

ASX Announcement

5th July 2011

Commercial Scale CETO 3 Update

- Carnegie's CETO 3 data analysis complete and results positive
- Frazer-Nash appointed to verify results
- Design and approval process for grid-connected project underway

Wave energy developer Carnegie Wave Energy (ASX: CWE) advises that analysis of the commercial scale CETO 3 unit data from its initial test run has been completed. Carnegie has appointed independent engineering firm, Frazer-Nash, to verify the results.

Carnegie conducted a competitive tender process for the verification work which was won by Frazer-Nash, one of the UK's largest providers of systems and engineering technology specialising in the provision of independent and impartial advice to the defence, nuclear, power & energy, civil aerospace, rail, marine, petrochemical and industrial sectors. Frazer-Nash's results are expected in approximately a month's time.

Carnegie's analysis confirms that the actual measured performance of the CETO 3 unit during the in-sea test period was in line with forecast modelled performance. During the test period the system operated through a range of sea states with wave heights of between 1 to 4.6 metres and with operating pressures exceeding that required for reverse osmosis desalination.

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

"Knowing our computational models accurately forecast the hydrodynamic, hydraulic and power performance of the commercial scale CETO system is a critical pre-requisite for the finalisation of the design of the the grid-connected demonstration project."

Carnegie's first grid-connected, revenue generating power project will be at the same location as the CETO 3 unit deployment off Garden Island in Western Australia. Carnegie has now moved into the detailed design phase and will secure all approvals, permits and offtake arrangements necessary to allow the project to progress and allow construction in 2012.

Images and video footage of the installation and operation of CETO 3 can be found on Carnegie's website www.carnegiwave.com

About the Perth Wave Energy Project

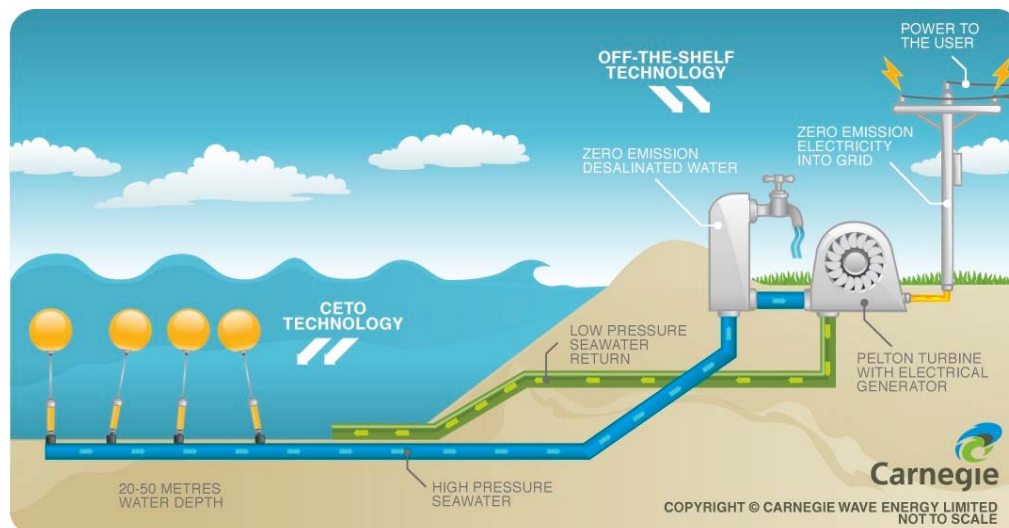
Carnegie's Perth Wave Energy Project is located in open ocean between Garden Island and Five Fathom Bank at a depth of approximately 25 metres. Upon completion, it will be Australia's first commercial scale wave energy project.

The primary aim of the project is to demonstrate the CETO technology in commercial operation. The project site could also be a base for a desalination pilot project utilising Carnegie's CETO technology.

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



About Carnegie

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

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