

ASX Announcement

2nd June 2010



Carnegie signs MoU with EDF EN and DCNS to deliver international CETO projects

- **Reunion Island announced as location for first international project**
- **Project is a Joint Venture between Carnegie and French utility EDF EN**
- **Project to be delivered by French marine defence contractor DCNS**

Wave energy developer Carnegie Wave Energy Limited (ASX: CWE) is pleased to announce the signing of a Memorandum of Understanding (MoU) with its Northern Hemisphere joint venture partner EDF EN and French marine defence contractor DCNS. The MoU was signed in Paris today and outlines the first international wave power project to be on the French overseas territory of Reunion Island. The project, which will be jointly owned and financed by Carnegie (49%) and EDF EN (51%) via a special purpose vehicle (SPV), will be built out in three stages and is currently planned to have an ultimate capacity of 15MW.

The Reunion Island Project will initially consist of the deployment of a single, autonomous unit in the next 12 months (stage 1) which will be followed a 2MW plant and a further expansion of the project to a nominal 15MW. The project will receive a feed-in tariff and Stage 1 of the project will receive around 75% of its funding in Government grants. Upon successful completion of Stage 1, further Government grant support will be sought to assist with the project expansions.

The MoU also includes DCNS' role in engineering, procurement, construction and management (EPCM) of the project. DCNS will charge preferential rates to the SPV and in return will have a right of first refusal on a similar role for 5 years for projects in the Northern Hemisphere. If, through the course of its activities, DCNS improves the CETO technology device (for example the pump or buoy), Carnegie retains full ownership of the CETO intellectual property and the right to patent any such improvements. If DCNS improves any aspect of the Balance of Plant (for example the piping or mooring) then DCNS may chose to patent these so long as they do not infringe upon any existing CETO intellectual property. The MoU is currently non-binding and the parties are now finalising the formal agreements.

Carnegie's Managing Director and Chief Executive Officer, Dr Michael Ottaviano said, "This is a significant step forward towards the development of commercial CETO projects and a tangible expansion of Carnegie's business internationally in a European regime where very attractive incentives for wave energy exist."

The MoU is consistent with the Carnegie and EDF EN Licence Agreement announced in December 2009 which covers all future projects in the Northern Hemisphere and Reunion Island. All commercial stages beyond Stage 1 will result in Carnegie being paid a fee for licensing the CETO technology to the project in accordance with the Licence Agreement.

Reunion Island is a French overseas territory and is situated in the Indian Ocean off the east coast of Africa near Madagascar and Mauritius. Site studies on Reunion Island have been underway for more than a year and the location of the project has been finalised with permitting well advanced.

About EDF EN

EDF Energies Nouvelles is a market leader in renewable energy with operations in ten European countries and in America. EDF EN has focused on wind energy for several years and more recently on solar photovoltaic as well as other segments of the renewable energy market: small hydro, biomass, biofuel and biogas. EDF Energies Nouvelles is a 50%-owned subsidiary of the EDF Group, one of the largest power companies in the world. In December 2009, Carnegie and EDF EN signed a joint venture and licence agreement to deploy CETO projects throughout the Northern Hemisphere and Reunion Island.

www.edf-energies-nouvelles.com

About DCNS

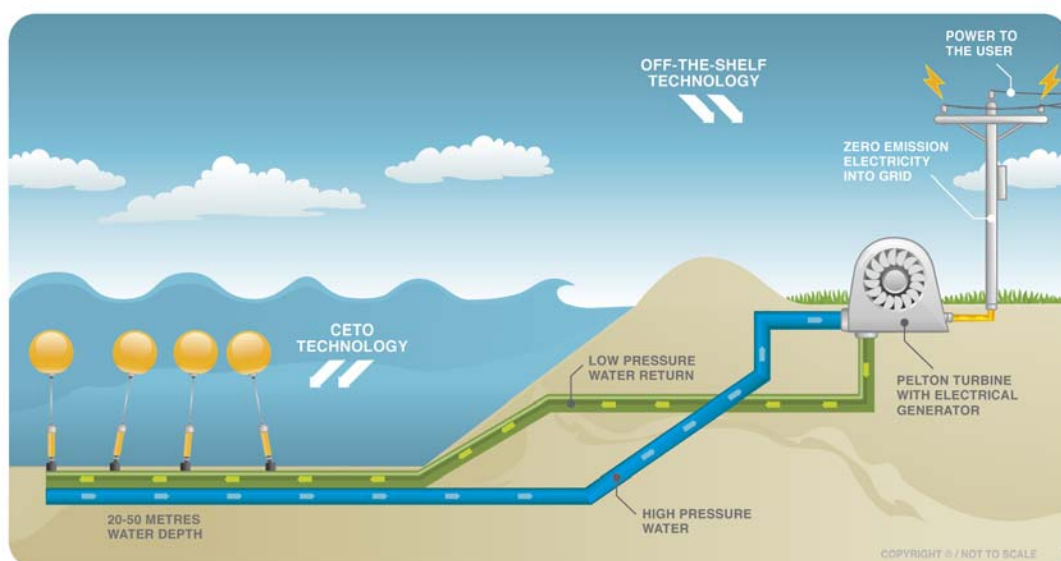
DCNS is a leading European player on the world market for naval defence systems. The Group designs, builds and supports surface ships, submarines and mission-critical systems and equipment incorporating the most advanced technologies. Drawing on its dedicated teams, proven expertise and extensive industrial resources, DCNS is also expanding into new markets in civil nuclear energy, marine renewable energy and naval and industrial services. DCNS is committed to sustainable development and was one of the first defence contractors to achieve Group-wide certification to ISO 14001. The DCNS Group employs 12,000 staff and generates annual revenues of around €2.5 billion (2008 figures). It is 75% French Government owned and 25% owned by the Thales Group.

www.dcnsgroup.com

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 water that is delivered ashore via a pipeline.

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



CETO Technology characteristics include:

- CETO converts wave energy into zero-emission electricity and desalinated water
- 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 where it is safer from storms.

About Carnegie

Carnegie Wave Energy Limited is an Australian, ASX-listed (CWE) wave energy and clean technology developer. Carnegie is the owner and developer of the CETO Wave Energy Technology intellectual property.

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