

## **ASX Announcement**

**31 July 2008**

### **Report to Shareholders for the quarter ended 30<sup>th</sup> June 2008**

- **Continued Successful Deployment and Testing of CETO 2 Units**
- **Manufacture and Delivery of Remaining CETO 2 Units**
- **Commercial Advancements in Australia and Internationally**
- **CETO Awarded Project of the Year by Parsons Brinkerhoff Engineers**

#### **ACTIVITIES SUMMARY**

During the quarter, Carnegie Corporation Limited (ASX: CNM) continued to make excellent technical and commercial progress on its flagship CETO Wave Energy Technology.

##### **1. CETO Wave Energy Technology Development**

During the quarter Carnegie continued to deploy and test the commercial-design CETO 2 units at its R&D Facility at Fremantle, Western Australia. Up to four CETO 2 units have been deployed and tested throughout 2008 and significant design advancement has been achieved through both in-sea testing and onshore testing in Carnegie's purpose built test rig.

As previously reported, based on the initial performance of CETO 2, the design for the balance of the CETO 2 units incorporating these improved design elements was finalised in April and an order placed for their manufacture. Carnegie is pleased to report that the Batch 2 CETO 2 units have now been delivered to the Fremantle facility (see images below).

In parallel with the manufacture of these new units, a complete instrumentation and data collection system has been designed and is currently being installed at Fremantle. This will allow the key outputs of the CETO 2 unit's in-sea performance to be remotely tracked and monitored.

The new CETO 2 units are currently being fully instrumented prior to deployment. Part of the deployment process for these units will be the integration into the data collection system and the commissioning of the instrumentation. Outputs such as water pressure, water flow, piston displacement and driving force will be transmitted to the Fremantle onshore facility via purpose designed instrumentation cabling and recorded and displayed on the programmed logic control system (PLC).

The newly manufactured CETO 2 pumps at Carnegie's Wave Energy Research Facility in Fremantle are shown below.



The CETO technology remains on track for the deployment of a full-scale CETO 3 unit at a deepwater test site in 2009 in parallel with the development of the commercial demonstration project site.

## 2. CETO Wave Energy Commercial Opportunities

As announced, Carnegie is investigating a number of prospective sites across Australia and internationally for the commercial deployment of CETO Wave Energy Farms. Carnegie has also been granted an option over a coastal site at Albany in Western Australia by the local council for the onshore land footprint of a commercial CETO Wave Energy farm.

In addition to Albany, discussions and development continued during the quarter focussed on South Australia, Victoria, Tasmania, New Zealand, Mauritius and Chile.

In March 2008, Carnegie announced that it had been shortlisted to continue to the next stage of the contracts establishment process for the supply of Tranche 2 Renewable Energy to the Southern Seawater Desalination Plant (“SSDP”) in Western Australia. Carnegie has now received the Request for Proposal with the submission due in September 2008. Carnegie is also currently investigating and responding to opportunities that exist for renewable energy supply for other desalination plants nationally.

Carnegie also intends to apply for funding for a Western Australian-based CETO commercial demonstration project under the recently announced Round 2 of the Western Australian Government’s Low Emission Energy Development Fund. Submissions close in September 2008.

During the quarter, site assessment work was continued by Renewable Energy Holdings PLC (“REH”) in the Northern Hemisphere, where REH has retained the rights to the technology. REH has an application to investigate the suitability of a coastal region in British Columbia, Canada as a potential site for a CETO Wave Farm and has signed a Memorandum of Understanding (“MOU”) with Triton Renewable Energy Limited (“Triton”) to build and operate wave farms in Bermuda. Carnegie holds a 3% interest in REH.

In April, Carnegie’s CETO Wave Energy Technology was also awarded 'Project of the Year 2007' at the fifth annual Parsons Brinckerhoff Engineering Awards, held in London. Parsons Brinckerhoff (“PB”) is one of the world's leading planning, engineering, and program and construction management organisations and specialises in the global power industry. PB produced an independent expert’s report on the CETO technology at the end of 2006. This is another positive endorsement of the technical and commercial viability of the CETO Technology and follows the world’s largest power company, EDF, acquiring the North Hemisphere Joint Venture rights with REH last year. Carnegie holds the rights to 100% own and operate Southern Hemisphere CETO Wave Farms.

### **3. Emerging Clean Technologies**

Work continues on the development of Carnegie’s emerging cleantech portfolio including its Cleaner Coal Power (CCP) technology, its Solar Thermal Technology and its Airfoil/Wind Technology. During the quarter the steam generation PLC control system of CCP was commissioned and is ready for continued testing. The development, testing and data collection associated with the Solar Thermal prototype energy collection component has continued. Ongoing computational modelling and analysis is also being undertaken on the Airfoil/Wind technology.

### **4. Corporate Activities**

In May Carnegie successfully completed a fully subscribed \$2.5 million private placement capital raising through the issue of 10 million shares at 25 cents reflecting the continued support and confidence of the market in the potential of Carnegie’s CETO wave technology.

## About the CETO Wave Energy Technology

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 pressurize seawater that is delivered ashore via a pipeline. The high-pressure seawater is used to drive hydro turbines, generating base-load, zero-emission electricity. The high-pressure seawater can also be used to supply a reverse osmosis desalination plant, replacing greenhouse gas emitting pumps usually required for such plants.

CETO Technology characteristics include:

- CETO converts wave energy into baseload zero-emission electricity
- 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 safe from storms.

## Wave Energy as a renewable energy source:

- Wave Energy is renewable energy which can power the world twice over
- Australia has the largest and best wave energy resource of any country
- 60% of the world lives within 60km of a coast, minimizing transmission issues.

## About Carnegie Corporation Ltd

Carnegie Corporation Ltd is an Australian, ASX-listed (CNM) wave energy and clean technology developer. Carnegie is 98% owned by Australian investors. The Company is currently developing the CETO Wave Energy technology and has the exclusive rights to 100% own and operate all commercial CETO wave farms in the Southern Hemisphere.

[www.carnegiecorp.com.au](http://www.carnegiecorp.com.au)

### For more information:

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

CARNEGIE CORPORATION LTD

ABN

69 009 237 736

Quarter ended ("current quarter")

30 June 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(500)	(1,226)
(b) advertising and marketing	(38)	(43)
(c) research and development	(2,138)	(8,588)
(d) leased assets	-	-
(e) other working capital	(292)	(1,334)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	85	377
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>(2,883)</b>	<b>(10,814)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(2,883)</b>	<b>(10,814)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(386)	(904)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	350
1.13 Other (provide details if material)	-	-
	(386)	(554)
<b>Net investing cash flows</b>		
<b>1.14 Total operating and investing cash flows</b>	<b>(3,269)</b>	<b>(11,368)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	2,500	17,640
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Cost of Capital Raising	(138)	(931)
	2,362	16,709
<b>Net financing cash flows</b>		
	(907)	5,341
<b>Net increase (decrease) in cash held</b>		
1.21 Cash at beginning of quarter/year to date	6,962	714
1.22 Exchange rate adjustments to item 1.20		
	6,055	6,055
1.23 <b>Cash at end of quarter</b>		

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	227
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">             Payments to Directors are consulting fees and directors fees and salary for the quarter.           </div>	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	274	734
4.2 Deposits at call	5,781	6,228
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)	<b>6,055</b>	<b>6,962</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print name: GRANT J. MOONEY Company Secretary

Date: 30 July 2008

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## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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