



Carnegie

CARNEGIE WAVE ENERGY LIMITED APPENDIX 4D & INTERIM FINANCIAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2009

(previous corresponding period ending on 31 December 2008)

Please find attached Appendix 4D Preliminary Final Report as required pursuant to Listing Rule 4.2A.

Please note that this report has been prepared based upon reviewed financial information for the six months ended 31 December 2009.

APPENDIX 4D

Australian Securities Exchange Half-Year Report

Name of Entity	Carnegie Wave Energy Limited
ABN	69 009 237 736
Reporting Period	31 December 2009
Previous Corresponding Reporting Period	31 December 2008

Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from Ordinary activities	232,500	59.08%
Profit / (loss) from ordinary activities after tax attributable to members	(1,781,348)	(70.10%)
Net profit / (loss) for the period attributable to members	(1,781,348)	(70.10%)
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 of Carnegie Wave Energy do not intend to declare a dividend as no profit was made during the period ended 31st December 2009.</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	There is no dividend reinvestment plan at the moment.
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)	1.36 cents	0.58 cents

Control Gained over Entities having a Material Effect

Name of Entity (or group of entities)	CETO IP Pte Ltd
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Note: The Entity also acquired a 49% interest in CETO DevCo Ltd as part of the Technology Acquisition Agreement with Renewable Energy Holdings PLC where the Entity's Northern Hemisphere development partner EDF Energies Nouvelles holds the remaining 51% equity interest.

Loss of Control of Entities having a Material Effect

Name of Entity (or group of entities)	n/a
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Details of Associates and Joint Venture Entities

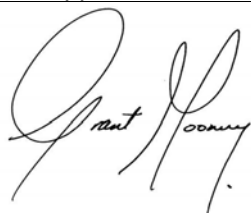
Name of Entity	Percentage Held		Share of Net Profit/(Loss)	
	Current Period	Previous Period	Current Period	Previous Period
New Millennium Engineering Pty Ltd	100%	100%	(\$212)	-
Carnegie Recreational Watercraft Pty Ltd	100%	100%	(\$212)	-
CMA Nominees Pty Ltd	100%	100%	-	-
Beacon Hill Resources PLC	0.39%	20.03%	-	-
CETO IP Pte Ltd	100%	-	(\$5,972)	-
CETO DevCo Ltd	49%	-	-	-

Foreign Entities Accounting Framework

n/a

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	No	The accounts have been subject to review	Yes
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:			
Not Applicable			



Print name: GRANT J. MOONEY

Company Secretary

Date: 26 February 2010

CARNEGIE WAVE ENERGY LTD
ABN 69 009 237 736
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial report of Carnegie Wave Energy Limited and its controlled entities (the consolidated entity) for the half-year ended 31 December 2009.

Directors

The names of directors who held office during or since the end of the half-year:

Grant Jonathan Mooney	Appointed Chairman on 9 October 2009.
Alan Robert Burns	Resigned as Chairman and Director on 9 October 2009.
Dr Michael Edward Ottaviano	
Bruce William McLeod	
Ian Charles Fisher	Resigned as Director on 18 November 2009.
Jeffrey Harding	
Mike Proffitt	

Directors were in office for the entire period and up to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the consolidated entity during the half year was the development of the CETO Wave Energy Technology. For further information in relation to the activities of the consolidated entity, please refer to review of operations.

Operating Results

The consolidated loss attributable to members of the parent entity for the half year ended 31 December 2009 after income tax was \$1,781,348 (2008: \$5,959,362 loss).

Review of Operations

During the period to 31 December 2009, the economic entity focused its efforts on both the continued development of the CETO Wave Technology and on developing commercial opportunities for the deployment of CETO wave power projects.

CETO Wave Energy Technology

During the half year Carnegie continued to test scaled CETO 3 units at its Fremantle Wave Energy Research Facility. The functional performance of these devices has been designed to mimic the full scale CETO 3 unit scheduled for deployment off Garden Island later in 2010. The deployment comprised a full suite of instrumentation, control and hydraulic equipment and Carnegie's unique energy relief buoyant actuator ("ERBA"). The objectives of deployment are to provide operational design information for the full scale unit deployment through a range of sea states over a number of weeks.

High cycle test activities of key CETO 3 components continued throughout the half year with cycles on some key components now exceeding 5 million cycles or the equivalent of multiple years of real operation.

Final designs of the major CETO 3 components for the single unit deployment in the waters to the west of Garden Island, Western Australia are well advanced. Manufacture of CETO 3 components was also advanced and the major works associated with the foundation installation for the full scale deployment was completed.

As previously described, the CETO 3 single unit deployment will consist of a single CETO unit, hydraulic energy dissipation system and instrumentation buoy. The hydraulic system and instrument buoy avoid the requirement for a physical connection to shore for the initial single unit installation.

CARNEGIE WAVE ENERGY LTD

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Carnegie continues to investigate a number of prospective sites across Australia and internationally for the commercial deployment of CETO Wave Energy Farms. During the half year the following commercial opportunities for CETO wave energy were in review or development:

- Garden Island project:

Carnegie finalised design and procurement activities for stage one of the project which involves the deployment of a single stand-alone commercial scale CETO unit off Garden Island in 2010. Deployment of the CETO unit will be for an initial period of up to 12 months involving periodic inspection and maintenance of components. This will be the first commercial scale wave energy unit to be deployed in Australia.

Carnegie executed a deed of licence with the State Government of Western Australia for access to a designated area of seabed in waters to the west of Garden Island off Perth, Western Australia providing Carnegie with permission, subject to specific covenants, to install and operate a commercial scale, autonomous CETO wave energy device to verify its energy delivery performance for a period of up to 3 years.

Carnegie executed a financial assistance agreement with the Western Australian State Government to provide \$12.5 million of funding from the State's Low Emissions Energy Development ("LEED") fund for the project. The first payment under the \$12.5 million agreement of \$726,611 was made in January 2010 for the completion of activities associated with the design for the commercial-scale CETO unit for Carnegie's 5MW commercial demonstration project.

- Other potential project sites:

Carnegie commissioned and completed a study for the Commonwealth of Australia, via the Department of Defence ("DoD"), to assess the feasibility of utilising the CETO wave energy technology to supply power to the Defence Communications Station Harold E Holt ("HEH") at Exmouth in the north west of Western Australia. The feasibility assessment looked at a variety of factors including wave resource, environmental values, geotechnical and geophysical conditions and connectivity to the remote HEH power system.

A range of feasibility activities and studies continued to be carried out over Carnegie's Australian site pipeline including Port MacDonnell in South Australia, and Philip Island, Warrnambool and Portland in Victoria.

As part of the acquisition of the CETO intellectual property and global development rights, Carnegie took over Renewable Energy Holding's interests and activities in several international sites. Various feasibility activities associated with these sites continue.

CARNEGIE WAVE ENERGY LTD

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AND CONTROLLED ENTITIES

Corporate

Carnegie executed the CETO Technology Acquisition Agreement. The signing of this Agreement followed shareholder approval of this transaction at a General Meeting during the Quarter and the Independent Expert's Report deeming the CETO acquisition fair and reasonable. The transaction simplifies the CETO ownership structure and allows Carnegie for the first time to have 100% ownership of CETO.

The final step in the purchase process of the CETO intellectual property and global development rights by Carnegie was the execution of the formal CETO Collaboration and Licensing Agreement with Northern Hemisphere Development partner EDF EN. This paves the way for joint development of commercial CETO projects throughout the Northern Hemisphere and Reunion Island. Carnegie retains the right to own up to 49% of each project and shall receive a license fee from projects for the use of the CETO technology.

During the half year Carnegie was pleased to complete an \$8.9 million capital raising. This consisted of a Share Purchase Plan ("SPP") that raised \$5.4 million and a \$3.5 million Share Placement to European, American and Australian institutions. Funds raised from the Placement and the SPP will be applied towards deployment and testing of commercial scale CETO Wave Energy units in the waters off Perth, Western Australia, as well as international site development activities and for general working capital requirements.

Following shareholder approval on 4th September 2009 the Company changed its name to Carnegie Wave Energy Limited. The Company changed its ASX code to CWE. The name change was necessary to better indicate the company's activities.

The Company also announced the appointment of Mr Grant Mooney as the Company's non-executive Chairman upon the retirement of Mr Alan Burns as a director and Chairman and Mr Ian Fisher as a director.

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.



MICHAEL OTTAVIANO

Managing Director

Dated this 26th day of February 2010

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Carnegie Wave Energy Ltd and its Controlled Entities for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA

Dated this 26th day of February 2010

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
31 DECEMBER 2009**

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		\$	\$
Revenue			
Government grant		64,104	-
Other income		168,396	145,494
(Loss) on disposal of available for sale financial assets		(2,550)	(750,076)
Impairment of property, plant and equipment		-	(25,228)
Employee benefits expense		(255,106)	(169,259)
Depreciation expense		(63,431)	(97,946)
Occupancy expenses		(131,981)	(180,544)
Consultancy expenses		(200,620)	(138,082)
Research and development expenses		(2,351,695)	(3,952,804)
Reimbursement of research and development expenses		2,669,092	-
Directors fees		(825,132)	(407,223)
Share based payments		(323,254)	(118,556)
Movement in cash settled share based payments liability		209,443	319,724
Company secretarial expenses		(48,194)	(48,000)
Administrative expenses		(640,938)	(435,651)
Other expenses from ordinary activities		(49,482)	(26,879)
Loss before income tax		(1,781,348)	(5,885,030)
Income tax expense		-	(74,332)
Loss for the period	2	(1,781,348)	(5,959,362)
Other comprehensive income			
Share of other comprehensive income of associates		-	-
Fair value gain (loss) on available for sale financial assets		-	(5,280)
Adjustment due to sale of available for sale financial assets		2,240	267,743
Income tax relating to components of other comprehensive income		-	-
Total comprehensive loss for the period		(1,779,108)	(5,696,899)
Loss attributable to:			
Members of the parent entity		(1,779,108)	(5,696,899)
		(1,779,108)	(5,696,899)
Total comprehensive loss attributable to:			
Members of the parent entity		(1,779,108)	(5,696,899)
		(1,779,108)	(5,696,899)

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
31 DECEMBER 2009**

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		\$	\$
Earnings per share			
Basic earnings per share (cents)		(0.352)	(1.310)
Diluted earnings per share (cents)		(0.352)	(1.310)

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

Consolidated Group

	Note	31.12.2009	30.06.2009
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		9,314,798	5,798,948
Trade and other receivables		2,371,198	969,386
TOTAL CURRENT ASSETS		11,685,996	6,768,334
NON-CURRENT ASSETS			
Available for sale financial assets		12,415	15,613
Property, plant and equipment		606,119	481,221
Intangible assets	5	56,993,834	-
TOTAL NON-CURRENT ASSETS		57,612,368	496,834
TOTAL ASSETS		69,298,364	7,265,168
CURRENT LIABILITIES			
Trade and other payables		968,587	995,029
Short term provisions		435,542	642,664
TOTAL CURRENT LIABILITIES		1,404,129	1,637,693
NON-CURRENT LIABILITIES			
Long term provisions		59,016	59,100
TOTAL NON-CURRENT LIABILITIES		59,016	59,100
TOTAL LIABILITIES		1,463,145	1,696,793
NET ASSETS		67,835,219	5,568,375
EQUITY			
Issued Capital		102,580,394	38,857,697
Reserves		5,363,605	5,038,110
Accumulated losses		(40,108,780)	(38,327,432)
TOTAL EQUITY		67,835,219	5,568,375

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

Consolidated Group	Note	Issued Capital			Financial Asset Reserve	Total
		Ordinary	Accumulated Losses	Option Reserve		
Balance at 1.7.2008		31,817,350	(29,123,949)	4,695,857	(263,983)	7,125,275
Share issue net of transaction costs		1,136,147	-	-	-	1,136,147
Increase in option reserve due to issue of share based payments to directors		-	-	118,557	-	118,557
Total comprehensive income attributable to members of parent entity		-	(5,959,362)	-	262,463	(5,696,899)
Balance at 31.12.2008		32,953,497	(35,083,311)	4,814,414	(1,520)	2,683,080
Balance at 1.7.2009		38,857,697	(38,327,432)	5,040,350	(2,240)	5,568,375
Share issue net of transaction costs		63,722,697	-	-	-	63,722,697
Increase in option reserve due to issue of share based payments to employees		-	-	323,255	-	323,255
Total comprehensive income attributable to members of parent entity		-	(1,781,348)	-	2,240	(1,779,108)
Balance at 31.12.2009		102,580,394	(40,108,780)	5,363,605	-	67,835,219

CARNEGIE WAVE ENERGY LTD**ABN 69 009 237 736****AND CONTROLLED ENTITIES****CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Consolidated Group	
	31.12.2009	31.12.2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	82,791	120,155
Payments to suppliers and employees	(3,402,008)	(2,093,016)
Payments for research and development	(1,533,795)	(3,952,804)
Receipts from government	64,104	-
Receipts from customers	555	25,339
	<hr/>	<hr/>
Net cash (used in) operating activities	(4,788,353)	(5,900,326)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available for sale financial assets	2,890	1,484,447
Purchase of property, plant and equipment	(10,094)	(135,361)
	<hr/>	<hr/>
Net cash provided by / (used in) investing activities	(7,204)	1,349,086
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from the issue of shares	8,311,407	1,136,146
	<hr/>	<hr/>
Net cash provided by financing activities	8,311,407	1,136,146
	<hr/>	<hr/>
Net increase / (decrease) in cash held	3,515,850	(3,415,094)
Cash at beginning of the half year	5,798,948	6,055,447
Cash at end of the half year	<u>9,314,798</u>	<u>2,640,353</u>

The accompanying notes form part of these financial statements.

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Carnegie Wave Energy Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors.

CARNEGIE WAVE ENERGY LTD

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

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.

Key Judgments

(i) Impairment of intangible assets

The Company entered into an agreement with Renewable Energy Holdings Plc ("REH") to purchase the CETO Intellectual Property ("IP") from REH. This transaction was finalised on the 23rd of December 2009 upon signing of the collaboration agreement between the Company and EDF Energies Nouvelles SA ("EDF EN"). As a result of the transaction Carnegie issued 232,600,000 shares to REH (2,400,000 are to be issued to EDF EN) at a consideration price of 23.82 cents per share. The consideration paid of 23.82 cents per share was calculated using a 30 day Variable Weighted Average Price ("VWAP"). The 30 day VWAP was calculated using the 30 trading days immediately preceding the date of execution of the Heads of Agreement between Carnegie and REH. The transaction was approved by shareholders in the General Meeting held on 4 September 2009.

As at 31 December 2009 Carnegie has accounted for the CETO IP at Cost. The Directors do not believe that the carrying value of the CETO IP is impaired at the reporting date due to the following reasons:

- The transaction was not finalised until 23 December 2009. Given the period of time between this date and the reporting date, directors do not believe there are any indicators of impairment that would warrant adjustment to the cost; and
- Based on the current stage of the development of the CETO technology it is not possible to ascertain the value attached to the development and future commercialisation of the CETO technology.

Key Estimates

(i) Useful life of intangible assets

Based on the current stage of the development of the CETO technology, the Company cannot reliably estimate the useful life of the IP. As a result, the Company considers the IP to have an indefinite useful life.

In accordance with the accounting standards, the Company will review the useful life of the IP at each reporting period to determine if the indefinite useful life is still appropriate.

CARNEGIE WAVE ENERGY LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 2: LOSS FOR THE PERIOD

Consolidated Group

	31.12.2009	31.12.2008
	\$	\$

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Share based payment expense	(323,254)	(118,556)
Movement in cash settled share based payments liability	209,443	319,724
(Loss) on disposal of available for sale financial assets	(2,250)	(750,076)

NOTE 3: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 4: OPERATING SEGMENTS

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group operates primarily in development of the CETO technology. The financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

NOTE 5: INTANGIBLE ASSETS

Consolidated Group

	31.12.2009	31.12.2008
	\$	\$

Development expenditure – CETO Technology	1,575,636	-
Acquisition of CETO Technology (Note 1)	55,418,198	-
	<u>56,993,834</u>	<u>-</u>

Note 1: The Company entered into an agreement with Renewable Energy Holdings Plc (“REH”) to purchase the CETO Intellectual Property (“IP”) from REH. As part of the acquisition of the CETO IP from REH, Carnegie Wave Energy Ld was obliged to acquire tangible assets valued at A\$ 208,943 and an investment in CETO Development Company Ltd at A\$2. This transaction was finalised on the 23rd of December 2009 upon signing of the collaboration agreement between Carnegie and EDF Energies Nouvelles SA (“EDF EN”). As a result of the transaction, Carnegie issued 232,600,000 shares to REH (2,400,000 are to be issued to EDF EN) at a consideration of 23.82 cents per share.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

At the date of signing, there were no events subsequent to balance date which would have a material effect on the Group's financial statements.

CARNEGIE WAVE ENERGY LTD

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 7 to 14:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.
2. In the directors' 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.



MICHAEL OTTAVIANO

Managing Director

Dated this 26th day of February 2010

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CARNEGIE WAVE ENERGY LTD AND ITS CONTROLLED ENTITIES**

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Carnegie Wave Energy Ltd and its Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Carnegie Wave Energy Ltd and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carnegie Wave Energy Ltd and its Controlled Entities is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA
Dated this 26th day of February 2010