone.

Carnegie has continued to execute its strategy of collaborating with world class research organizations and industry partners on CETO and, where possible, leverage third party funding. During the quarter we extended our relationship with the University of Western Australia with a $1 million wave energy research project supported by the Australian Renewable Energy Agency (ARENA) and focusing on reducing the cost of wave energy.

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Additionally, Carnegie furthered its national and international exposure through several presentations including at the annual International Conference on Ocean Energy (ICOE) in Edinburgh, Scotland and the 3rd Annual Remote Area Power Conference also in Melbourne. We also carried out our own Company Roadshow in Melbourne, Perth and Sydney and it was a pleasure to catch up with so many of you during these sessions.

This quarter also saw Carnegie formally complete the CETO 5 Perth Project and now, all grant milestone invoices have been submitted to the Government of Western Australia's Low Emissions Energy Development (LEED) Fund and the Australian Government's Australian Renewable Energy Agency (ARENA). Carnegie has now met all the requirements of its LEED funding agreement and received 100 per cent of the grant payments from the Western Australian Government.

With our CETO 6 project and our new partnership with EMC, we have had a promising start to 2016. I am extremely optimistic that this will continue through the rest of the year with exciting developments locally and internationally come to fruition. We continue the year in a strong financial position.

Highlights from the quarter include:

- Financial snapshot
  - AU $18m cash at bank
  - AU $14m undrawn Government grants
  - AU $21m undrawn debt facility
- Perth Project (CETO 5)
  - 12 months of operation completed
  - Received 100% of grant payments from the Western Australian Government
- CETO 6
  - Internal design development continues
  - Wave Tank Testing completed at University of Plymouth's COAST facility
  - Received $200k concept design milestone payment from ARENA
- Project Pipeline
  - Work commenced on Carnegie's Mauritius Wave and Microgrid Design Project.
  - Excellent progress made on local and international project opportunities
- Corporate
  - Carnegie invested $3 million in cash and $1.5 million in shares to take a 35 per cent stake in EMC.
  - Carnegie formed a partnership with the University of Western Australia on a $1 million wave energy research project.
  - Carnegie moved offices in early 2016 to a new location in Fremantle.

Best regards,

Dr Michael Ottaviano
CEO & MD

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1. CETO Development

Completion of CETO 5 Operations and Grant Funding Update

During the quarter, Carnegie completed the required 12 month operational phase of the Perth Project and and submitted all grant milestone invoices to the the Government of Western Australia's Low Emissions Energy Development (LEED) Fund and the Australian Government's Australian Renewable Energy Agency (ARENA).

Carnegie received payment for all LEED milestones for the Perth Project including for the required operational period. Carnegie also met all the requirements of its LEED funding agreement and received 100 per cent of the grant payments from the Western Australian Government.

In addition, Carnegie received payment from ARENA for the first six months of operational milestones ($66,537) and has submitted the final milestone invoices ($955,043) associated with completing the full 12 months of operations. Final detailed documentation regarding the Perth Project was submitted to ARENA. This completed Carnegie's obligations under its funding agreement with ARENA for the Perth Project.

Excellent pogress continues on the development of the design of CETO 6 through both internal development work and engagement with Carnegie's supply chain in Australia and Europe and included wave tank testing (see below). Carnegie also received a $200,000 CETO 6 milestone payment from ARENA for completion of the CETO 6 concept design milestone.

Carnegie Conducts Wave Tank Testing at the University of Plymouth's COAST Facility

Late in the quarter, Carnegie undertook a comprehensive wave tank testing programme of its CETO 6 technology design at the University of Plymouth's unique Coastal, Ocean and Sediment (COAST) facility.

CWE UK Chief Executive Officer Tim Sawyer and Carnegie's Senior Hydrodynamics Engineer Dr Ashkan Rafiee were both on hand as testing of the CETO 6 performance across a range of sea states took place.

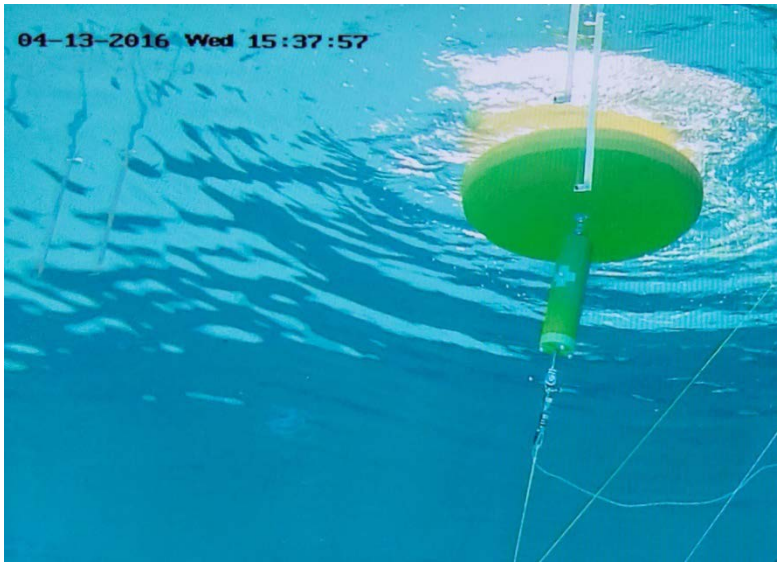
Mr Sawyer said the wave tank testing would build on Carnegie's internal modelling as well as previous wave tank testing and the successful in-ocean operation of the CETO 5 system in the now completed Perth Wave Energy Project.

"Over 340 separate tests will be carried out throughout the programme," Mr Sawyer said.

"These tests are aimed at evaluating and informing the design of our CETO 6 technology."

Specific outcomes included:

- Comprehensive measurement of CETO 6 performance across a range of operational and extreme sea states.
- Optimisation of Carnegie's preferred Power Take Off (PTO) system operation and control.
- Validation of Carnegie's in-house modelling suite.
- Detailed and validated load case for CETO system design.



CETO 6 model undergoing testing at the University of Plymouth's COAST Lab

The commencement of this testing coincided with discussions with leading academic and industry experts aimed at exploring opportunities to support CETO wave development in the UK. Carnegie also used this opportunity to hold a seminar hosted by the University of Plymouth and attended by members of the Partnership for Research in Marine Renewable Energy (PRIMaRE).

Professor Deborah Greaves, Professor in Ocean Engineering and Director of the Coast Laboratory. School of Marine Science and Engineering (Faculty of Science and Engineering), Mr Tim Sawyer, CWE UK's CEO, Stuart Herbert, Commercial Director, Wave Hub, Dr Daniel Conley, Associate Professor (Reader) in Coastal Dynamics Modelling (Wave Hub), School of Marine Science and Engineering

Carnegie partners with the University of Western Australia on $1 million wave energy research project

Another significant partnership was established during the quarter when Carnegie alongside the University of Western Australia (UWA), started investigating the optimal number, size, arrangement and location of wave energy converters in order to minimise the cost of installation and infrastructure while maximising power output.

The Project, which has been supported by $994,000 in funding from the Australian Renewable Energy Agency (ARENA), aims to reduce the cost of wave energy converters by producing the following outcomes:

1. New design guidelines and tools for how to optimally place wave energy arrays along coastlines.
2. Guidelines and tools to identify and design optimal secondary mooring line systems.
3. A probabilistic foundation design method for wave energy converters.
4. An integrated approach using the three points above to optimise wave energy array location and arrangement optimising power output, while minimising foundation cost.

Carnegie Chief Technology Officer, Jonathan Fievez, said the organisation was proud to be working alongside UWA in what will be a world first study.

“The research will focus on the interactions between wave energy, convertor location, array configuration, bathymetry and geotechnical characteristics to reduce costs,” he said. “The outcomes of this project will then be applied to the development of our CETO 6 technology.”

The University of Western Australia’s Centre for Offshore Foundation Systems Centrifuge facility

As announced last year, Carnegie is also working with UWA’s Centre for Offshore Foundations Systems on a separate Australian Research Council (ARC) linkage project to research and develop more efficient anchoring systems. Both projects leverage UWA’s world class capability for developing and proving innovative anchoring solutions for offshore applications.

Partnering with UWA is part of Carnegie’s strategic approach to work with specialist research institutions and industry partners to develop innovations designed to be incorporated into the CETO 6 technology which have the potential decrease costs and/or improve unit performance. Such research areas include foundations, advanced control systems and the power take off system.

2. Island and Microgrid Activities

Mauritius Wave and Microgrid Design Project

During the quarter, Carnegie's Mauritius project which will see Carnegie receive $800,000 through a partnership between the Australian and Mauritian Governments to deliver study and design activities for initiatives focused on high penetration renewable energy microgrids on Mauritius and its neighbouring island of Rodrigues. Carnegie will contribute $190,000 of in-kind and technical support.

The project will deliver three outcomes throughout 2016, including:

1. A renewable energy roadmap for Mauritius, including: technical, commercial and financial feasibility of high penetration renewable energy.
2. An assessment of the Mauritian wave energy resource and the identification of a preferred site for a commercial CETO wave energy project.
3. The design of a microgrid powered desalination plant on the Mauritian island of Rodrigues.

Carnegie's Chief Operating Officer, Greg Allen, and Project Manager Neil de Tisi, convened the first project steering committee meeting in Mauritius early in the quarter where, the committee signed off on the management plan for the project and endorsed the claim for the first invoice payment. The steering committee comprises members from the Mauritian Ministry of Finance and Economic Development, the Australian High Commission as well as the Mauritian Research Council and Carnegie.

Mr Allen said, "we certainly appreciate the efforts by the Australian High Commissioner in Mauritius and the Mauritian Research Council in developing the project. We believe that it could act as a template that can be replicated by Islands globally.

"The integration of a mix of renewable technologies, along with storage and controls, can provide cheaper, clean and secure solutions for island nations," he said.

A meeting of key project stakeholders also took place and included several Mauritian Government Ministries as well as the appropriate industry bodies. Carnegie has now begun the process of collecting and analysing the relevant data that will form input into the renewable energy roadmap.

Carnegie & EMC Alliance and Investment Transaction Completed and First Joint Project Commenced

Perhaps most notably in the quarter, Carnegie was pleased to advise that it's Investment and Alliance Agreement with Western Australian-based EMC Solar Construction and EMC Engineering (EMC) was executed with Carnegie Chief Executive Officer, Dr Michael Ottaviano, appointed to the EMC board. This followed the approval of the Agreement by Energy Made Clean Limited shareholders at an Extraordinary General Meeting held on April 18.

The completion of the Agreement meant that Carnegie and EMC have now begun working to deliver microgrid initiatives, the first of which is Carnegie's Mauritius Wave and Microgrid Design Project.

Carnegie Chief Executive Officer, Dr Michael Ottaviano, said commencing work on the Project marked the beginning of what he believes will be a strong and enduring strategic alliance with EMC.

"Our strategy for island markets is to deliver our CETO wave technology as part of an integrated microgrid solution," he said.

"The completion of the Carnegie/EMC Investment and Alliance Agreement means we now have a powerful capability to do just that."

Dr Ottaviano said the Agreement – which saw Carnegie invest $1.5 million in Carnegie shares and $3 million in cash to take a 35 per cent stake in EMC – will see the companies share a joint focus on the delivery of a combination of renewable energies.

Dr Ottaviano said the Project, which was awarded to Carnegie in 2015, will combine EMC's microgrid expertise with the CETO technology and Carnegie's finance, governance and technical capabilities.

"The way the alliance agreement is structured means both parties can reap the benefits of working together while individually focusing on our respective core businesses," he said.

"For Carnegie that remains the commercialisation of CETO."

Carnegie Chief Operating Officer, Greg Allen (left), collaborating with EMC Managing Director, John Davidson (right), at the EMC workshop in Western Australia.

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3. Corporate Activities

International Presentations

The quarter provided several opportunities for Carnegie to further its national and international exposure through several presentations, including appearances at the annual International Conference on Ocean Energy (ICOE) in Edinburgh, Scotland, the Carnegie Wave Energy Roadshow in Melbourne, Perth and Sydney and the 3rd Annual Remote Area Power Conference also in Melbourne.

These platforms brought together the world's leading ocean energy delegates to share knowledge, showcase technologies and meet new international partners, investors and suppliers. They also attracted industry stakeholders to share knowledge and experiences on traditional, hybrid and innovative power solutions in remote areas and provided a platform to highlight current installations, systems, projects and share views and perspectives on project economics, finance and logistic capabilities.

EMC's Sid Masilamani (left), John Davidson (second from right) and Jamie Ally (right) with Carnegie's Chief Operating Officer, Greg Allen.

Change of Registered Office and Principal Place of Business

The quarter also saw Carnegie change its registered office and principal place of business to:

Suite 5, 4B Mews Road
FREMANTLE WA 6160

The Company's main telephone and numbers also changed to:

Phone: +61 8 9335 3993
Fax: +61 8 9433 5600

Staff have now settled in to the stunning new offices and this is an example of what is a continued growth phase for Carnegie.

About Carnegie

Carnegie Wave Energy Limited is an Australian, ASX-listed (ASX:CWE) wave energy technology developer. Carnegie is the 100 per cent owner and developer of the CETO Wave Energy Technology intellectual property. Carnegie is focussed on commercial opportunities in key target markets including UK, Europe and remote islands.

About CETO

The CETO system is different from other wave energy devices as it operates under water where it is safer from large storms and invisible from the shore. CETO technology characteristics include:

- Converts ocean wave energy into zero-emission electricity and desalinated water.
- Environmentally friendly, has minimal visual impact and attracts marine life.
- Fully-submerged in deep water, away from breaking waves and beachgoers.

Perth Wave Energy Project ('PWEP') Fact File

- In 2015 PWEP was the world's only operating commercial-scale CETO grid and desalinated water connected wave energy project.
- PWEP was supported by $13.1m funding from the Australian Renewable Energy Agency.
- PWEP was supported by $7.3 million from the Government of Western Australia's Low Emissions Energy Development (LEED) Fund. This is part of a larger $10 million LEED grant, awarded to Carnegie by the Western Australian Government, to support the development of the CETO technology from concept through to completion of PWEP.
- The Desalination Pilot was supported by a $1.27m AusIndustry grant from the Clean Technology Innovation Program.
- Provided clean, renewable energy and potable desalinated water to Australia's largest naval base, HMAS Stirling, on Garden Island in Western Australia.

CETO 6 Project Fact File

The CETO 6 unit has a targeted 1MW (1000kW) power capacity, some four times of the current CETO 5 generation being used in the Perth Project. It will have a superior efficiency, lower capital and maintenance costs than any CETO product generation developed to date. The CETO 6 Project is supported by $11m in Australian Government grant funding through the Australian Renewable Energy Agency's Emerging Renewables Program and a five year $20 million loan facility from the Commonwealth Bank. The clean, renewable energy generated by the Project will be sold to the Australian Department of Defence at Australia's largest naval base, HMAS Stirling, on Garden Island in 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. ARENA invests in renewable energy projects, supports research and development activities, boosts job creation and industry development, and increases knowledge about renewable energy. ARENA has a portfolio of more than 240 supported projects and is actively seeking new projects to fund in 2016.

About EMC Solar Construction & EMC Engineering

EMC Solar Construction and EMC Engineering are one of Australia's most successful specialist Engineering Procurement Construction (EPC) cleantech businesses, with several medium and high penetration microgrids delivered, several major projects under construction and a growing pipeline of new opportunities both within Australia and internationally. EMC is focused on the expansion of its scope and capabilities to service the accelerating demand for commercially-viable cleantech products and services.

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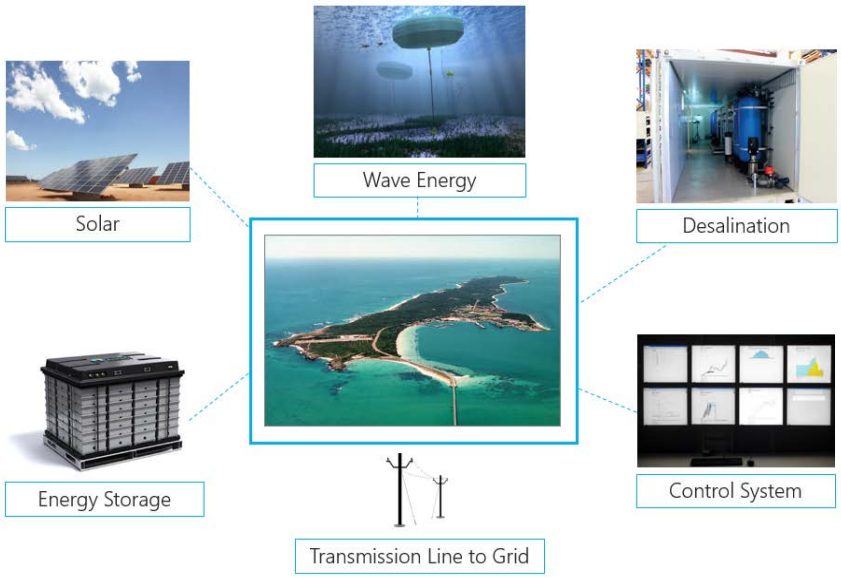
Microgrids

A microgrid is a discrete energy system made up of distributed energy sources that are capable of operating independently from the main power grid.
Renewable microgrids that combine multiple renewable energy generation sources (e.g. solar, wind and wave) take advantage of different renewable energy profiles at different times of day, and with different seasonal variation, to reduce the amount of energy storage and diesel generation required.
Renewable microgrids can be used to cut costs, cut greenhouse gas emissions, and in the case of high penetration renewable microgrids, allow communities to be more energy independent and more environmentally sustainable. The precise mix of renewable sources, energy storage, fossil fuel and desalination will depend on the mix of renewable resources available locally and the needs of the customer.



For more information:
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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

CARNEGIE WAVE ENERGY LIMITED

ABN	Quarter ended ("current quarter")
69 009 237 736	31 March 2016

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (9 months) $A'000
1.1	Receipts from customers	123	123
1.2	Payments for (a) staff costs*	(852)	(2,082)
	(b) advertising and marketing	(6)	(54)
	(c) research and development	(1,399)	(6,161)
	(d) leased assets	(9)	(26)
	(e) other – corporate overheads & working capital	(733)	(1,667)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	104	212
1.5	Interest and other costs of finance paid	(3)	(11)
1.6	Income taxes refunded	-	14,050
1.7	Other -		
	(a) ERP, LEED and AusIndustry Grant Funding Receipts	220	287
	(b) Royalty Income	271	876
	Net operating cash flows	**(2,284)**	**5,547**

Notes

a. The staff costs (a) exclude payroll related to research and development activities, those payroll costs are included in research and development (c).

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (9 months) $A'000
1.8	Net operating cash flows (carried forward)	(2,284)	5,547
	Cash flows related to investing activities		
1.9	Payment for acquisition of:	-	-
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(182)	(191)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	**(182)**	**(191)**
1.14	**Total operating and investing cash flows**	**(2,466)**	**5,356**
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	(51)	7,467
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other – Proceeds from issue of convertible notes	-	-
	Net financing cash flows	**(51)**	**7,467**
	Net increase (decrease) in cash held	(2,517)	12,823
1.21	Cash at beginning of quarter/year to date	20,669	5,329
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter**	**18,152**	**18,152**

Notes

b. The cash at the end of the quarter excludes the following cash receipts:

- A royalty income payment of $158,114 for the quarter ended 31 March 2016 which was received in April 2016.

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	364
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments to Directors are consulting fees, salary and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities – Convertible Notes & Senior Debt Facility	24,690	3,690
3.2	Credit standby arrangements	-	-
3.3	Government grant funding facilities	37,318	23,574

c. The loan facilities includes a $21 million senior debt loan facility with the Commonwealth Bank of Australia which has not yet been drawn upon.

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank	5,502	8,075
4.2	Deposits at call	8,500	8,500
4.3	Bank overdraft	-	-
4.4	Other (provide details) – *Guarantee facilities*	4,150	4,094
	Total: cash at end of quarter (item 1.23)	**18,152**	**20,669**

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.)

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Print name: AIDAN FLYNN Company Secretary

Date: 29 April 2016

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.