

ASX Announcement

31st July 2009

Report to Shareholders for the Quarter Ended 30th June 2009

ACTIVITIES SUMMARY

During the quarter, Wave Energy Developer Carnegie Corporation Limited (ASX: CNM) has continued to progress the technical and commercial development of CETO and announced a significant development with respect to the ownership of CETO.

1. CETO Wave Energy Technology Development

During the June quarter Carnegie has largely completed the activities involved in converting its Wave Energy Research Facility at Fremantle, WA from the CETO 2 pilot plant to accommodate high cycle test work associated with the project scale, commercial CETO unit (CETO 3). High cycle testing of the custom engineered CETO 3 pumps is now well advanced using pumps supplied by specialist Australian and International hydraulic cylinder manufacturers. Other key components of CETO 3 are also undergoing cycle testing, including the propriety storm relief mechanism of the buoyant actuator. The high cycle testing is the precursor to the deployment of a single CETO 3 unit in the waters West of Garden Island, Western Australia, commencing within the next 6 months. The Garden Island deployment will serve to validate the energy delivery performance of a single CETO 3 unit. As illustrated below conceptually, the CETO 3 Garden Island deployment will consist of a CETO 3 unit coupled to associated energy dissipation and instrumentation infrastructure.



The CETO 3 design captures the energy in the waves to pressurise a hydraulic working fluid (fresh water), that is continuously recirculated within a closed loop system providing for energy extraction using conventional hydro electric technologies. To achieve this, CETO 3 has a nominal mechanical capacity of 200kW with a system operating pressure in the range of 80 to 120bar. The operating parameters and capacity of CETO 3 have been optimised around the prevailing wave environment for common sites in both the Southern and Northern Hemispheres.

2. CETO Wave Energy Commercial Opportunities

Carnegie continued to progress a number of commercial opportunities for CETO wave energy during the quarter:

- Carnegie is progressing the contractual aspects of the Western Australian State Government's commitment to provide \$12.5m of funding from the State's Low Emissions Energy Development ("LEED") fund for a Carnegie wave energy project in Western Australian.
- Carnegie announced in May that it had received notification from the Department of Resources, Energy and Tourism that Carnegie's application under the Renewable Energy Demonstration Program ("REDP") is complete and satisfies the eligibility criteria for the program. Carnegie's REDP application is undergoing a full merit assessment. Funding outcomes will be advised by the Minister for Resources and Energy, Martin Ferguson, from August 2009.
- Feasibility activities across Carnegie's other potential wave energy project sites at Portland, Warrnambool and Phillip Island are concluding, with results expected to be announced this quarter.
- The due diligence carried out as part of the CETO technology acquisition, has identified significant progress across the portfolio of potential Northern Hemisphere commercial site opportunities. Additionally, after quarter's end, a site inspection of Northern Hemisphere sites was undertaken. The results of these activities were released earlier this week and can be summarised as follows:
 - Reunion Island, an overseas French territory in the Indian Ocean, has announced the award of €3M (AU\$5.16 million) French Government funding for a research and development project, to be led by CETO Joint Venture licensee EDF EN, to investigate the potential for the CETO wave energy technology on Reunion. The R&D project will consider any adaptation and optimisation of the technology that may be necessary for Reunion and the feasibility of a demonstration project.
 - Pacific Coastal Wave Energy Corporation ("Pacific Coastal"), a development company owned 95% by Renewable Energy Holdings Plc and 5% by local energy technology company, Global Energy Horizons Corporation ("GEH") was granted an Investigative Permit ("Permit") by British Columbia's Ministry of Agriculture and Lands to conduct a wave energy investigation over an area of approximately 475 hectares off Ucluelet, Vancouver Island. In April 2009, Pacific Coastal was awarded CAD\$2m through British Columbia's Innovative Clean Energy ("ICE") fund to develop a wave energy project off Ucluelet.

- The potential for commercial scale demonstration of the CETO technology is being investigated at Sustainable Energy Ireland's ("SEI") wave energy test sites located off Spiddal and Belmullet in County Galway. Ocean energy initiative funding of €26m (AU\$44.65 million) is available for research and a feed-in tariff of €220/MWh (AU\$378/MWh) for wave and tidal power has been established. Ireland has a renewable energy target of 33% by 2020, with an aim of 500MW of installed ocean energy by 2020 with an interim target of 75MW by 2012. To facilitate this development, ocean energy is currently given priority for grid access.
- Preliminary site investigation studies for a wave energy facility off the east coast of Bermuda have been completed by Renewable Energy Holdings Plc ("REH") and Triton Renewable Energy ("Triton"), a local Bermuda company, working jointly under a Memorandum of Understanding. The parties were advised in February 2009 that a Statement of Intent ("SOI") they submitted for a demonstration site of 2MW to be developed and a subsequent grid connected 20MW installation had been accepted by the main utility on Bermuda, allowing the development of a 2MW CETO demonstration project in 2010.

Upon completion of the CETO Intellectual Property Acquisition (expected in September 2009), Carnegie will perform an assessment of its global CETO project sites pipeline with the intent to initially progress only the most prospective of those sites to ensure that these developments are well resourced and focussed efforts.

3. Emerging Clean Technologies

Whilst Carnegie's efforts and resources are focused on commercialising the CETO Wave Energy Technology, Carnegie owns a number of earlier stage, emerging clean technologies. As advised in the March quarterly update, the Board continues to adopt a strategy of spending only the minimum required to fast track these technologies through to concept validation in order to preserve funds for the CETO technology and project development.

With the assistance of a Climate Ready grant Carnegie has commenced concept validation work on its advanced tubeless heat recovery system for flue gases. During the quarter Carnegie received an initial Climate Ready payment of \$84,634. The technology continues to show promise and, if successful, will be readily employable for energy recovery in coal fired power stations as well as other fossil fuel power generation and general gas heat transfer applications, saving costs, improving system efficiency and reducing greenhouse gas emissions.

4. Corporate Activities

In May, Carnegie announced that it had signed a binding Heads of Agreement (HoA) with Renewable Energy Holdings Plc (“REH”), subject to Carnegie shareholder approval, to acquire 100% of the intellectual property and global development rights for the CETO Technology. The transaction that will deliver significant value to Carnegie shareholders in opening up Northern Hemisphere opportunities for Carnegie in the United States, Europe and across Asia. Furthermore, it simplifies the CETO ownership structure and allows Carnegie for the first time to have 100% ownership of CETO.

Subsequent to the CETO Technology acquisition announcement, Carnegie advised that, in line with the acquisition, Jeff Harding would join the Board of Carnegie. Jeff has extensive experience in the renewable energy sector including being the current Chairman of AIM-listed Ceramic Fuel Cells and former Managing Director of Pacific Hydro.

More recently, in July, Carnegie announced the satisfactory completion of joint due diligence investigations by both Renewable Energy Holdings and Carnegie.

The CETO IP acquisition is on track for completion in September 2009 and the release of the Independent Expert’s Report and Notice of General Meeting is anticipated shortly.

Additionally, during the quarter, Carnegie advised that it completed a \$5.75 million share placement arranged by Joint Lead Managers Blackswan Equities Pty Ltd and Patersons Securities Limited. The capital raising allowed the funding requirement condition precedent in relation to the CETO technology acquisition to be achieved.

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 pressurise water that is delivered ashore via a pipeline. The high-pressure water is used to drive hydro turbines, generating baseload, zero-emission electricity. The high-pressure water 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, minimising transmission issues.

About Carnegie Corporation Ltd & CETO

Carnegie Corporation Ltd is an Australian, ASX-listed (CNM) wave energy and clean technology developer. Upon completion of its recently announced transaction outlined in the Heads of Agreement with Renewable Energy Holdings, the CETO Technology intellectual property and global development rights will be 100% owned by Carnegie. Pursuant to the Transaction, Carnegie will also operate a Joint Venture License Agreement with EDF EN to own and operate CETO Wave Power Projects in the Northern Hemisphere and La Réunion.

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 LIMITED

ABN

69 009 237 736

Quarter ended ("current quarter")

30 June 2009

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	(857)	(2,037)
(b) advertising and marketing	(12)	(55)
(c) research and development	(204)	(5,219)
(d) leased assets	-	-
(e) other working capital	(382)	(1,406)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	166
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material) – Green Heat Exchanger Government Grant	85	85
Net operating cash flows	(1,357)	(8,466)

+ 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)	(1,357)	(8,466)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(4)	(144)
(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	8	64
(e) other non-current assets	-	1,484
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
	4	1,404
Net investing cash flows		
1.14 Total operating and investing cash flows	(1,353)	(7,062)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares (net of costs)	5,522	6,806
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
	5,522	6,806
Net financing cash flows		
Net increase (decrease) in cash held	4,169	(256)
1.21 Cash at beginning of quarter/year to date	1,630	6,055
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	5,799	5,799

+ 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	351
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
Payments to Directors are consulting fees, salary and superannuation.		

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

As per the ASX announcement released by Carnegie Corporation Limited on 22 January 2009, Renewable Energy Holdings plc had agreed to undertake all CETO technology development expenditure from 1 February 2009. Of the reported net \$1,357,000 outlaid in operating activities during the quarter (see above), an amount of \$852,810.24 is reimbursable by Renewable Energy Holdings plc and remains outstanding at 30 June 2009. This is reimbursement for R&D expenditure and associated costs as per ASX announcement on the 11 May 2009, REH are obligated to continue to reimburse Carnegie's CETO R&D spend through until the completion of the CETO acquisition.

Carnegie Corporation Limited issued 1,000,000 options to Investec Bank (Australia) Limited, following the execution of the Heads of Agreement dated 14 April 2009.

An additional 822,727 shares were issued to contractors and consultants in lieu of cash at a deemed issue price of \$0.22 per share (total value \$181,000) on 9 June 2009.

- 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	-	-

+ See chapter 19 for defined terms.

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

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	599	395
4.2 Deposits at call	4,850	775
4.3 Bank overdraft	-	-
4.4 Other (provide details) – <i>Guarantee facilities</i>	350	460
Total: cash at end of quarter (item 1.23)	5,799	1,630

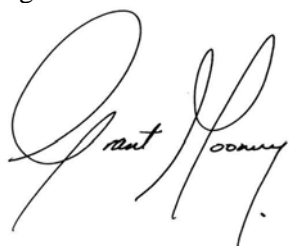
Acquisitions and disposals of business entities

	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: 31 July 2009

+ See chapter 19 for defined terms.

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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