

ASX Announcement

28 June 2018

Carnegie and Tag Pacific to merge EMC and MPower to create leading regional renewables, storage and microgrid specialist

Carnegie Clean Energy (ASX: CCE) ("Carnegie") and Tag Pacific Limited (ASX: TAG) ("Tag") today announce the signing of an Implementation Deed which sets out the terms and key steps for the acquisition by Tag of Carnegie's Energy Made Clean (EMC) to create one of the region's largest, specialist Engineering, Procurement, Construction (EPC) and Build, Own, Operate (BOO) specialists in the rapidly growing off-grid and fringe-of-grid solar, battery and microgrid markets.

Upon completion of the transaction, the combined ASX-listed business will be renamed MPower and will have enhanced national reach, with over 130 staff on both coasts of the country. It will be a leading renewables, battery storage and microgrid developer, designer and constructor in the region with active projects across Australia, New Zealand and the Pacific.

As consideration for EMC, Carnegie will receive 58,507,377 fully paid ordinary shares in Tag which will be distributed in-specie by Carnegie to its shareholders. This corresponds to approximately 32% of the fully paid ordinary shares on issue in Tag post completion of the transaction but pre-capital raise by Tag (see transaction summary below). Carnegie shareholders will continue to retain their existing fully paid ordinary shares in Carnegie.

The proposed, combined entity would have had combined pro forma revenue in FY2018 in excess of \$50 million. In line with market growth expectations, revenue of the enlarged group is expected to increase in FY2019 and beyond. The combined entity would start FY2019 with a combined committed order book of approximately \$20 million and once the EMC business and the MPower business are fully integrated, the combined business is expected to have sufficient scale to enable profitability to be achieved.

Upon completion of the transaction, Carnegie will continue as a renewable energy company focusing on commercialising its CETO wave energy technology. It will also retain 100% ownership of the Garden Island Microgrid, and its current 50% ownership of the Northam Solar Farm. As a consequence of the transaction, Carnegie will also preserve its eligibility for the R&D tax cash back incentive.

CEO and Managing Director of Carnegie, Dr Michael Ottaviano said:

"This is a compelling opportunity to unlock the significant potential from the microgrid market in Australia, New Zealand and the Pacific, bringing together two of the leading entities in Australia to create a national champion."

“A scrip based merger of EMC with MPower provides Carnegie shareholders with direct ownership of a specialist microgrid market leader and a strong financial platform for the 2019 financial year and beyond. The Carnegie board believes this is a more compelling alternative for shareholders than an organic growth strategy with EMC which would require additional working capital over a longer time frame.”

Tag Chief Executive Officer, Nathan Wise, said:

“We are excited by the opportunity to bring together two leading renewable and battery storage businesses and to welcome Carnegie’s shareholders into our group.”

“The microgrid market is growing rapidly and consolidation in the sector is inevitable. The enlarged MPower business will be well placed to take a leadership position and dominate this market. We have plans to grow the combined group rapidly across our EPC, Build Own Operate (BOO) and Products divisions. We also plan to establish a dedicated vehicle to house our BOO solar and battery energy storage assets as they are developed.”

The combined business will integrate the engineering, procurement and construction activities of both existing businesses, maintaining their strong presence in WA and NSW to deliver a national and regional capability. It will also integrate EMC’s solar project development pipeline in order to create a stand-alone build, own and operate solar and microgrid asset portfolio.

The microgrid market in Australia has been forecast to represent in excess of \$1.6 billion over the decade from 2016 to 2026¹ and globally the market is forecast to grow over 10-fold through to 2020 from 2013².

The ASX-listed MPower will be led by current Tag Pacific CEO, Nathan Wise, with a Board and Management team combined from each business. As the first step in a board renewal process, Tag would invite CCE to nominate two directors to join the MPower board from completion of the proposed transaction.

The proposed transaction is subject to a number of conditions precedent including the execution of binding legal documents, a number of key contract novations and third party consents, and approval of both TAG and CCE shareholders. Shareholder Meetings are expected to be held in August and more information will be provided to shareholders ahead of this.

Upon completion of the transaction, MPower intends to undertake a capital raising to fund the growth of the enlarged group and the development and financing of Build, Own, Operate projects.

Consistent with the Carnegie’s Board’s previous stated intention around Board renewal, John Davidson and Kieran O’Brien have resigned from the Board of Carnegie. Mr Davidson’s role as MD of EMC has also been made redundant and he will receive a statutory termination payment of \$378,000. Separately he has entered into a voluntary escrow agreement for 12 months with Carnegie for the currently tradeable shares in CCE and his

remaining shares will stay subject to the current escrow arrangements. The Tag shares Mr Davidson receives as a result of the in specie distribution under the proposed transaction will have the same escrow periods as his Carnegie shares.

Key transaction terms summary (subject to the completion of binding, legal documentation):

- Scrip based transaction to create ASX-listed MPower
- Enlarged MPower to be owned (undiluted) 68% TAG shareholders, 32% CCE shareholders
- CCE shareholders (as at the date of the EGM, expected late August) to receive a direct investment in MPower via an in-specie distribution to be approved by CCE shareholders
- CCE shareholders to retain their existing shares in CCE which will continue with CETO commercialisation and as the owner of its Northam and Garden Island solar assets
- Completion of the transaction is subject to various conditions precedent, including but not limited to:
 - the execution of binding legal documents;
 - CCE and TAG shareholder approvals;
 - third party consents;
 - Tag raising or receiving binding commitments to raise A\$4m; and
 - no person acquiring a relevant interest in more than 15% of the voting power in CCE.
- Transaction targeting CCE and TAG shareholder approval and completion of the transaction in August
- Two CCE directors to be invited to join the MPower Board

About Carnegie Clean Energy Limited

Carnegie Clean Energy Limited is an ASX-listed (ASX: CCE) solar energy, battery storage and wave energy, project developer with over 10,000 Australian shareholders. Carnegie is the 100% owner and developer of the CETO Wave Energy Technology intellectual property and is also 100% owner of leading Australian battery/solar microgrid Engineering Procurement and Construction (EPC) company Energy Made Clean (EMC). EMC specialises in the delivery of mixed renewable energy microgrid projects to islands and remote and fringe of grid communities.

About Energy Made Clean

Energy Made Clean is a leading solar and battery microgrid developer providing off-grid power and utility scale solutions. Recently named one of Australia's most innovative companies by the Australian Financial Review, EMC specialises in the delivery of mixed renewable energy microgrid projects, ideally suited to island, remote and fringe of grid communities. EMC offers an end to end renewable energy solution, dedicated to in-house research and development, custom design, construction, operation, maintenance and monitoring.

About Tag Pacific Limited

Tag Pacific Limited is a Sydney-based investment house listed on the Australian Securities Exchange with a focus on niche areas of the power industry. Tag has invested in a diverse range of companies and activities that have been brought together primarily to operate under the banner of MPower. The

company's mission is to invest in the power industry in a manner that creates and enhances value over time.

About MPower

MPower is an Australian owned and operated subsidiary of Tag Pacific Limited and is an industry leader providing innovative, reliable products and power solutions on a national and international level. Our capabilities are like no other; we combine new and old technologies with a skilled and experienced workforce to create dependable products and power solutions that last the distance. Put simply, we have the energy to deliver and can create products and solutions from solar panels and batteries to engineering, technical support and full turn-key systems.

1. Energeia (2016), Cutting the Cord: The Australian Outlook for New Microgrids to 2026
2. Navigant Research (2013)