

Carnegie Corporation Limited

35% dilution to increase the bet on CETO



Wilson HTM
INVESTMENT GROUP

1 June 2009

\$ 0.265

Summary

We recently met with Carnegie Corporation (CNM) management. This note provides a review of recent developments. CNM is in a trading halt until Wednesday 27th May for a fund raising initiative. We do not currently have a recommendation or a share price target for CNM.

Key events/catalysts we will be monitoring over the next 12 months are:

- August 2009 - Renewable Energy Demonstration Program grants to be awarded. We believe CNM is a leading contender for a grant of \$50-\$100M for a wave power demonstration project.
- Prior to September 2009 - Release of the independent experts report assessing if consideration for 100% ownership and global rights to CETO wave technology is fair and reasonable
- September 2009 - Shareholder meeting to approve acquisition of CETO wave technology.
- September 2009 - Expected financial close for the acquisition of CETO wave technology.
- 2H2009 - Choice of site for 50MW commercial demonstration project.
- 2009 - Decision on MoU with Synergy (Western Australia's largest energy retailer) for 5MW power off-take contract
- Early 2010 - Deployment of CETO III units at Garden Island, Western Australia (Stage 1 of commercial demonstration).
- 2010/11 - Commission 1st Commercial Demonstration Project

Risks include:

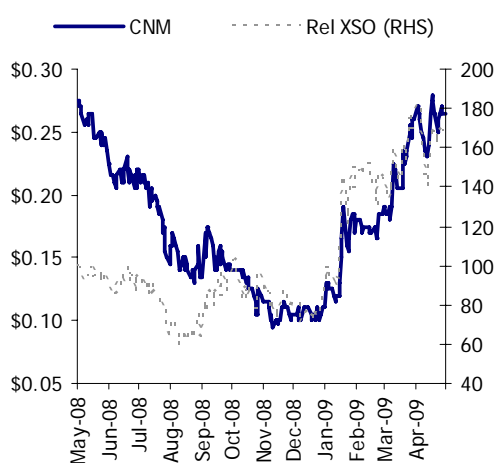
- Securing equity funding for commercial demonstration project including locking in Investec's involvement.
- Funding CETO development budget.
- Poor results at any stage of commercial demonstration.
- Break through in other wave power designs being developed – watch for results from sea trials at purpose built facility in Scotland.

The cash position was \$1.6M at 30 March 2009. To complete the CETO wave technology acquisition in September 2009 CNM must show a cash balance of \$2M to fund the remaining CETO operating budget.

Security/Capital Details

ASX Code	CNM
12 Mth High – Low	\$0.28 - \$0.095
Market Cap	\$123.8m
Issued Shares	467.2m
Avg Mth T'over	11.7m
Net Debt / Equity 08A	na
Book value/share	0.06

Yr Ending Jun	2007A	2008A	1H09A
Sales (\$M)	0.0	0.0	0
Net Profit (\$M)	-2.9	-18.9	-6.0
EPS (c)	-1.1	-4.9	-1.3
EPS Growth (%)	-17.7	-345.1	na
PER (x)	-25.7	-5.8	na



Company overview

CNM is currently the global developer of CETO wave power technology and has a licence to own and operate CETO plants in the Southern Hemisphere. It has a binding Heads of Agreement to purchase from Renewable Energy Holdings the CETO Technology intellectual property rights, REH's potential CETO project site pipeline and assume REH's rights and obligations under its JV license agreement with EDF EN.

CETO wave power technology produces high pressure seawater from the power of waves. The technology delivers high pressure seawater ashore that can be used to produce zero-emission electricity using off the shelf technology or zero-emission freshwater using standard reverse osmosis desalination technology.