



Carnegie

CARNEGIE CORPORATION LIMITED

APPENDIX 4E

&

**AUDITED FINANCIAL REPORT
YEAR ENDED 30 JUNE 2009**

(previous corresponding period being the year ended 30 June 2008)

Please find attached Appendix 4E and the audited financial accounts as required pursuant to ASX Listing Rules.

Please note that this report has been prepared based upon audited financial information for the year ended 30 June 2009.

APPENDIX 4E

Audited Preliminary Final Report to the Australian Securities Exchange

Name of Entity	Carnegie Corporation Limited
ABN	69 009 237 736
Financial Year Ended	30 June 2009
Previous Corresponding Reporting Period	30 June 2008

Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from Ordinary activities	416,782	8.05%
Profit / (loss) from ordinary activities after tax attributable to members	(9,203,483)	(51.37)%
Net profit / (loss) for the period attributable to members	(9,203,483)	(51.37)%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	nil	n/a
Interim Dividend	nil	n/a
Record date for determining entitlements to the dividends (if any)	n/a	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:		
<p>The directors do not intend to declare a dividend as no profit was made during the year ended 30th June 2009. No dividends were paid during the financial year.</p>		

Dividends

Date the dividend is payable	n/a
Record date to determine entitlement to the dividend	n/a
Amount per security	n/a
Total Dividend	Nil
Amount per security of foreign sourced dividend or distribution	n/a
Details of any dividend reinvestment plans in operation	None
The last date for receipt of an election notice for participation in any dividend reinvestment plans	n/a

Net Tangible Asset Backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security (cents per share)	1.13 cents	1.57 cents

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

The NTA backing has changed largely due to the;

1. The sale of the parent entity's interest in Renewable Energy Holdings Plc raising approximately \$1.5million which was used to fund the CETO project and working capital.
2. The continued spend on the development of the economic entity's R&D projects in particular focusing on the development of the CETO project.

Commentary on the Results for the Period

The earnings per security and the nature of any dilution aspects:

The Economic Entity continued to focus on the development and commercialisation of the CETO Wave Energy technology. During the year, the Company completed the development and operation of a Pilot Plant at its Fremantle Wave Energy facility utilising the CETO 2 generation of technology. Most significantly, during the year the Company signed a binding Heads of Agreement with Renewable Energy Holdings Plc ("REH") to purchase 100% of the CETO intellectual property and global development rights ("the Transaction"). The Transaction is subject to Carnegie shareholder approval at the General Meeting of Shareholders to be held on September 4, 2009.

The loss for the 12 months to 30 June 2009 has reduced to \$9,203,483 from the prior period loss of \$18,928,364. This is primarily due to the fall in the R&D expenditure during the year. The majority of R&D expenses were incurred in the first half of this year. As a result of an agreement entered into between the Company and REH during the reporting period, REH agreed to provide funding for CETO development in accordance with an agreed budget, from 1 February 2009 until completion of the Transaction. Upon completion, Carnegie will assume funding responsibility for the remaining CETO Technology development.

Another contributing factor in the loss for 30 June 2009 is the sale of Non-current assets. In particular the loss on sale of the parent entity's interest in REH. This, along with the Economic Entity's continued application of cash reserves for funding of development of the CETO technology is the reason for the decrease in Net Assets.

The Company maintains a strong financial position at 30 June 2009 following completion of equity capital raisings during the year totalling approximately \$7 million dollars. Considering the economic situation over the same period, the Company sees this as a positive achievement.

Returns to shareholders including distributions and buy backs:
n/a
Significant features of operating performance:
n/a
The results of segments that are significant to an understanding of the business as a whole:
n/a
Discussion of trends in performance:
n/a
Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:
n/a

Entities sold during the last financial year

Name of Entity	Date Control Lost	Details
n/a	n/a	n/a

Investments in Associates and Joint Ventures

Name	% Holding	Contribution to Profits / (Loss)	
		2009	2008
Beacon Hill Resources Plc*	10.70	-	(1,946,676)
New Millenium Engineering Pty Ltd	100	-	(212)
Carnegie Recreational Watercraft Pty Ltd	100	-	-
CMA Nominees Pty Ltd	100	(212)	-

* Beacon Hill Resources (BHR) Plc was renamed during the year. It was previously known as Carnegie Minerals Plc. BHR Plc is listed on the AIM market in London and the accounting standards used are based on International Financial Reporting Standards ("IFRS").

All other associates report according to AIFRS.

Audit/Review Status

This report is based on accounts to which one of the following applies: (Mark with "YES" or "NO")			
The accounts have been audited	YES	The accounts have been subject to review	NO
The accounts are in the process of being audited or subject to review	NO	The accounts have not yet been audited or reviewed	NO
This report is based on audited financial accounts for the year ended June 2009. There are no disputes or qualification to the financial accounts that the Board is aware of.			
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:			
N/A			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:			
N/A			

Attachments forming part of Appendix 4E

Attachment #	Details
1	Audited Accounts for Carnegie Corporation for the year ended 30 th June 2009



Print name: GRANT J. MOONEY
Company Secretary

Date: 28 August 2009

CARNEGIE CORPORATION LIMITED
ABN 69 009 237 736
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED
30 June 2009

CONTENTS

Page No.

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION.....	14
INCOME STATEMENT	15
BALANCE SHEET.....	16
STATEMENT OF CHANGES IN EQUITY	17
CASH FLOW STATEMENT.....	18
NOTES TO THE FINANCIAL STATEMENTS.....	19
DIRECTORS' DECLARATION	48
INDEPENDENT AUDIT REPORT	49

DIRECTORS' REPORT

30 JUNE 2009

The Directors present their report on Carnegie Corporation Limited ("the Company", "Parent Entity" or "Carnegie") and its controlled entities, ("the Economic Entity") for the financial year ended 30 June 2009.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the financial year are:

Alan Robert Burns (*Chairman*).

Mr Burns has been actively involved in the technology development and commercialisation as well as the natural resources industry in Australia and internationally for over thirty years. In this period Mr Burns, either as a Chairman or Managing Director of a public or private companies, has participated in the successful development and commercialisation of several technologies, the exploration and development of onshore and offshore oil and gas fields, and gold and diamond mines in Australia. Mr Burns has also won a number of international awards for commercial engineering inventions. Mr Burns is the inventor of the CETO Wave Technology and the Cleaner Coal Power technology.

Mr Burns has been a Board member and Chairman of Carnegie Corporation Ltd since 28 April 1993. He is currently a Director of AIM-listed Renewable Energy Holdings Plc (since 11 February 2005) and was formerly Chairman of Hardman Resources Limited (from 16 December 1986 to 3 July 2006).

Dr Michael Edward Ottaviano *B.Eng, MSc, DBA, MAICD, M.I.EngAus* (*Chief Executive Officer and Managing Director*)

Dr Ottaviano has been employed by Carnegie Corporation Ltd since 9 January 2006 initially as the General Manager of Technology and Innovation, then as CEO before being made Managing Director in March 2007. Dr Ottaviano oversees all activities that the Company undertakes including all commercial and technical aspects of the Company's operations, engineering and design, intellectual property and finance and administration. During this time the Company has developed its CETO Wave Energy technology from Proof of Concept, through a Pilot Plant phase and into the initial Commercial Demonstration stages.

Dr Ottaviano has previously worked in research and development and was a divisional manager for a private Australian engineering company. Prior to joining Carnegie Corporation Ltd, he was a Senior Manager specialising in Technology and Innovation consulting at a global accounting and advisory firm. He has advised companies on new product development, intellectual property, innovation portfolio management and technology commercialisation across various industries and ranging from start-ups to ASX-listed companies with market capitalisations in excess of \$1 billion. He completed his Doctorate in Business Administration in the field of Corporate Entrepreneurship and Innovation.

Dr Ottaviano has a Bachelor of Engineering, a Masters of Science and a Doctorate in Business Administration. Dr Ottaviano is a Board Member of the peak industry group the Clean Energy Council and is also a member of the Australian Government's Energy White Paper advisory committee.

Grant Jonathan Mooney *B.Bus, CA* (*Non-Executive Director & Company Secretary*)

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies. Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance. Currently, Mr Mooney serves as a director and company secretary to several ASX listed companies across a variety of industries including technology and resources. He is a director of Phosphate Australia Limited, appointed 14 October 2008, Barra Resources Limited, appointed 29 November 2002, and was a director of ASX listed Ampella Mining Limited, from 1 July 2008 to 25 November 2008. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

Mr Mooney was appointed as a Director on the 19th February 2008. Mr Mooney also holds the position of Company Secretary.

Ian Charles Fisher (Non-Executive Director)

As the former Chairman of Business Affairs for the Jacques Cousteau Society of Australia, Mr Fisher has had an active interest in the ocean and the preservation thereof. The Society's main aim is to educate people about the ocean and its contribution to life. Mr Fisher is also a past Chairman of The West Australians Premiers Regional Investment Group. He has also been successfully involved in retail industry for some 27 years. Mr Fisher has been a Board member of Carnegie Corporation Ltd since 17 January 2003. Prior to 2003, he was a director and shareholder of a group of cattle stations in the Kimberley and was a founding shareholder and Director of Atlas Pacific Ltd - a pearl farming company listed on the ASX. He is the past Chairman of African Consolidated Resources – an exploration company listed on the London Stock Exchange since 2004.

Bruce William McLeod B.Sc, M.Com (Non-Executive Director)

Mr McLeod has had extensive experience in the Australian capital markets. He has been involved in raising debt and equity capital for a number of property and resource projects, as well as the takeover and rationalisation of listed and unlisted companies. Prior to this he was Executive Director for an International Bank in Australia, responsible for the financial and capital markets operations. In the early 1980's he spent several years in the stock broking industry in New Zealand before moving to Australia. Mr McLeod has been a Board member of Carnegie Corporation Ltd with 13 years service since 1 November 1996. Mr McLeod is also Chairman of Imperial Corporation Limited (since 21 May 1996) and a director of Fall River Resources Limited (since 6 February 2008).

Mr McLeod was a former Director of Hudson Timber Products Ltd (from 2 March 1998 to 3 November 2005) and Bemax Resources Limited (from October 2000 to 9 July 2008).

Michael Proffitt FCA

Mr Proffitt is a Non-Executive Director of Carnegie and the Chief Executive Officer of AIM-listed Renewable Energy Holdings Plc ("REH"), responsible for the day-to-day operation and development of REH. Apart from founding and developing REH's wind farm and biogas operations, Mr Proffitt has significant power industry experience from his previous role as CEO of the Manx Electricity Authority. A qualified Chartered Accountant since 1975, Mr Proffitt joined the Wyndham Hotel Company as CFO in 1982 where he guided the expansion of the group from five to 14 hotels. Moving out on his own, in 1987 he became part owner and President of The Savoy Hotel Company. Mr Proffitt's experience managing corporate growth saw him invited onto the board of the Manx Electricity Authority in 1997 before being appointed CEO in July 2000.

He is a Non Executive Director of BPC Limited and he is also a former Chairman of Barclays Private Clients International Limited, a wholly owned subsidiary of the Barclays Group. Mr Proffitt was appointed to the board on 12 December 2008.

Jeffrey Harding B.Eng, B.Com, MBA, FAICD

Mr Harding has extensive experience in the renewable energy sector. From 1995 to 2005 Mr Harding was Managing Director of Pacific Hydro Limited, Australia's largest renewable energy developer with wind and hydro energy projects in Australia, Asia and Chile. During his tenure, Mr Harding oversaw the international expansion of the business with growth in market capitalization from AUD\$5 million to over AUD\$750 million and an increase in profit after tax each year from 1996 to 2005, when Pacific Hydro was sold to IFM Renewable Energy. Mr Harding has Degrees in Civil Engineering, Economics, and a Masters Degree in Business Administration and is a Fellow of the Australian Institute of Company Directors. He resides in both Europe and Australia.

Mr Harding is also Chairman of Ceramic Fuel Cells Ltd (AIM:CFU), director of the AIM listed Renewable Energy Holdings Plc, was formerly General Manager of Brambles Industrial Services and Vice President of the Australian Business Council for Sustainable Development. Jeff regularly presents on issues associated with climate change and renewable energy. Mr Harding was appointed to the board on 19 May 2009.

At the date of this report, the direct and indirect interest of the Directors in the shares and options of the Company were:

	Ordinary Shares	Options
Alan Robert Burns	-	30,000,000
Bruce William McLeod *	290,000	-
Ian Charles Fisher **	1,550,000	-
Dr Michael Edward Ottaviano ***	4,490,000	30,000,000
Grant Jonathan Mooney ****	1,694,901	-
Michael Proffitt*****	4,381,000	-
Jeffrey Harding*****	100,000	-

* Mr B McLeod is a Director of Eastern & Pacific Capital Pty Ltd and therefore is deemed to have an interest in 250,000 ordinary shares held by Eastern & Pacific Capital Pty Ltd.

** Mr I Fisher is a Director of Notezy Pty Ltd and therefore is deemed to have an interest in 1,550,000 ordinary shares held by Notezy Pty Ltd.

*** Dr M E Ottaviano is deemed to have an interest in 390,000 ordinary shares held by his spouse, Amanda Ottaviano. Dr Ottaviano also has an interest in 4,100,000 ordinary shares as trustee for "Wanderlust Trust Account".

**** Mr G J Mooney is a Director of Mooney & Partners Pty Ltd and therefore is deemed to have an interest in 1,694,901 ordinary shares held by Mooney & Partners Pty Ltd.

***** Mr M Proffitt is a Director of Renewable Energy Holdings Plc ("REH") and therefore is deemed to have an interest in 4,381,000 ordinary shares held by REH.

***** Mr J Harding is deemed to have an interest in 100,000 ordinary shares as trustee for the "The Harding Super Fund Account".

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Grant Jonathan Mooney

PRINCIPAL ACTIVITIES

The principal activities of the company are in the development and commercialisation of clean energy technologies, with a focus on the CETO project.

OPERATING RESULTS

The consolidated loss of the Economic Entity for the financial year ended 30 June 2009 after providing for income tax amounted to \$(9,203,483) (2008: consolidated loss \$18,928,364).

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2009. No dividends were paid during the financial year.

REVIEW OF OPERATIONS

The Economic Entity continued to increase its focus on the development and commercialisation of the CETO Wave Energy technology. During the year, the Company completed the development and operation of a Pilot Plant at its Fremantle Wave Energy facility utilising the CETO 2 generation of technology. Most significantly, during the year the Company signed a binding Heads of Agreement (“HoA”) with Renewable Energy Holdings Plc (“REH”) to purchase 100% of the CETO intellectual property and global development rights. This Transaction is subject to Carnegie shareholder approval at the General Meeting of Shareholders to be held on September 4, 2009.

Carnegie is currently the Southern Hemisphere licensee and technology developer with the CETO intellectual property owned by REH. Upon the completion of the Transaction, Carnegie will be the 100% global owner of CETO intellectual property, global development rights holder and the technology developer. The Transaction delivers Carnegie the significantly larger Northern Hemisphere markets including USA, UK, Europe and Asia. The Transaction secures Carnegie a direct relationship with EDF EN for co-development of Northern Hemisphere projects.

As part of the Transaction, Carnegie, REH and Renewable Energy Holdings (Australia) Pty Ltd agree to terminate the Technology Licence Agreement (Southern Hemisphere), and REH agrees to release and discharge Carnegie’s commitment to provide funding pursuant to the Technology Licence Agreement.

Pursuant to the HoA, REH agrees to provide funding of the operating budget on terms similar to the current funding arrangements between REH and Carnegie until completion of the Transaction. Upon completion, Carnegie will take over the funding responsibility for the remaining CETO Technology development. Also upon completion of the Transaction, REH agrees to release Carnegie from its commitment to provide funding under the Technology Licence Agreement including the existing £1 million payment that is part of that agreement. REH will become Carnegie’s largest shareholder with Carnegie Board representation.

In addition to the above, during the financial year and to the date of this report, the Economic Entity:

- Completed the design, manufacture and operation of a Pilot Plant at its Fremantle Wave Energy facility utilising the CETO 2 generation of technology.
- Received notification that it was the successful recipient of a \$12.5 million Western Australian Government Grant to be used for the construction of a 5MW wave power project in WA.
- Signed a Memorandum of Understanding with Australian Department of Defence to jointly investigate and, if feasible, develop a wave energy facility on Garden Island in Western Australia.
- Signed a Memorandum of Understanding with WA’s largest energy retailer Synergy for the sale of power off take from a 5MW wave power project in WA.
- Signed a Heads of Agreement with Investec Bank for the provision of up to \$250 million in capital for a wave power project, subject to certain conditions and milestones being met.
- Applied for and is shortlisted for funding under the Federal Government’s \$300 million Renewable Energy Demonstration Program.
- Raised a total of \$6.93 million in capital through the issue of new shares in two capital raisings in December 2008 (at 12.5 cents per share) and May 2009 (at 22 cents per share).
- Received notification that it was the successful recipient of a \$156,567 Australian Federal Government Climate Change Ready Grant to be used for progress Carnegie’s Green Heat Exchange technology through to proof of concept.

FINANCIAL POSITION

The net assets of the Economic Entity have decreased by \$1,556,900 from 30 June 2008 to \$5,568,375 in 2009. This decrease has largely resulted from the following factors:

- The sale of the Economic Entity's interest in Renewable Energy Holdings Plc raising approximately \$1.5 million which was used to fund the CETO project and working capital.
- Continued expenditure on the development of the Economic Entity's R&D projects in particular focusing on the development of the CETO project.

Significant events subsequent to year end display the continued focus on the company's research & development activities. As a result, the Directors believe the Group is now in a stronger financial position to expand and grow its current operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- i On 29 September 2008, the Economic Entity announced the sale of its 2.86% interest in Renewable Energy Holdings Plc ("REH"). The funds were applied towards the development of the CETO Wave Energy project and working capital purposes.
- ii On 4 December 2008, the parent entity announced the issue of 9.4 million shares at an issue price of 12.5 cents per share raising gross proceeds of \$1.18 million. The Company issued 4.76 million shares via a Share Purchase Plan and 4.64 million shares to REH by way of private placement.
- iii On 12 December 2009, the parent entity announced the appointment of Mike Proffitt to the Company's Board of Directors as a Non-Executive Director. Mr Proffitt is the Chief Executive Officer of REH.
- iv On 19 January 2009, the Economic Entity announced that it has signed Memorandum of Understanding ("MoU") with the Australian Government's Department of Defence ("DOD"). The MoU allows Carnegie and DOD to investigate the feasibility of a wave energy facility at Garden Island, Western Australia.
- v On 22 January 2009, the Economic Entity announced that it has now substantially met its financial obligations under the CETO Technology Development License Agreement. As such, and as per the Agreement, the ongoing funding of the CETO technology development from 1 February 2009 would be covered by REH. This will end at the earliest of either, the purchase of CETO IP from REH or completion of the commercial scale unit demonstration.
- vi On 30 January 2009, the Economic Entity announced the formal signing of a MoU with the Electricity Retail Corporation (Synergy), Western Australia's largest energy retailer. The MoU sets out the initial obligations on Carnegie and Synergy in relation to the purchase of electricity from the first stage of a wave energy project in the south west of Western Australia.
- vii On 11 February 2009, the Economic Entity announced the signing of a License Agreement with the Government of South Australia to investigate a suitable site for the development of a wave energy power project. The License Area covers approximately 17,000 hectares of seabed adjacent to Port MacDonnell near Mt Gambier in the State's South-East.
- viii On 20 February 2009, the Economic Entity announced that the Western Australian State Government had announced that Carnegie will receive \$12.5 million from the State's Low Emissions Energy Development (LEED) fund.
- ix On 20 March 2009, the Economic Entity announced that it had received approval from the Victorian Government to use and develop coastal Crown land for three wave energy projects, to undertake a marine surveys and to trial the CETO wave energy technology at Portland, Warrnambool and Phillip Island.
- x On 8 April 2009, the Economic Entity announced that it has been awarded a \$156,567 Climate Ready grant for its green heat exchange technology. The Australian Federal Government grant is provided on a \$1 for \$1 matched funding basis and will allow Carnegie to test the feasibility of the system approximately over the next 12 months.
- xi On 14 April 2009, the Economic Entity announced that Investec Bank (Australia) Limited ("Investec"), the Australian subsidiary of the international specialist banking group, entered into a Heads of Agreement ("HoA"), which sets out their mutual intention to work together to develop Carnegie's Commercial Demonstration Wave Power Project. Subject to conditions being met, Investec intends to provide or procure funds of up to \$250 million for the Project.

- xii On 11 May 2009 Carnegie announced it had entered into a binding HoA with REH to purchase the CETO Technology intellectual property rights, REH's potential CETO project site pipeline and assume REH's rights and obligations under its joint venture license agreement with EDF EN. As consideration for the acquisition, Carnegie will issue 235 million fully paid shares to REH, making REH Carnegie's largest shareholder with approximately 33% ownership. Please see the Review of Operations for more detail.
- xiii On 19 May 2009, the Economic Entity announced the appointment of Mr Jeff Harding to its Board of Directors as a Non-Executive Director. Mr Harding joins as part of Carnegie's acquisition of 100% of the CETO Wave Energy intellectual property from REH. Mr Harding is a REH nominee on Carnegie's Board.
- xiv On 3 June 2009, the parent entity announced that it had issued 26,136,365 shares in the capital of the Company at an issue price of 22 cents per share by Private Placement to raise a total of \$5.75 million for the purposes of funding the CETO wave energy project and for working capital.

SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

The following events occurred subsequent to the end of the financial year:

- On 14 July 2009, the Economic Entity announced that key conditions to the acquisition of the CETO wave energy technology and global development rights have been satisfied. Specifically, satisfactory completion of joint due diligence investigations and the appointment of an additional Renewable Energy Holdings Plc ("REH") nominee director to the Board of Directors of Carnegie.

The remaining conditions precedents to the Transaction are anticipated to be completed well in advance of the shareholders meeting. Please see the Review of Operations for more detail.

- On 23 July 2009, the Economic Entity announced that REH disposed of 259,000 shares in Carnegie, for cash consideration of AUD\$56,332. The proceeds were used to fund working capital for REH.
- On 30 July 2009, the Economic Entity provided a Northern Hemisphere update stating that AUD\$7 million in French and Canadian Government Grants has been awarded for its Northern Hemisphere wave project sites that it will acquire through the purchase of the CETO intellectual property rights from REH.
- On 4 August 2009, the Economic Entity released the Independent Expert's report pertaining to the purchase of the CETO IP from REH. The Independent Expert, KPMG, concluded that Carnegie's proposed acquisition of 100% of the intellectual property and global development rights for the CETO Technology is fair and reasonable to the non-associated shareholders of the Carnegie. The Independent Expert's conclusion removes one further condition precedent to the acquisition of the CETO Technology following from Carnegie's recent announcement of the satisfaction of the due diligence and appointment of an REH Director. Please see the Review of Operations section for more detail.
- On 4 August 2009, the Economic Entity announced that to assist with clear communication of Carnegie's strategic intent to be a developer and owner of wave energy projects globally, the Board has proposed to shareholders a change in name of Carnegie Corporation Limited to Carnegie Wave Energy Limited. It is expected that this will coincide with a change in ASX code from CNM to CWE. This will be decided at the General Meeting of shareholders to be held on 4 September 2009.

With the exception of the above, no other matters or circumstances not otherwise dealt with in this report or the consolidated financial statements, have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in subsequent financial years.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

During the year, the Company entered into the most significant transaction in its corporate history following the signing of a binding Heads of Agreement with Renewable Energy Holdings Plc to purchase 100% of the CETO intellectual property and global development rights.

Upon Completion, expected in September 2009, this Transaction delivers to Carnegie 100% ownership of CETO for the first time. Importantly, this opens up the lucrative Northern Hemisphere wave energy market where 90% of global power demand occurs whilst also removing licensee risk from Carnegie's previous business model. It also delivers Carnegie a portfolio of Northern Hemisphere potential wave project sites and EDF EN as a Northern Hemisphere licensee of the technology and a joint venture project partner.

This Transaction is subject to Carnegie shareholder approval at the General Meeting of Shareholders to be held on September 4, 2009.

The focus in the immediate future is on the completion of the CETO technology development via the deployment and testing of a full scale CETO 3 unit at the back of Garden Island in Western Australia. Beyond this Carnegie will then begin deployment of commercial CETO Wave Energy projects including utilising the WA Government's \$12.5 million grant for a 5MW wave project in Western Australian waters.

Carnegie's business model will benefit from equity positions in its own wave projects in the Northern and Southern Hemisphere but also to generate income through licensing the CETO technology. It will also be able to leverage its unique know-how in CETO by deploying its services on CETO wave projects globally.

ENVIRONMENTAL ISSUES

The Economic Entity is required to carry out its activities in accordance with the laws and regulations in the areas in which it undertakes its activities.

SHARE OPTIONS

At the date of this report, there were 60,000,000 options outstanding in respect of unissued ordinary shares to directors and a further 7,500,000 options held by employees and third parties.

Michael Ottaviano exercised 4,100,000 options during the year. These options were exercised at an average price of \$0.036 per share.

INDEMNIFYING OFFICER OR AUDITOR

During or since the year end the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- the Company has paid premiums to insure the Directors against certain risks they are exposed to as Directors of The Company; and
- the Company has agreed to grant Directors a right of access to certain Company Records.

The Company has paid premiums to insure each director against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was approximately \$23,000.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Carnegie Corporation Limited and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Carnegie Corporation Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Economic Entity's financial results. The Board of Carnegie Corporation Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Economic Entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Economic Entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee after seeking professional advice from independent external consultants. All executives receive a base annual salary (which is based on factors such as length of service and experience). The Managing Director, Michael Ottaviano, received a performance based incentive bonus in addition to his annual salary. The Remuneration Committee reviews executive packages annually by reference to the Economic Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the past year's growth of the Economic Entity's net tangible assets and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The executive directors determine payments to the non-executive directors and review their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Economic Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance Based Remuneration

As part of the Managing Director's remuneration package there was a performance-based component, consisting of key performance indicators (KPIs). The intention of this program was to facilitate goal congruence between directors/executives with that of the business and shareholders.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on performance of the Economic Entity over the past year. Following the assessment, the KPIs were reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency was assessed in relation to the group's goals and shareholder wealth, before the KPIs were set for the following year.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The Company is in the process of finalising the purchase of the CETO IP. As at the date of the report key conditions have been satisfied. An outstanding condition is the receipt of shareholder approval for the Transaction to be decided at a General Meeting on 4 September 2009. Over the last 12 months the company has continued its spend on the CETO project and has been aided with Renewable Energy Holdings Plc taking over the funding from February 2009. The latter being a reason that has led to a reduction in the loss from the previous year. The financial year ended 30 June 2009 results have been impacted by the above and also the issue of share options to executives and senior management. The Company's share price has remained constant over what has been a difficult year. The company has maintained its ability to raise capital to continue the CETO development.

	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$
Revenue	3,703,052	1,745,596	1,676,077	385,710	416,782
Net profit/(loss) after tax	1,537,453	(1,194,282)	(2,943,321)	(18,928,364)	(9,203,483)
Share price at year-end	0.032	0.032	0.185	0.215	0.215

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

The remuneration for each director and specified executive of the consolidated entity paid during the year was as follows:

Details of Remuneration for Year Ended 30 June 2009

	Salary, Fees & Commissions	Super-annuation Contribution	Cash Bonus	Non-cash Benefits	Cash Expenditure Reimbursement	Options	Total	Performance Related
	\$	\$	\$	\$	\$	\$	\$	
Directors								
Alan Burns – Technical & Administrative Services Pty Ltd	204,547	6,750	-	-	97,800	-	309,097	-
Bruce McLeod – Eastern & Pacific Capital Pty Ltd	69,000	6,390	-	-	-	-	75,390	-
Grant Mooney	222,517	7,110	-	-	3,131	-	232,758	-
Ian Fisher – Notezy Pty Ltd	75,000	7,650	-	-	-	-	82,650	-
Michael Proffitt – REH Plc (appointed 12 December 2008)	35,616	-	-	-	-	-	35,616	-
Jeffrey Harding (appointed 19 May 2009)	17,479	673	-	-	-	-	18,152	-
Michael Ottaviano	396,910	35,722	80,000*	7,294	-	-	519,926	15%
	<u>1,021,069</u>	<u>64,295</u>	<u>80,000</u>	<u>7,294</u>	<u>100,931</u>	<u>-</u>	<u>1,273,589</u>	

* Amount was unpaid as at the 30 June 2009. This was paid in July 2009.

Details of Remuneration for Year Ended 30 June 2008

	Salary, Fees & Commissions	Super-annuation Contribution	Cash Bonus	Non-cash Benefits	Cash Expenditure Reimbursement	Options	Total	Performance Related
	\$	\$	\$	\$	\$	\$	\$	
Directors								
Alan Burns – Technical & Administrative Services Pty Ltd	199,992	6,750	-	-	227,677	2,257,000	2,691,419	-
Alan Hopkins – Ridgescan Pty Ltd (resigned 19 February 2008)	45,275	3,715	-	-	-	-	48,990	-
Bruce McLeod – Eastern & Pacific Capital Pty Ltd	67,000	5,850	-	-	-	-	72,850	-
Grant Mooney (appointed 19 February 2008)	136,388	2,135	-	-	-	-	138,523	-
Ian Fisher – Notezy Pty Ltd	75,000	5,850	-	-	-	-	80,850	-
Michael Ottaviano	397,231	35,751	320,000**	3,277	-	2,273,960	3,030,219	11%
	<u>920,886</u>	<u>60,051</u>	<u>320,000</u>	<u>3,277</u>	<u>227,677</u>	<u>4,530,960</u>	<u>6,062,851</u>	

** Amount was unpaid as at the date of the last report. This was paid in the 2008/2009 year.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

Performance Income as a Proportion of Total Remuneration

The Managing Director, Michael Ottaviano, was the only director and executive to receive a performance based incentive bonus based upon his annual performance set against key performance indicators.

The Remuneration Committee has previously set up these performance based incentive schemes to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Economic Entity. The Remuneration Committee reviewed the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjusted future years' incentives as they saw fit, to ensure use of the most cost effective and efficient methods.

The Managing Director, Michael Ottaviano, earned a bonus, totalling \$80,000 (payable during the 2009/2010 financial year) based upon his performance as assessed by the Remuneration Committee against KPIs. This amount has been paid at the date of this report.

A bonus is determined by the Board following recommendation by the Remuneration Committee on an annual basis according to the performance of the Managing Director against these predetermined KPIs.

For the 2008/2009 financial year, the bonus was determined on the following basis:

- 50% in relation to share price growth over the course of period of determination of the bonus; and;
- 50% in relation to achievement of key milestones periodically determined by the Board of Directors in conjunction with the Remuneration Committee.

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no new options that were issued to executives during the year. Michael Ottaviano exercised 4,100,000 that were issued in prior years. The options were not issued based on performance criteria, but are issued to increase goal congruence between executives and shareholders.

Employment Contracts Of Directors

The employment conditions of the Non-Executive Directors, the Chairman, Alan Burns and Managing Director, Michael Ottaviano are formalised in Service Contracts. Alan Burns is also contracted under a fixed three-year contract, the agreement is dated 1 July 2007. The Managing Director, Michael Ottaviano, is also contracted under a fixed three-year contract for \$440,000 per annum plus superannuation and a fully serviced company vehicle.

As part of the Managing Director's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives and that of the business and shareholders.

The contract for service between the Company and Technical & Administrative Services Pty Ltd, an entity associated with Alan R Burns, is for a thirty-six months term commencing from 1 July 2007. As the Chairman, he receives a salary of \$75,000 per annum. With regards to Mr Burns' consulting services, he receives a fee of \$125,000 per annum (exclusive of GST), provision of a personal assistant on a salary package not exceeding \$70,000 per annum and an allowance for office costs to the value of \$27,360 per annum. Termination payments are in accordance with Corporation Act 2001.

The employment contracts stipulate three months resignation period. The Company may terminate an employment contract with cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Termination payments are in accordance with Corporation Act 2001.

NON-AUDIT SERVICES

The Board of Directors are satisfied that the external auditors were not engaged for non-audit services during the financial year ended 30 June 2009.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 14.

DIRECTORS' MEETINGS

There were 9 Directors' meetings held during the financial year ended 30 June 2009. Attendances were as follows:


Director	Number Attended			
	Directors		Audit Committee	Remuneration Committee
	No. Meetings attended	No. Meetings held during time in office		
Alan Robert Burns	9	9	NA	NA
Dr Michael E Ottaviano	9	9	NA	NA
Bruce William McLeod	8	9	1	2
Grant Mooney	9	9	2	2
Ian Fisher	9	9	2	2
Michael Proffitt	6	6	NA	NA
Jeffrey Harding	2	3	NA	NA

There were a total of 10 circular resolutions passed by the Board of Directors during the financial year.

Signed on 27 August 2009 in accordance with a resolution of the Board of Directors.



DR MICHAEL EDWARD OTTAVIANO
Managing Director



GRANT JONATHAN MOONEY
Director

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Carnegie Corporation Ltd and its Controlled Entities for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA

Dated this 27th day of August 2009

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	2	416,782	385,710	416,782	385,710
Employee benefits expense		(643,301)	(768,192)	(643,301)	(768,192)
Depreciation and amortisation expense		(176,754)	(78,099)	(176,754)	(78,099)
Occupancy expense		(226,828)	(252,268)	(226,828)	(252,268)
Consultancy expenses		(559,441)	(189,997)	(559,441)	(189,997)
Doubtful debt expense		(212)	-	(212)	-
Research and development expense		(4,378,728)	(8,979,512)	(4,378,728)	(8,979,300)
Directors fees		(1,122,942)	(987,231)	(1,122,942)	(987,231)
Company secretarial expense		(150,647)	(108,663)	(150,647)	(108,663)
Administration expenses		(766,627)	(699,520)	(766,627)	(699,520)
Share based payment expense		(397,814)	(4,659,495)	(397,814)	(4,659,495)
Net (increase)/decrease in cash settled share based payment liability		22,900	(616,650)	22,900	(616,650)
Impairment of Property, Plant and Equipment		(25,228)	-	(25,228)	-
Impairment of Available for sale financial asset		-	(993,430)	-	(2,951,755)
Share of net loss in associate		-	(953,246)	-	-
Loss on disposal of available for sale financial asset		(750,077)	-	(750,077)	-
Other expenses		(155,901)	(302,355)	(155,901)	(302,355)
Loss before income tax	3	(8,914,818)	(19,202,948)	(8,914,818)	(20,207,815)
Income tax benefit/(expense)	4	(288,665)	274,584	(288,665)	274,584
Loss for the year		(9,203,483)	(18,928,364)	(9,203,483)	(19,933,231)
Basic earnings/(loss) per share (cents per share)	7	(1.989)	(4.847)		
Diluted earnings/(loss) per share (cents per share)	7	(1.989)	(4.847)		

CARNEGIE CORPORATION LIMITED
ABN 69 009 237 736
AND CONTROLLED ENTITIES

BALANCE SHEET AS AT 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	5,798,948	6,055,447	5,798,944	6,055,443
Trade and other receivables	9	969,386	191,761	969,386	191,761
TOTAL CURRENT ASSETS		6,768,334	6,247,208	6,768,330	6,247,204
NON-CURRENT ASSETS					
Trade and other receivables	9	-	1,050	-	1,050
Available for sale financial assets	11	15,613	1,988,394	15,617	1,988,398
Property, plant and equipment	13	481,221	906,853	481,221	906,853
Deferred tax assets	16	-	288,665	-	288,665
TOTAL NON-CURRENT ASSETS		496,834	3,184,962	493,838	3,184,966
TOTAL ASSETS		7,265,168	9,432,170	7,265,168	9,432,170
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	14	995,029	1,490,826	995,029	1,490,826
Short-term provisions	17	642,664	161,135	642,664	161,135
TOTAL CURRENT LIABILITIES		1,637,693	1,651,961	1,637,693	1,651,961
NON-CURRENT LIABILITIES					
Long-term provision	17	59,100	654,934	59,100	654,934
Long-term borrowings	15	-	-	7,591,759	7,591,759
TOTAL NON-CURRENT LIABILITIES		59,100	654,934	7,650,859	8,246,693
TOTAL LIABILITIES		1,696,793	2,306,895	9,288,552	9,898,654
NET ASSETS		5,568,375	7,125,275	(2,023,384)	(466,484)
EQUITY					
Issued capital	18	38,857,697	31,817,350	38,857,697	31,817,350
Asset revaluation reserve	19	(2,240)	(263,983)	(2,240)	(263,983)
Option reserve	19	5,040,350	4,695,857	5,040,350	4,695,857
Accumulated losses		(38,327,432)	(29,123,949)	(45,919,191)	(36,715,708)
TOTAL EQUITY		5,568,375	7,125,275	(2,023,384)	(466,484)

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009

Economic Entity	Note	Share Capital		Asset		Total
		Ordinary	Accumulated Losses	Revaluation Reserve	Option Reserve	
Balance at 1.7.2007		15,107,550	(10,195,585)	(69,653)	36,362	4,878,674
Fair value loss on available for sale financial assets		-	-	(194,330)	-	(194,330)
Share based payment expense		-	-	-	4,659,495	4,659,495
Shares issued net of transaction costs		16,709,800	-	-	-	16,709,800
Loss attributable to members of parent entity		-	(18,928,364)	-	-	(18,928,364)
Balance at 30.6.2008		31,817,350	(29,123,949)	(263,983)	4,695,857	7,125,275
Balance at 1.7.2008		31,817,350	(29,123,949)	(263,983)	4,695,857	7,125,275
Fair value gain on available for sale financial assets		-	-	261,743	-	261,743
Share based payment expense		-	-	-	397,815	397,815
Share based payment expense transferred to ordinary share capital		53,322	-	-	(53,322)	-
Share capital		7,279,750	-	-	-	7,279,750
Capital raising costs		(292,725)	-	-	-	(292,725)
Loss attributable to members of parent entity		-	(9,203,483)	-	-	(9,203,483)
Balance at 30.6.2009		38,857,697	(38,327,432)	(2,240)	5,040,350	5,568,375

Parent Entity	Note	Share Capital		Asset		Total
		Ordinary	Accumulated Losses	Revaluation Reserve	Option Reserve	
Balance at 1.7.2007		15,107,550	(16,782,477)	2,139,207	36,362	500,642
Fair value loss on available for sale financial assets		-	-	(2,403,190)	-	(2,403,190)
Share based payment expense		-	-	-	4,659,495	4,659,495
Shares issued net of transaction costs		16,709,800	-	-	-	16,709,800
Loss attributable to members of parent entity		-	(19,933,231)	-	-	(19,933,231)
Balance at 30.6.2008		31,817,350	(36,715,708)	(263,983)	4,695,857	(466,484)
Balance at 1.7.2008		31,817,350	(36,715,708)	(263,983)	4,695,857	(466,484)
Fair value gain on available for sale financial assets		-	-	261,743	-	261,743
Share based payment expense		-	-	-	397,815	397,815
Share based payment expense transferred to ordinary share capital		53,322	-	-	(53,322)	-
Share capital		7,279,750	-	-	-	7,279,750
Capital raising costs		(292,725)	-	-	-	(292,725)
Loss attributable to members of parent entity		-	(9,203,483)	-	-	(9,203,483)
Balance at 30.6.2009		38,857,697	(45,919,191)	(2,240)	5,040,350	(2,023,384)

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2009

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		165,978	377,633	165,978	377,633
Payments to suppliers and employees		(3,815,630)	(1,976,210)	(3,815,418)	(1,976,210)
Payments for research and development		(5,154,342)	(8,979,512)	(5,154,342)	(8,979,300)
Proceeds from reimbursement of expenditures		156,769	8,078	156,769	8,078
Receipts from operations		8,941	-	8,941	-
Net cash (used in) operating activities	22a	(8,638,284)	(10,570,011)	(8,638,072)	(10,569,799)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(139,974)	(904,554)	(139,974)	(904,554)
Proceeds from sale of property, plant and equipment		50,289	-	50,289	-
Proceeds from sale of investments		1,484,447	-	1,484,447	-
Purchase of investments		-	(243,933)	-	(243,933)
Net cash (used in) investing activities		1,394,762	(1,148,487)	1,394,762	(1,148,487)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Issue of Shares		7,279,750	16,709,800	7,279,750	16,709,800
Capital raising costs		(292,725)		(292,725)	
Repayment of borrowings		-	-	-	(212)
Proceeds from loans to other entities		-	350,000	-	350,000
Loan to other entities		-	-	(212)	-
Net cash provided by financing activities		6,987,023	17,059,800	6,986,811	17,059,588
Net increase/(decrease) in cash held		(256,499)	5,341,302	(256,499)	5,341,302
Cash at beginning of financial year		6,055,447	714,145	6,055,443	714,141
Cash at end of financial year	8	5,798,948	6,055,447	5,798,944	6,055,443

The accompanying notes form part of these financial statements.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Carnegie Corporation Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Carnegie Corporation Limited as an individual parent entity ('Parent Entity').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity Carnegie Corporation Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 12 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

b. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Economic Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Economic Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	7.5 – 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. **Financial Instruments**

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. The amount at which the financial asset or financial liability is measured at initial recognition;
- b. Less principal repayments;
- c. Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. Less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

ii. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor determinable payments.

iii. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. **Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. **Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates. Details of the Economic Entity's interest are shown at Note 10.

h. **Intangibles**

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

j. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

(i) Equity settled

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to the Option Reserve. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(ii) Cash settled

The Group also provides benefits to employees in the form of cash-settled share based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the parent entity. The ultimate cost of these cash settled transactions will be equal to the actual cash paid to the employees which will be the fair value at settlement.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- (a) At each reporting date between grant and settlement, the fair value of the benefit is determine
- (b) During the vesting period, the liability recognised at each reporting date is the fair value of the benefit at that date multiplied by the expired portion of the vesting period
- (c) From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date
- (d) All changes in the liability are recognised in profit or loss for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the benefit was granted, and to the extent to which employees have rendered service to date.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. Revenue and Other Income

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

q. Earnings per share

Basic Earnings per share is calculated as net profit attributable to members of the Economic Entity, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares on issue throughout the reporting period.

Diluted earnings per share is calculated as net profit attributable to members of the Economic Entity, adjusted for, the dilutive effects of any outstanding unlisted options over ordinary shares in the parent.

r. Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

s. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

t. **New Accounting Standards for Application in Future Periods**

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2: REVENUE AND OTHER INCOME

	Notes	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue					
Interest received	a	165,978	377,632	165,978	377,632
Other Income					
Reimbursement for research and development activities		158,279	8,078	158,279	8,078
Government grant received		84,634	-	84,634	-
Net gains on foreign currency translation		7,891	-	7,891	-
		<u>416,782</u>	<u>385,710</u>	<u>416,872</u>	<u>385,710</u>
a. Interest revenue from:					
• bank		165,978	377,632	165,978	377,632
Total interest revenue		<u>165,978</u>	<u>377,632</u>	<u>165,978</u>	<u>377,632</u>

NOTE 3: LOSS FOR THE YEAR

	Note	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
a. Expenses					
Impairment of Financial Asset		-	993,430	-	2,951,755
Depreciation of non current assets – property, plant and equipment		176,754	78,099	176,754	78,099
Impairment of property, plant and equipment		25,228	-	25,228	-
Asset write down		57,552	-	57,552	-
Movement in provision for doubtful debts:					
• wholly-owned subsidiaries		212	-	212	-
Net movement in provisions		<u>212</u>	<u>-</u>	<u>212</u>	<u>-</u>
Net loss on disposal of available for sale financial asset		(750,077)	-	(750,077)	-
Net loss on disposal of property, plant and equipment		<u>(44,440)</u>	<u>-</u>	<u>(44,440)</u>	<u>-</u>

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009.

a. Names and positions held in economic and parent entity by key management personnel in office at any time during the financial year are:

Key Management Person	Position
Alan R Burns	Chairman
Michael E Ottaviano	Managing Director
Ian C Fisher	Non-executive Director
Bruce W McLeod	Non-executive Director
Grant J Mooney	Non-executive Director
Michael Proffitt	Non-executive Director (appointed 12 December 2008)
Jeffrey Harding	Non-executive Director (appointed 19 May 2009)

b. Options and Rights Holdings

Movement in equity settled options held by key management personnel is detailed below:

	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2009
Michael E Ottaviano	34,100,000	-	4,100,000	-	30,000,000
Alan R Burns	30,000,000	-	-	-	30,000,000
Total	64,100,000	-	4,100,000	-	60,000,000

*The Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

Details of equity settled options outstanding at balance sheet date are as follows

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Terms & Conditions for Each Grant		
					Exercise Price	First Exercise Date	Last Exercise Date
Key Management Personnel							
Michael E Ottaviano	10,000,000	10,000,000	9 Nov 2007	9.01 cents	20 cents	9 Nov 2007	9 Nov 2010
Michael E Ottaviano	10,000,000	10,000,000	9 Nov 2007	7.36 cents	30 cents	9 Nov 2007	9 Nov 2010
Michael E Ottaviano	10,000,000	10,000,000	9 Nov 2007	6.20 cents	40 cents	9 Nov 2007	9 Nov 2010
Alan R Burns	10,000,000	10,000,000	9 Nov 2007	9.01 cents	20 cents	9 Nov 2007	9 Nov 2010
Alan R Burns	10,000,000	10,000,000	9 Nov 2007	7.36 cents	30 cents	9 Nov 2007	9 Nov 2010
Alan R Burns	10,000,000	10,000,000	9 Nov 2007	6.20 cents	40 cents	9 Nov 2007	9 Nov 2010
	<u>60,000,000</u>	<u>60,000,000</u>					

All options vest within three years of grant date and expire within one to three years of vesting.

The service and performance criteria set to determine compensation are detailed at Note 5(b) and Note 26.

All options were granted for nil consideration.

The options granted on 23 January 2006 were exercised on the 23 January 2009 for a consideration of \$147,600.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

c. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2009
Alan R Burns	-	-	-	-	-
Michael E Ottaviano	350,000	-	4,100,000	40,000	4,490,000
Ian C Fisher	1,550,000	-	-	-	1,550,000
Bruce W McLeod	250,000	-	-	40,000	290,000
Grant J Mooney	1,694,901	-	-	-	1,694,901
Michael Proffitt	-	-	-	4,381,000	4,381,000
Jeffrey Harding	-	-	-	100,000	100,000
Total	3,844,901	-	4,100,000	4,561,000	12,505,901

* Net Change Other refers to shares purchased or sold during the financial year and other change as indicated below.

Amanda Ottaviano, spouse of Michael E Ottaviano, acquired 40,000 shares as part of the Share Purchase Plan in November 2008.

Michael E Ottaviano exercised 4,100,000 options on 23 January 2009 at an average exercise price of \$0.036. Total consideration was \$147,600.

Eastern & Pacific Capital Pty Ltd, with Bruce McLeod as a Director, acquired 40,000 shares as part of the Share Purchase Plan in November 2008.

Michael Proffitt was appointed to the Board of Directors on the 12th December 2008. As a result of Mr Proffitt's directorship in Renewable Energy Holdings Plc, he is deemed to have an interest in 4,381,000 ordinary shares in the name of Renewable Energy Holdings Plc.

Jeffrey Harding was appointed as a Non-executive Director on the 19th May 2009 and this displays his Initial Director's Interest.

NOTE 6: AUDITORS' REMUNERATION

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
• auditing or reviewing the financial report	41,860	41,505	41,860	41,505

NOTE 7: EARNINGS PER SHARE

	Economic Entity	
	2009	2008
Basic earnings per share (cents per share)	(1.989)	(4.847)
Diluted earnings per share (cents per share)	(1.989)	(4.847)
(a) Reconciliation of earning to Net Profit/(Loss)		
Net Profit/(Loss)		
Earnings used in the calculation of basic EPS	(9,203,483)	(18,928,364)
Earnings used in the calculation of diluted EPS	(9,203,483)	(18,928,364)
(b) Weighted average number of ordinary shares used in calculation of weighted average earnings per share	462,695,016	390,494,749

The weighted average loss per share is not dilutive as the Group had made a loss during the financial year.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 8: CASH AND CASH EQUIVALENTS

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash in hand, at bank and short-term bank deposits	5,798,948	6,055,447	5,798,944	6,055,443
	<u>5,798,948</u>	<u>6,055,447</u>	<u>5,798,944</u>	<u>6,055,443</u>

NOTE 9: TRADE AND OTHER RECEIVABLES

Economic Entity	Gross Amount	Past due but not impaired (days overdue)			Within trade terms
		1-30	31-60	61+	
2009	\$	\$	\$	\$	\$
CURRENT					
Trade receivables	892,066	236,784	116,979	39,256	499,047
Other receivables	77,320	-	-	-	77,320
	<u>969,386</u>	<u>236,784</u>	<u>116,979</u>	<u>39,256</u>	<u>576,367</u>
NON-CURRENT					
Other receivables	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2008	\$				
CURRENT					
Trade receivables	60,586	7,749	7,046	37,685	8,106
Other receivables	131,175	-	-	-	131,175
	<u>191,761</u>	<u>7,749</u>	<u>7,046</u>	<u>37,685</u>	<u>139,281</u>
NON-CURRENT					
Other receivables	1,050	-	-	-	1,050
	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050</u>

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 9: TRADE AND OTHER RECEIVABLES (CONT'D)

Parent Entity	Gross Amount	Past due but not impaired (days overdue)			Within trade terms
		1-30	31-60	61+	
	\$	\$	\$	\$	\$
2009					
CURRENT					
Trade receivables	892,066	236,784	116,979	39,256	499,047
Other receivables	77,320	-	-	-	77,320
	<u>969,386</u>	<u>236,784</u>	<u>116,979</u>	<u>39,256</u>	<u>576,367</u>
NON-CURRENT					
Other receivables	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2008					
CURRENT					
Trade receivables	60,586	7,749	7,046	37,685	8,106
Other receivables	131,175	-	-	-	131,175
	<u>191,761</u>	<u>7,749</u>	<u>7,046</u>	<u>37,685</u>	<u>139,281</u>
NON-CURRENT					
Other receivables	1,050	-	-	-	1,050
	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050</u>

NOTE 10: ASSOCIATED COMPANY

Interest held in the following associated company

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carry amount of investment	
				2009 %	2008 %	2009 \$	2008 \$
Listed:							
Beacon Hill Resources Mineral ("BHR") Plc formerly Carnegie Minerals Plc	Exploration	United Kingdom	Ord	10.70	30.09	-	-
						<u>-</u>	<u>-</u>

The investment in BHR by the economic entity is no longer considered an associate, as the economic entity has lost any significant influence over the affairs of BHR due to the dilution of its ownership interest (and another entity having a greater shareholding of BHR's shares) and the economic entity no longer has any representation on the board of BHR.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 10: ASSOCIATED COMPANY (CONT'D)

	Note	Economic Entity		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
a. Movements During the Year in Equity Accounted Investment in Associated Company					
Balance at beginning of the financial year		-	1,946,676	-	-
Add: New investments during the year		-	-	-	-
Share of associated company's profit after income tax	10b	-	(953,246)	-	-
Less: De-recognition of CME as an Associate (as per AASB 128)		-	(993,430)	-	-
Balance at end of the financial year		-	-	-	-
b. Equity accounted profits of associate is broken down as follows:					
Share of associate's profit before income tax expense		-	(953,246)	-	-
Share of associate's income tax expense		-	-	-	-
Share of associate's profit after income tax		-	(953,246)	-	-
c. Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associate					
Current assets		-	-	-	-
Non-current assets		-	-	-	-
Total assets		-	-	-	-
Current liabilities		-	-	-	-
Non-current liabilities		-	-	-	-
Total liabilities		-	-	-	-
Net assets		-	-	-	-
Revenues		-	-	-	-
Profit/(Loss) after income tax of associates		-	-	-	-
d. Ownership interest in Carnegie Minerals Plc at that company's balance date was 10.7% of ordinary shares. The reporting date of Carnegie Minerals Plc is 31 December 2009.					
e. Market value of listed investment in associate		-	282,046	-	-

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 11: AVAILABLE FOR SALE FINANCIAL ASSETS

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Available-for-sale financial assets	12a	15,613	1,988,394	15,617	1,988,398

a. Available-for-sale Financial Assets Comprise

Listed investments, at fair value

— shares in listed corporations	3,200	1,975,981	3,200	1,975,981
	<u>3,200</u>	<u>1,975,981</u>	<u>3,200</u>	<u>1,975,981</u>

Unlisted investments, at cost

— shares in controlled entities	-	-	4	4
— Provision for impairment	-	-	-	-
— shares in other corporations	12,413	12,413	12,413	12,413
	<u>12,413</u>	<u>12,413</u>	<u>12,417</u>	<u>12,417</u>

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost.

Sale of Financial Asset

During the period the Economic Entity sold its interest in Renewable Energy Holdings Plc. The entity received \$1,484,447 and incurred a loss on sale of \$750,077.

NOTE 12: CONTROLLED ENTITIES

a. Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
Subsidiaries of Carnegie Corporation Limited:			
CMA Nominees Pty Ltd	Australia	100	100
New Millennium Engineering Pty Ltd	Australia	100	100
Carnegie Recreational Watercraft Pty Ltd	Australia	100	100

* Percentage of voting power is in proportion to ownership

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	705,771	1,092,734	684,867	1,071,830
Accumulated depreciation	(224,550)	(185,881)	(203,646)	(164,977)
Total plant and equipment	481,221	906,853	481,221	906,853

a. **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment \$	Leased Plant and Equipment \$	Total \$
2009			
Economic and Parent Entity:			
Balance at the beginning of year	906,853	-	906,853
Additions	139,974	-	139,974
Disposals	(363,624)	-	(363,624)
Impairment	(25,228)	-	(25,228)
Depreciation expense	(176,754)	-	(176,754)
Carrying amount at the end of year	481,221	-	481,221
2008			
Economic and Parent Entity:			
Balance at the beginning of year	80,398	-	80,398
Additions	904,554	-	904,554
Disposals	-	-	-
Depreciation expense	(78,099)	-	(78,099)
Carrying amount at the end of year	906,853	-	906,853

b. **Impairment Losses**

The total impairment loss recognised in the income statement during the period amounted to \$25,228 and is separately presented in the income statement as 'impairment of property plant and equipment'.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14: TRADE AND OTHER PAYABLES

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Trade creditors	177,993	1,099,707	177,993	1,099,707
Accruals	741,506	391,119	741,506	391,119
Other	75,530	-	75,530	-
Total trade and other payables	995,029	1,490,826	995,029	1,490,826

NOTE 15: BORROWINGS

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Other borrowings				
Wholly-owned subsidiaries	-	-	7,591,759	7,591,759

The loan from the wholly owned subsidiary is unsecured, interest free with no fixed repayments terms.

The subsidiary will not be seeking repayment of the outstanding loan amount until such time that the parent entity is in a position to make such repayments.

NOTE 16: TAX

a. Liabilities	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Income Tax	-	-	-	-
NON-CURRENT				
Deferred tax liability comprises:				
Revaluation adjustments	-	(58,299)	-	(720,957)
Fair value gain adjustments	-	-	-	-
Future income tax benefits attributable to tax losses	-	58,299	-	720,957
Total	-	-	-	-

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 16: TAX (CONT'D)

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
b. Assets				
Deferred tax assets comprise:				
Provisions	-	(257,173)	-	(257,173)
Accruals	-	(7,217)	-	(7,217)
Property, Plant & Equipment	-	(24,275)	-	(24,275)
Intellectual Property	-	-	-	-
	-	(288,665)	-	(288,665)
c. Reconciliations				
i. Gross Movements				
The overall movement in the deferred tax account is as follows:				
Opening balance	288,665	14,081	288,665	14,081
(Charge)/credit to income statement	(288,665)	274,584	(288,665)	274,584
Closing balance	-	288,665	-	288,665
ii. Deferred Tax Assets				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provisions				
Opening balance	257,173	(6,604)	257,173	(6,604)
Credited to the income statement	257,173	(250,569)	(46,644)	(250,569)
Closing balance	-	(257,173)	210,529	(257,173)
Accruals				
Opening balance	(7,217)	(7,477)	(7,217)	(7,477)
Credited/(charged) to the income statement	(7,217)	260	(7,217)	260
Closing balance	-	(7,217)	-	(7,217)
Other				
Opening Balance	(24,275)	-	(24,275)	-
Credited/(charged) to the income statement	24,275	(24,275)	24,275	(24,275)
Closing Balance	-	(24,275)	-	(24,275)

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 17: PROVISIONS

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Employee benefits:				
Current	642,664	161,135	642,664	161,135
Balance at start of year	161,135	77,650	161,135	77,650
Additional provisions	67,066	165,448	67,066	165,448
Transfer from non-current provisions	585,431	-	585,431	-
Amounts used	(170,968)	(81,963)	(170,968)	(81,963)
Balance at end of year	642,664	161,135	642,664	161,135
Employee benefits:				
Non-Current	59,100	654,934	59,100	654,934
Balance at start of year	654,934	6,915	654,934	6,915
Additional provisions	(10,403)	648,019	(10,403)	648,019
Transfer to current provisions	(585,431)	-	(585,431)	-
Amounts used	-	-	-	-
Balance at end of year	59,100	654,934	59,100	654,934

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave (LSL) and a long-term employee incentive plan. In calculating the present value of future cash flows in respect of LSL, the probability of LSL being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 of this report. Calculation for the long-term employee incentive plan is in accordance with AASB 2 and the scheme is a share-based cash-settled.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 18: ISSUED CAPITAL

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
494,197,627 (2008: 453,738,535) fully paid ordinary shares	38,857,697	31,817,350	38,857,697	31,817,350
	<u>38,857,697</u>	<u>31,817,350</u>	<u>38,857,697</u>	<u>31,817,350</u>

Ordinary shares have no par value. There is no limit to the authorised share capital of The Company.

	2009	2008	2009	2008
	No.	No.	No.	No.
a. Ordinary shares				
At the beginning of reporting period	453,738,535	292,338,535	453,738,535	292,338,535
Shares issued during the year				
— 9 November 2007	-	151,400,000	-	151,400,000
— 21 May 2008	-	10,000,000	-	10,000,000
— 11 December 2008	9,400,000	-	9,400,000	-
— 23 January 2009	4,100,000	-	4,100,000	-
— 3 June 2009	26,136,365	-	26,136,365	-
— 9 June 2009	822,727	-	822,727	-
At reporting date	<u>494,197,627</u>	<u>453,738,535</u>	<u>494,197,627</u>	<u>453,738,535</u>

On 11 December 2008, the parent entity issued 9,400,000 ordinary shares at \$0.125 to provide funding for the CETO project and provide additional working capital.

On 23 January 2009, the parent entity issued 4,100,000 ordinary shares at an average issue price of \$0.036 as conversion of 4,100,000 options issued to Michael Ottaviano on 23 January 2006.

On 3 June 2009, the parent entity issued 26,136,365 ordinary shares at \$0.22 per share by way of placement arranged by joint lead managers Blackswan Equities Limited and Patersons Securities Limited.

On 9 June 2009, the parent entity issued 822,727 ordinary shares at \$0.22 per share. The issue of shares were in lieu of cash for corporate and marketing services.

b. Capital Management

Management controls the capital of the group in order to provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. The Economic Entity has no debt.

The group's capital is made up of ordinary share capital.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. This includes the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Total borrowings		-	-	7,591,759	7,591,759
Less cash and cash equivalents	8	(5,798,948)	(6,055,447)	(5,798,944)	(6,055,443)
Net debt		NA	NA	1,792,815	1,536,316
Total equity		5,568,375	7,125,275	(2,023,384)	(466,484)
Total capital		<u>5,568,375</u>	<u>7,125,275</u>	<u>(230,569)</u>	<u>1,069,832</u>
Gearing ratio		NA	NA	(777%)	144%

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 19: RESERVES

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
a. Asset Revaluation Reserve				
The asset revaluation reserve records fair value gains/losses on available for sale financial assets.	(2,240)	(263,983)	(2,240)	(263,983)
b. Option Reserve				
The option reserve records items recognised as expenses on valuation of employee share options.	5,040,350	4,695,857	5,040,350	4,695,857
Total	5,038,110	4,431,874	5,038,110	4,431,874

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Operating Lease Commitments				
Not later than 1 year	688,203	506,038	688,203	506,038
Later than 1 year but not later than 5 years	2,558,928	1,894,879	2,558,928	1,894,879
Later than 5 years	99,882	471,440	99,882	471,440
	3,347,013	2,872,357	3,347,013	2,872,357

Leasing Commitments consist of property leases for three properties including the Company's head office. They are all non-cancellable leases with the longest lease having an expiring term of 7 years, expiring on 30 September 2014. The parent company will be reimbursed by other companies sharing the leased premises according to floor space used.

NOTE 21: ECONOMIC CONTINGENCY

Technology research and development is a speculative endeavour and no guarantee of results is given. The allocation and requirement for funds is dependent on results from research and development expenditure commitments.

The Company will continue to provide financial support, where possible, to the controlled entities to continue the operations of those entities.

As announced on 11 May 2009, the Company is in the process of acquiring the CETO Intellectual Property from Renewable Energy Holdings Plc ("REH"). Subject to all conditions precedent to the Transaction being satisfied including shareholder approval being obtained, the Company will purchase the CETO Technology intellectual property rights, REH's potential CETO project site pipeline and assume REH's rights and obligations under its joint venture license agreement with EDF EN.

As part of the Transaction, Carnegie, REH and Renewable Energy Holdings (Australia) Pty Ltd agree to terminate the Technology Licence Agreement (Southern Hemisphere), and Carnegie will not provide for the gap in the budgeted spend pursuant to the Technology Licence Agreement. Pursuant to the new Agreement, REH agrees to provide funding of the operating budget on terms similar to the current funding arrangements between REH and Carnegie until completion of the Transaction. Upon completion, Carnegie will take over the funding responsibility for the remaining CETO technology development. Also upon completion of the Transaction, Carnegie will not be providing for the contingent payment under the Technology Licence Agreement. As such, as at the date of this report the Company has not made a provision, for the £1 million gap amount in the Technology Licence Agreement, in the accounts. Please see the Review of Operations in the Director's Report for more details.

The Company maintains a prudent approach to research and development and assesses its areas of interest on a regular basis. Decisions are made after an assessment of results to continue research and development, seek farm-out partners or abandon the project.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 22: CASH FLOW INFORMATION

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit/(loss) after income tax	(9,203,483)	(18,928,364)	(9,203,483)	(19,933,231)
Non-cash flows in profit				
Depreciation	176,754	78,099	176,754	78,099
Net loss on disposal of investments	750,077	-	750,077	-
Net loss on disposal of assets	44,440	-	44,440	-
Loss in share of associate	-	953,246	-	-
Net gain on foreign exchange	(7,891)	-	(7,891)	-
Provision for impairment	25,228	-	25,228	-
Write-off of assets	57,552	-	57,552	-
Share options expensed	374,916	5,276,145	374,916	5,276,145
Doubtful Debts	-	-	212	-
Interest revenue	-	-	-	-
Impairment loss	-	993,430	-	2,951,755
Income tax (benefit)/expense	288,665	(274,584)	288,665	(274,584)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(777,624)	297,903	(777,624)	297,903
(Increase)/decrease in non-current assets	1,050	(350,000)	1,050	(350,000)
Increase/(decrease) in trade payables and accruals	(495,797)	1,269,260	(495,797)	1,269,260
Increase in provisions	127,829	114,854	127,829	114,854
Cashflow from operations	<u>(8,638,284)</u>	<u>(10,570,011)</u>	<u>(8,638,072)</u>	<u>(10,569,799)</u>

The following items were non-cash transactions;

- On 29 September 2008, the Economic Entity announced that it had disposed of its 2.86% shareholding in Renewable Energy Holdings Plc for approximately AUD\$1.5 million. This resulted in a loss on disposal of \$750,077.
- On 8 April 2009, the Economic Entity announced the issue of 1 million options to Investec Bank (Australia) Limited ("Investec") as part of the Heads of Agreement, whereby, subject to certain milestones and conditions being met, Investec intends to provide or procure funds of up to \$250 million for a commercial wave energy project.
- On 9 June 2009, the Economic Entity announced the issue of employee options via the employee incentive option scheme in order to increase the range of potential incentives available to employees and to strengthen links between the Company and its employees. During the year a total of 3.5 million options were issued to employees.
- On 9 June 2009, the parent entity issued 822,727 ordinary shares at \$0.22 per share to consultants and contractors. The issue of shares was in lieu of cash for corporate and marketing services.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 23: SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

- a. On 14 July 2009, the Economic Entity announced, it had satisfied key conditions to the acquisition of the CETO wave energy technology and global development rights. Specifically being, satisfactory completion of joint due diligence investigations; and appointment of an additional Renewable Energy Holdings Plc ("REH") nominee director to the Board of Directors of CNM.

The remaining conditions precedents to the transaction are anticipated to be completed well in advance of the shareholders meeting. Upon completion of the transaction, Carnegie will become the owner of the CETO intellectual property and retain the global rights to develop the technology. REH will become Carnegie's largest shareholder with Carnegie Board representation. In the Northern Hemisphere, Carnegie will co-develop CETO projects with EDF EN, a 50% subsidiary of one of the world's largest power companies.

- b. On 23 July 2009, the Economic Entity announced that REH disposed of 259,000 shares in Carnegie Corporation Limited, for cash consideration of AUD\$56,332. These proceeds were used to fund working capital for REH.
- c. On 30 July 2009, the Economic Entity provided a northern hemisphere update stating that AUD\$7 million in French and Canadian Government Grants has been awarded for its Northern Hemisphere wave project sites that it will acquire through the purchase of the CETO intellectual property rights from REH.
- d. On 4 August 2009, the Economic Entity released the Independent Expert's report pertaining to the purchase of the CETO IP from REH. The Independent Expert, KPMG, has concluded that Carnegie's proposed acquisition of 100% of the intellectual property and global development rights for the CETO Technology is fair and reasonable to the non-associated shareholders of the Carnegie. The Independent Expert's conclusion removes one further condition precedent to the acquisition of the CETO Technology following from Carnegie's recent announcement of the satisfaction of the due diligence and appointment of an REH Director.
- e. On 4 August 2009, the Company announced a proposed change in name to Carnegie Wave Energy Limited. It is expected that this will coincide with a change in ASX code from CNM to CWE. This will be decided at the General Meeting of shareholders to be held on 4 September 2009.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 24: RELATED PARTY TRANSACTIONS

(a) Transactions with Director related entities

- Consultancy, accounting and general management services have been provided by entities associated with A R Burns, B W McLeod, Ian Fisher, Grant Mooney, Jeffrey Harding and Michael Proffitt during the financial year. These amounts have been included in the disclosures at Note 5. The transactions were undertaken under normal commercial terms.

NOTE 25: FINANCIAL RISK MANAGEMENT

(a) **Financial Risk Management Policies**

The Board of Directors has responsibility for, amongst other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

Interest rate risk

The Economic Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The effective weighted average interest rates in classes of financial assets and liabilities is as follows:

Economic and Parent entity	Weighted	Floating Interest Rate	Fixed Interest Rate		Non-interest Bearing	Total
	Average Effective Interest Rate		Maturing			
	%	\$	Within year	1 to 5 years	\$	\$
30 June 2009:						
Financial assets:						
Cash and cash equivalents	3.68	503,430	5,200,000	-	95,518	5,798,948
Receivables	-	-	-	-	969,386	969,386
Other financial assets	-	-	-	-	15,613	15,613
		503,430	5,200,000	-	1,080,517	6,783,947
Financial liabilities:						
Accounts payable	-	-	-	-	995,029	995,029
Interest bearing liabilities	-	-	-	-	-	-
		-	-	-	995,029	995,029
30 June 2008:						
Financial assets:						
Cash and cash equivalents	7.54	283,677	5,636,533	150,000	(14,763)	6,055,447
Receivables	-	-	-	-	192,811	192,811
Other financial assets	-	-	-	-	1,988,394	1,988,394
		283,677	5,636,533	150,000	2,166,442	8,236,652
Financial liabilities:						
Accounts payable	-	-	-	-	1,490,826	1,490,826
Interest bearing liabilities	-	-	-	-	-	-

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 25: FINANCIAL RISK MANAGEMENT

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and notes to the Balance Sheet.

The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity. Details with respect to credit risk of trade and other receivables are provided in note 9. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings.

(c) Net fair value

The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to the Balance Sheet.

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment, where this could not be done, they have been carried at cost. No financial assets or financial liabilities are readily traded on organised markets in standardised form other than investments.

(d) Sensitivity Analysis

Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

-	-	-	1,490,826	1,490,826
---	---	---	-----------	-----------

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Change in profit				
— Increase in interest rate by 1%	45,103	50,084	45,103	50,084
— Decrease in interest rate by 1%	(45,103)	(50,084)	(45,103)	(50,084)
Change in Equity				
— Increase in interest rate by 1%	45,103	50,084	45,103	50,084
— Decrease in interest rate by 1%	(45,103)	(50,084)	(45,103)	(50,084)

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 25: FINANCIAL RISK MANAGEMENT

(e) **Liquidity Risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

Trade and sundry payables are expected to be paid as followed:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Less than 30 days	995,029	1,490,826	995,029	9,082,585
More than 30 days	-	-	7,591,759	-
	<u>995,029</u>	<u>1,490,826</u>	<u>8,586,788</u>	<u>9,082,585</u>

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 26: SHARE BASED PAYMENTS

(a) Types of share based payment plans

Employee share option plan

Share options are granted to executives and senior staff at the discretion of the Board of Directors. The plan is designed to align participants' interests with those of shareholders by increasing value of the Company's shares. Under the plan, the exercise price of the options is set by the board of directors at the time of issue.

Share appreciation rights for employees

Other employees are invited to participate, at the discretion of the Board of Directors, in a share appreciation rights plan. This is a cash bonus plan under which the amount of the bonus is determined by reference to the increase in value of the shares subject to the option. No shares are actually issued or transferred to the option-holder on the exercise of the phantom share option.

(b) The following employee share option plan payments existed at 30 June 2009

On 23 January 2006, 4,100,000 were options issued to Dr Michael Ottaviano. These options were exercised on 23 January 2009 for a total consideration of \$147,600.

On 9 November 2007, there were 30,000,000 options issued to Dr Michael Ottaviano and Alan Burns each. The options vested immediately and are separated into 3 tranches of 10,000,000 with varying exercise prices of 20 cents, 30 cents and 40 cents.

On 11 January and 21 May 2008, there were 3,000,000 and 1,000,000 employee options issued via the employee incentive option scheme all of which do not vest until 11 January 2010. On 19 December 2008, 1,000,000 options were cancelled under the employee incentive option scheme.

On 8 April 2009, 1,000,000 options were granted to Investec Bank (Australia) Limited as part of the Heads of Agreement.

On 9 June 2009, there were 3,500,000 employee options issued via the employee incentive option scheme with half vesting on 9 June 2010 and the remaining amount vesting on 9 June 2011. The options are not issued based on performance criteria, but are issued to increase goal congruence between executives and shareholders.

	Economic Entity		Parent Entity	
	Number of options	Weighted Average Exercise Price \$	Number of options	Weighted Average Exercise Price \$
Outstanding options at 1 July 2008	68,100,000	0.2912	68,100,000	0.2912
Granted	4,500,000	0.3411	4,500,000	0.3411
Forfeited	(1,000,000)	0.4200	(1,000,000)	0.4200
Exercised	(4,100,000)	0.0360	(4,100,000)	0.0360
Expired	-	-	-	-
Outstanding at 30 June 2009	67,500,000	0.3081	67,500,000	0.3081
Exercisable at 30 June 2009	61,000,000	0.3002	61,000,000	0.3002

There were 4,100,000 options exercised during the year ended 30 June 2009. Please see note 5 for further information. The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.3081 and a weighted average remaining contractual life of 1.47 years. Exercise prices range from \$0.20 to \$0.42 in respect to options outstanding at 30 June 2009.

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

The price of the cash settled option was calculated by using Black Scholes option pricing model applying the following inputs:

	Dr Michael Ottaviano & Alan Burns	Employee Options (2007-2008)	Investec Options	Employee Options (2008-2009)
Weighted averaged exercise price \$	0.30	0.42	0.31	0.35
Weighted averaged life of option	3 years	3 years	3 years	3 years
Underlying share price \$	0.17	0.29	0.205	0.23
Expected share prices volatility	82.1%	101%	117%	117%
Risk free rate	6.44%	6.57%	3.37%	4.01%

(c) The following share appreciation rights existed at 30 June 2009

	Economic Entity		Parent Entity	
	Number of options	Weighted Average Exercise Price \$	Number of options	Weighted Average Exercise Price \$
Outstanding options at 1 July 2008	10,450,000	0.42	10,450,000	0.42
Granted	1,450,000	0.42	1,450,000	0.42
Forfeited	6,000,000	0.42	6,000,000	0.42
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 30 June 2009	5,900,000	0.42	5,900,000	0.42
Exercisable at 30 June 2009	1,625,000	0.42	1,625,000	0.42

The Economic Entity provides benefits to employees in the form of cash-settled share based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of the parent entity. The ultimate cost of these cash settled transactions will be equal to the actual cash paid to the employees which will be the fair value at settlement.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- i. At each reporting date between grant and settlement, the fair value of the benefit is determined
- ii. During the vesting period, the liability recognised at each reporting date is the fair value of the benefit at that date multiplied by the expired portion of the vesting period
- iii. From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date
- iv. All changes in the liability are recognised in profit or loss for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the benefit was granted, and to the extent to which employees have rendered service to date.

The price of the cash settled option was calculated by using Black Scholes option pricing model applying the following inputs:

	Employee Options (2008-2009)
Weighted averaged exercise price \$	0.42
Weighted averaged life of option	3.5 years
Underlying share price \$	0.215
Expected share prices volatility	117%
Risk free rate	4.01%

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 27: COMPANY DETAILS

The registered office of the company is:

Carnegie Corporation Limited

1st Floor

16 Ord St

WEST PERTH WA 6005

The principal place of business is:

Carnegie Corporation Limited

1st Floor

16 Ord St

WEST PERTH WA 6005

CARNEGIE CORPORATION LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

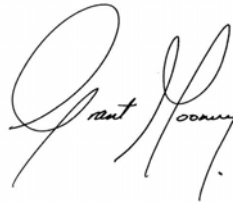
The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 15 to 47, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and economic entity;
2. the Managing Director and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Dr Michael E Ottaviano
Managing Director



Grant J Mooney
Director

Dated this 27th day of August 2009

INDEPENDENT AUDIT REPORT TO MEMBERS OF CARNEGIE CORPORATION LTD AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Carnegie Corporation Ltd (the company) and Carnegie Corporation Ltd and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial report of Carnegie Corporation Ltd and Carnegie Corporation Ltd and its Controlled Entities is in accordance with the Corporations Act 2001 including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (a) (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Total Financial Solutions

Member Horwath International

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report for Carnegie Corporation Ltd for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA

Dated this 27th day of August 2009