

ASX Announcement

24th August 2010

Perth Wave Energy Project Update

ACTIVITIES SUMMARY

Carnegie Wave Energy Limited (ASX: CWE) has made further progress on the delivery of its commercial scale demonstration for the Perth Wave Energy Project with design, procurement and testing of its CETO wave energy technology off Garden Island in Western Australia.

The CETO 3 single unit deployment and testing will consist of an autonomous CETO unit, hydraulic energy dissipation system and instrumentation buoy. The hydraulic system and instrument buoy avoids, in the first instance, the investment required for a physical connection to shore for the initial single unit installation. The CETO 3 deployment and testing activities are on track to be completed in 2010 as scheduled.

Key installation planning activities have now commenced to ensure necessary offshore equipment and service providers are secured and that all necessary permits and approvals are in place. The planning includes arrangements for resources and equipment such as deployment vessels, lift equipment, installation aids and specialised tooling and dive support, as well as for the engagement of a specialised offshore engineering and project management group.

Manufacture of the CETO 3 components for the Garden Island single unit deployment has continued in line with the project schedule throughout the quarter. A key component of the system, the pump, is under manufacture by Douce Hydro SAS a specialist hydraulic cylinder manufacturer based in Albert, France.

Further in-sea functional performance testing of the scaled CETO 3 system offshore at Fremantle has been completed to provide additional operation set point data for the full scale Garden Island deployment.

Carnegie has also now received its second milestone payment under its \$12.5 million grant from the State Government of Western Australian for the Perth Wave Energy Project.

The \$847,933 milestone payment under the financial assistance agreement is for the completion of activities associated with subsea foundation deployment, design and manufacturing, and site assessment and development for Carnegie's Perth Wave Energy Project. Carnegie has now drawn down approximately \$1.6m of the \$12.5 million grant and is currently meeting all development milestones.

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