

## **ASX Announcement**

**11 May 2009**

### **Carnegie to acquire 100% Ownership and Global Rights to CETO Wave Technology**

- **Carnegie to become 100% owner of CETO Wave Technology**
- **Delivers Northern Hemisphere and IP control to Carnegie**
- **REH to become Carnegie's largest shareholder**
- **Carnegie to develop CETO projects with EDF EN in Northern Hemisphere**

Wave energy developer Carnegie Corporation Limited (ASX: CNM) will, subject to shareholder approval, acquire 100% of the intellectual property and global development rights for the CETO Wave Energy Technology ("CETO Technology") under the terms of a binding Heads of Agreement ("HoA") signed with Renewable Energy Holdings Plc (AIM: REH).

Under the HoA, Carnegie will purchase the CETO Technology intellectual property rights, REH's potential CETO project site pipeline and assume REH's rights and obligations under its joint venture license agreement with EDF EN. In consideration for the acquisition, Carnegie will issue 252 million fully paid shares to REH making REH Carnegie's largest shareholder with 35% ownership ("the Transaction").

Carnegie's Managing Director, Dr Michael Ottaviano, said:

"This transaction will deliver significant value to Carnegie shareholders in opening up Northern Hemisphere opportunities for Carnegie in the United States, Europe and across Asia. It simplifies the CETO ownership structure and allows Carnegie for the first time to have 100% ownership of CETO."

"Whilst the Southern Hemisphere has a superior wave resource, approximately 90% of global power consumption occurs in the Northern Hemisphere. Additionally, many locations in the Northern Hemisphere have very attractive markets for renewable energy including some with targeted wave energy feed-in tariffs. We look forward to working closely with EDF EN in developing these Northern Hemisphere markets."

REH's Chief Executive Officer, Mike Proffitt, said:

"The Board is confident that this transaction will deliver value to both REH and Carnegie's shareholders. We believe that it is a logical development to combine both the IP and the know-how in a single entity while crystallising value for REH Shareholders."

"We are delighted to become Carnegie's largest shareholder and intend to be long term, strategic holders. Upon CETO reaching commercialisation, this transaction will allow REH Shareholders to continue to participate in the future revenues generated by its world-wide roll-out."

## **Acquisition Details**

Pursuant to the terms of a Heads of Agreement (HoA), Carnegie will issue to REH 252 million fully paid shares in exchange for the CETO Wave Energy Technology. The Transaction secures Carnegie ownership of the CETO Technology, and provides it with access to develop CETO power projects in the Northern Hemisphere markets partnering with EDF EN, a 50% subsidiary of French power utility Electricity de France (EDF), one of the largest power generation companies in the world. (See "About EDF EN")

The acquisition is subject to the approval of ordinary shareholders of Carnegie. Upon completion of the transaction (expected later this year following satisfaction of the conditions precedent), Carnegie will take over the funding responsibility for the remaining CETO technology development. Also upon completion of the Transaction, REH agrees to release Carnegie from its liability to provide funding under the existing Southern Hemisphere License Agreement including the existing £1million payment that is part of the initial License Agreement.

Pursuant to the HoA, REH will assign its interest in the Joint Collaboration Agreement with EDF EN to Carnegie, for the development of CETO power projects in the Northern Hemisphere markets and Reunion Island.

The Transaction is conditional upon:

- Completion of satisfactory due diligence by both parties on or before 31 May 2009;
- Carnegie obtaining an independent expert's report confirming that the Transaction is fair and reasonable to non-associated shareholders of Carnegie;
- Shareholder approval by both REH and Carnegie shareholders;
- REH executing a restriction agreement with respect to some or all of the shares to be issued to it by Carnegie, to the extent required by the ASX listing rules;
- Carnegie providing sufficient evidence that it has sufficient funds (approximately \$2 million) to fund the CETO Operating Budget at completion of the Transaction;
- Waivers of any pre-emptive rights; and
- REH receiving Foreign Investment Review Board approval for the Transaction (if required);

The Heads of Agreement is binding on the parties. It will be replaced by a set of formal transaction documents to be negotiated and agreed between the parties over the next few weeks.

Upon completion of the Transaction, REH will have the right to appoint a further director to the Board of Carnegie, in addition to current REH nominees Alan Burns and Michael Proffitt, who have already been appointed.

Alan Burns and Michael Proffitt, being common directors of both companies, have removed themselves from Board matters concerning the Transaction.

The proposed timetable anticipates the convening of shareholder meetings in September to consider the Transaction with completion expected by end of September 2009.

A Notice of Meeting and associated materials specific to this transaction will be forwarded to shareholders of Carnegie and REH in due course.

## **Market Overview**

Carnegie was previously the Southern Hemisphere licensee of the CETO Wave Technology. The 100% acquisition of the CETO technology delivers it control of the CETO Technology intellectual property and removes any real or perceived risk of operating as a licensee.

As Carnegie has previously announced, the Southern Hemisphere, and Australia in particular, has an outstanding wave resource due to its exposure to the consistent ocean swells generated in the Southern Ocean. The Northern Hemisphere however, comprises approximately 90% of the world's population and therefore 90% of the world's power market. Additionally, the best regimes for renewable energy prices, and wave energy specifically, currently exist in the Northern Hemisphere.

In addition to its existing Southern Hemisphere markets in Australia, South America, South Africa and New Zealand, Carnegie will now have access to key Northern Hemisphere wave power markets including the United States, Canada, the United Kingdom, Western Europe, Japan, Asia and numerous island communities where fuel costs are the highest in the world due to reliance upon imported liquid fuels.

Several Northern Hemisphere countries including the UK, Scotland, Ireland and Portugal have dedicated wave energy test sites, specific wave energy legislation and Government funding programs, as well as feed-in tariffs that can result in power prices of 5-10 times higher than available prices in Australia.

As part of the transaction (and subject to waivers of pre-emptive rights), REH will assign its interest in the Joint Collaboration Agreement with EDF EN to Carnegie, for the development of CETO power projects in the Northern Hemisphere markets and Reunion Island.

## **About EDF EN**

EDF EN specialises in the generation of renewable energy and is the 51% owned subsidiary of the EDF Group, one of the largest power generation companies in the world. EDF is active in all areas of the electricity value chain, from generation to trading, with over 120,000 MW of installed capacity in Europe, over 38 million customers and employing 160,000 people globally. In 2008, EDF generated approximately A\$9 billion in earnings on over A\$120 billion in revenue.

EDF EN has over 2,200 MW of installed renewable power capacity in operation and another 1,000 MW capacity under construction. EDF EN has expertise spanning renewable project development, construction and operation and maintenance. In 2009, EDF EN generated over A\$130 million in earnings on A\$1.8 billion in revenue. It also invested over A\$1.8 billion in developing new renewable energy projects in 2008.

## **CETO Ownership Background**

CETO was originally conceived by Alan Burns in the 1970's but initial test work only began in the late 1990's. By 2004, CETO was owned by Australian company Seapower Pacific Pty Ltd, in which Carnegie Corporation was a 17% shareholder. This entity was bought by Renewable Energy Holdings Plc and shareholders in Seapower Pacific Pty Ltd swapped their equity for shares in the newly listed REH. Carnegie received 5.75% of REH which it has subsequently sold to fund working capital.

In 2007, Carnegie signed a License Agreement with REH whereby Carnegie, as the CETO Technology developer, would fund the development for a period corresponding to £4.75m in

return for the exclusive Southern Hemisphere CETO project license (excluding Reunion Island).

The acquisition of 100% of the CETO Technology allows Carnegie to be the single, global owner of the Technology for the first time.

### **About CETO**

The CETO system distinguishes itself from other wave energy devices by operating out of sight and being anchored to the ocean floor. An array of submerged buoys is tethered to seabed pump units. The buoys move in harmony with the motion of the passing waves, driving the pumps which in turn pressurise seawater that is delivered ashore via a pipeline.

The high-pressure seawater is used to drive hydro turbines, generating zero-emission electricity. The high-pressure seawater can also be used to supply a reverse osmosis desalination plant, replacing greenhouse gas emitting pumps usually required for such plants.

CETO Technology characteristics include:

- CETO converts wave energy into zero-emission electricity
- CETO is environmentally friendly, has no visual impact and attracts marine life
- CETO is fully submerged in deep water away from popular surf breaks and safe from storms.

### **About Carnegie**

Carnegie Corporation Ltd is an Australian, ASX-listed (CNM) wave energy and clean technology developer. Upon completion of the transaction outlined in the Heads of Agreement with Renewable Energy Holdings, the CETO Technology intellectual property and global development rights will be 100% owned by Carnegie. Pursuant to the Transaction, Carnegie will also operate a Joint Venture License Agreement with EDF EN to own and operate CETO Wave Power Projects in the Northern Hemisphere and Reunion Island.

For further information:

Dr Michael Ottaviano  
Managing Director  
Carnegie Corporation Ltd  
(08) 9486 4466

**Media enquiries:**  
Sarah Allchurch  
(08) 9381 6625  
0412 346 412