



Carnegie

CARNEGIE WAVE ENERGY LIMITED APPENDIX 4D & INTERIM FINANCIAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2011

(previous corresponding period ending on 31 December 2010)

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 2010.

APPENDIX 4D

Australian Securities Exchange Half-Year Report

Name of Entity	Carnegie Wave Energy Limited
ABN	69 009 237 736
Reporting Period	31 December 2011
Previous Corresponding Reporting Period	31 December 2010

Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from Ordinary activities	26,789	(78.53%)
Profit / (loss) from ordinary activities after tax attributable to members	(2,728,951)	(41.57%)
Net profit / (loss) for the period attributable to members	(2,728,951)	(41.57%)
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 2011.</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.
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)	0.66 cents	0.75 cents

Control Gained over Entities having a Material Effect

Name of Entity (or group of entities)	n/a
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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

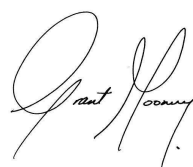
Name of Entity	Percentage Held		Share of Net Profit/(Loss)	
	Current Period	Previous Period	Current Period	Previous Period
New Millennium Engineering Pty Ltd	100%	100%	(\$296)	(\$218)
Carnegie Recreational Watercraft Pty Ltd	100%	100%	(\$227)	(\$218)
CMA Nominees Pty Ltd	100%	100%	-	-
CETO IP Pte Ltd	100%	100%	-	-
CETO DevCo Ltd	49%	49%	-	-
CETO IP Pty Ltd	100%	-	-	-
CETO Wave Energy Ireland Limited	100%	-	(\$20,191)	-
Pacific Coastal Wave Energy Corporation	100%	-	-	-

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: 28 February 2012

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

INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors submit the financial statements of Carnegie Wave Energy Limited and its controlled entities (the consolidated group) for the half-year ended 31 December 2011.

Directors

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

Mr Grant Jonathan Mooney

Dr Michael Edward Ottaviano

Mr Kieran O'Brien

Mr Jeffrey Harding

Mr Greg Bourne

Mr John Leggate Appointed on 27 July 2011

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

Operating Results

The consolidated loss attributable to members for the half year ended 31 December 2011 after income tax was \$2,712,043 (2010: \$4,670,510 loss).

Review of Operations

During the period to 31 December 2011, the economic entity focused its efforts on developing a demonstration project, continued development of the CETO Wave Technology and furthering commercial opportunities for the deployment of CETO wave power and water projects.

CETO Wave Energy Technology

During the half year, independent engineering firm Frazer-Nash verified the positive performance results of the commercial scale CETO 3 unit deployed during the previous half year. Frazer-Nash verified the peak rated hydraulic power capacity of the CETO 3 unit as 203kW. Carnegie also assessed the results from the environmental monitoring and assessment program which was done as part of the CETO 3 unit deployment and found no significant environmental impacts from the presence and operation of the CETO unit.

Additionally, during the 30 June 2011 financial year, Carnegie drew down a third milestone completion payment of \$1,257,452 from the Government of Western Australia's LEED Grant agreement based on the successful installation and operation of the commercial scale CETO unit and completion of conceptual plant design for the grid connected Perth Wave Energy Project. Later in the half year, Carnegie also completed the basis of detailed design for the Perth Wave Energy Project which triggered a fourth milestone completion payment of \$145,000 from Carnegie's LEED Grant from the Government of Western Australia. This took the total funds drawn down under the grant to \$2,833,849.

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Carnegie also completed the preliminary design for the CETO demonstration project which includes a number of improvements from the CETO 3 unit in terms of power output and unit installation time. This design also indicated an optimum first demonstration project size of approximately 2MW peak capacity. In addition, Carnegie continued to analyse a number of possible demonstration project sites with a final announcement on the demonstration project location expected in early 2012.

Carnegie continues to investigate site development opportunities for CETO Power and Water projects. During the half year the following commercial opportunities for CETO wave energy were in review or development:

- **Australia:**

Carnegie welcomed significant progress by the Australian Federal Government after it announced its new climate change initiative and the subsequent passing of the Clean Energy Bill through the House of Representatives. The initiative includes a price on carbon dioxide as well as the establishment of the Clean Energy Finance Corporation and the Australian Renewable Energy Agency to oversee \$13 billion of investment in renewable energy.

A number of guests were hosted at the private Wave Energy Research Facility in Fremantle including the Deputy Prime Minister and Federal Treasurer the Hon Wayne Swan MP, the Australian Federal Minister for Climate Change and Energy Efficiency, the Hon Greg Combet AM MP and other national and international dignitaries in Perth for the Commonwealth Heads of Government Meeting (CHOGM).

- **Ireland:**

During the half year, Carnegie's Irish subsidiary, CWE Ireland Ltd, completed and received funding for its detailed site evaluation and conceptual design study of a proposed 5MW CETO demonstration project in Irish waters. This study was 50% funded by the Irish Government's Sustainable Energy Authority of Ireland (SEAI) under the Ocean Energy Prototype Research and Development Programme. CWE Ireland then formally applied to the Department of Environment, Heritage and Local Government for a Foreshore licence for the preferred 5MW Project site in County Clare.

- **Canada:**

Through its Canadian subsidiary, Pacific Coastal Wave Energy Corporation (PCWE), Carnegie has submitted a funding application to the Canadian Government's ecoEnergy Innovation Initiative (ecoEII) for a 5MW CETO demonstration project off Ucluelet, British Columbia. The Project has been in development for over two years and is located at Amphitrite Point, Ucluelet on the west coast of Vancouver Island, British Columbia. A decision on this grant is expected in Quarter 1, 2012.

- **France – Réunion Island:**

The next generation CETO 4 unit was manufactured and delivered to the Réunion Island site by French marine defence contractor DCNS. Preparations for the deployment of the CETO 4 unit were carried out in anticipation of deployment in the current Southern Hemisphere summer. The CETO 4 project which represented the first joint project activities of Carnegie, EDF EN and DCNS was 2/3 funded by the French government. Successful deployment, testing and operation of the CETO 4 unit is planned to be followed by a grid connected demonstration project at the same site. The Reunion Island project will result in Carnegie being paid a licensing fee for all future commercial stages.

- **UK**

Carnegie welcomed the UK Government's Department of Energy and Climate Change (DECC) proposal to increase support for wave energy by raising the level of Renewable Obligation Certificates (ROCs) that wave energy will receive from 2 ROCs per MWh to 5 ROCs per MWh. Meanwhile, Carnegie has completed a detailed site assessment of suitable sites for deployment of CETO wave energy projects greater than 10MW in the UK.

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- **Chile**

Carnegie continued to develop its global project pipeline through the appointment of a South American Development Partner, Chilean based Renewable Energy Development Enterprises (REDE). Under this five year agreement, the executive director of REDE, Arturo Troncoso, has been appointed as Carnegie's South American Development Manager. Additionally, Carnegie completed a site assessment study for CETO projects along the Chilean coast.

- **Remote Islands:**

Progress continues to be made on Carnegie's remote island project pipeline such as Bermuda, which offers attractive economics for a CETO wave energy project. Other remote islands were engaged during this half year such as the Bahamas. The Hon. T Brent Symonette, the Deputy Prime Minister of the Bahamas, was welcomed to Carnegie's private Wave Energy Research Facility where discussions were held on the Bahamas power and water market and the potential for applying CETO in the Bahamas. Carnegie continued to collect data from its wave buoy deployed at site in Bermuda in the previous half year.

Desalination

Following the successful operation of the commercial scale CETO 3 unit independent engineering firm Frazer-Nash verified that the unit delivered sustained pressures of 77bar which is more than that required for sea water reverse osmosis. This verification successfully underpinned the core design for CETO desalination plants.

Corporate

- During the half year Carnegie was pleased to complete a \$6 million capital raising through a Share Purchase Plan ("SPP"). Funds raised from the SPP will be applied towards working capital during the demonstration project phase.
- The Company also announced the appointment of a new European based director Mr John Leggate. Mr Leggate is a highly experienced oil and gas and venture capital industry executive. He worked for over twenty seven years for BP, most recently as the Group Chief Information Officer and member of the BP Group Senior Leadership Team, before joining \$4.5 billion venture capital firm VantagePoint Capital Partners in 2008 where he is currently a Venture Partner and Senior Advisor to their CleanTech Advisory Council.

CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

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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 2011.

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



MICHAEL OTTAVIANO

Managing Director

Dated this 28th day of February 2012



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 for the half-year ended 31 December 2011, 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.

A handwritten signature in cursive script that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in cursive script that reads "Sean McGurk".

SEAN MCGURK
Partner

Signed at Perth, 28 February 2012

CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
31 DECEMBER 2011**

	Note	Group	
		31.12.2011	31.12.2010
		\$	\$
Revenue			
Government grant income		88,711	-
Other income		76,789	124,775
Employee benefits expense		(701,171)	(523,448)
Depreciation expense		(57,228)	(67,425)
Occupancy expenses		(209,971)	(222,458)
Consultancy expenses		(67,190)	(163,708)
Research and development expenses		(98,257)	(63,787)
Directors fees		(529,241)	(615,933)
Share based payments		(744,690)	(2,433,087)
Movement in cash settled share based payments liability		3,041	(137,947)
Company secretarial expenses		(40,000)	(48,679)
Administrative expenses		(424,827)	(506,541)
Other expenses from ordinary activities		(8,009)	(12,272)
Loss before income tax		<u>(2,712,043)</u>	<u>(4,670,510)</u>
Income tax expense		-	-
Loss for the period	2	<u>(2,712,043)</u>	<u>(4,670,510)</u>
Other comprehensive income			
Exchange differences on translating foreign controlled entities		(16,908)	-
Income tax relating to components of other comprehensive income		-	-
Total comprehensive loss for the period		<u>(2,728,951)</u>	<u>(4,670,510)</u>
Loss attributable to:			
Members of the parent entity		<u>(2,728,951)</u>	<u>(4,670,510)</u>
Total comprehensive loss attributable to:			
Members of the parent entity		<u>(2,728,951)</u>	<u>(4,670,510)</u>
Loss per share			
Basic loss per share (cents)		(0.301)	(0.584)
Diluted loss per share (cents)		(0.301)	(0.584)

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	Group	
		31.12.2011	(Restated) 30.06.2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		7,443,466	4,923,396
Trade and other receivables		95,053	208,648
TOTAL CURRENT ASSETS		<u>7,538,519</u>	<u>5,132,044</u>
NON-CURRENT ASSETS			
Available for sale financial assets		12,416	12,416
Property, plant and equipment		293,349	349,372
Intangible assets	5	69,414,530	68,010,913
TOTAL NON-CURRENT ASSETS		<u>69,720,295</u>	<u>68,372,701</u>
TOTAL ASSETS		<u>77,258,814</u>	<u>73,504,745</u>
CURRENT LIABILITIES			
Trade and other payables		884,360	1,111,184
Short term provisions		152,708	149,446
TOTAL CURRENT LIABILITIES		<u>1,037,068</u>	<u>1,260,630</u>
NON-CURRENT LIABILITIES			
Long term provisions		67,070	51,028
TOTAL NON-CURRENT LIABILITIES		<u>67,070</u>	<u>51,028</u>
TOTAL LIABILITIES		<u>1,104,138</u>	<u>1,311,658</u>
NET ASSETS		<u>76,154,676</u>	<u>72,193,087</u>
EQUITY			
Issued Capital	7	119,194,908	113,249,058
Reserves		9,020,513	8,292,731
Accumulated losses		(52,060,745)	(49,348,702)
TOTAL EQUITY		<u>76,154,676</u>	<u>72,193,087</u>

The accompanying notes form part of these financial statements.

CARNEGIE WAVE ENERGY LIMITED

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

Group	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Reserve	Total
Balance at 1.7.2010	102,955,993	(42,576,377)	5,548,413	-	65,928,029
<i>Transactions with owners in their capacity as owners</i>					
Share issue net of transaction costs	6,446,680	-	-	-	6,446,680
Share based payment expense	-	-	2,433,087	-	2,433,087
<i>Comprehensive loss</i>					
Loss for the period	-	(4,670,510)	-	-	(4,670,510)
Other Comprehensive income	-	-	-	-	-
Balance at 31.12.2010	109,402,673	(47,246,887)	7,981,500	-	70,137,286
Balance at 1.7.2011					
As previously stated	113,249,058	(54,918,736)	8,294,823	(2,092)	66,623,053
Reclassification of research and development expenditure (Note 9)	-	5,570,034	-	-	5,570,034
As restated	113,249,058	(49,348,702)	8,294,823	(2,092)	72,193,087
<i>Transactions with owners in their capacity as owners</i>					
Share issue net of transaction costs	5,945,850	-	-	-	5,945,850
Share based payment expense	-	-	744,690	-	744,690
<i>Comprehensive loss</i>					
Loss for the period	-	(2,712,043)	-	-	(2,712,043)
Other Comprehensive loss	-	-	-	(16,908)	(16,908)
Balance at 31.12.2011	119,194,908	(52,060,745)	9,039,513	(19,000)	76,154,676

The accompanying notes form part of these financial statements.

CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Group	
Note	31.12.2011	31.12.2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	76,107	127,195
Payments to suppliers and employees	(2,416,294)	(2,484,966)
Receipts from government grants	233,704	710,893
Receipts from rent reimbursements	127,017	-
	(1,979,466)	(1,646,878)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for development of asset	(1,429,411)	(1,936,087)
Purchase of property, plant and equipment	(29,183)	(17,150)
Sale of property, plant and equipment	26,136	-
	(1,432,458)	(1,953,237)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from the issue of shares	5,945,850	6,125,000
	5,945,850	6,125,000
Net cash provided by financing activities	5,945,850	6,125,000
Net increase in cash and cash equivalents	2,533,926	2,524,885
Cash at beginning of the half year	4,651,632	5,977,342
Effect of exchange rate fluctuations on cash held	(13,856)	-
Cash at end of the half year	6 7,171,702	8,502,227

The accompanying notes form part of these financial statements.

CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial statements are general purpose financial statements prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial statements and any public announcements made during the half year.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the company's 2011 annual financial statements for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the group's accounting policies and has no effect on the amounts reported for the current or prior periods.

CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 2: LOSS FOR THE PERIOD

	Group	
	31.12.2011	31.12.2010
	\$	\$

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

Share based payment expense	(744,690)	(2,433,087)
Movement in cash settled share based payments liability	3,041	(137,947)

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 operations focus primarily on the 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 the 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

	Group	
	31.12.2011	30.06.2011
	\$	\$
Acquisition cost of CETO Technology	55,989,877	55,989,877
Subsequent development expenditure – CETO Technology	16,258,502	14,709,892
LEED grant received	(2,833,849)	(2,688,856)
	69,414,530	68,010,913

NOTE 6: CASH AND CASH EQUIVALENTS

	Group	
	31.12.2011	30.06.2011
	\$	\$
Cash on hand	517	972
Cash at bank	7,171,185	4,650,660
	7,171,702	4,651,632
Restricted cash	6(b) 271,764	271,764
	7,443,466	4,923,396

6(b) Restricted cash comprises \$271,764 in deposits held for bank guarantees.

CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

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NOTE 7: ISSUED CAPITAL

	31.12.2011
The movement in Issued capital during the period is made up of the following:	\$
Opening balance at 1 July 2011	113,249,058
Transaction costs attributable to prior period share issues paid in current period	(62,150)
Proceeds from Share Purchase Plan*	6,008,000
Closing balance at 31 December 2011	<u>119,194,908</u>

* The company raised \$6,000,000 being 120,000,000 at \$0.05 per share in relation to its oversubscribed Share Purchase Plan closing on 31 December 2011. The shares were subsequently allotted on 3 January 2012 with a surplus of \$8,000 returned to shareholders in January 2012.

NOTE 8: EVENTS AFTER THE END OF THE INTERIM PERIOD

The group allotted 120,000,000 shares at \$0.05 per share on 3 January 2012 in relation to its Share Purchase Plan to the value of \$6,000,000. A surplus of \$8,000 was returned to shareholders in mid January.

NOTE 9: RECLASSIFICATION OF RESEARCH AND DEVELOPMENT EXPENDITURE

During the period, management undertook a detailed review of the expenditure incurred on the CETO technology since its acquisition date. As a result of this review it has been deemed appropriate to reclassify as development expenditure \$5.6 million, previously expensed as research. The impact of this reclassification on the 30 June 2011 financial statements is as follows:

		\$
Statement of Financial Position		
Intangible assets	Understated by	5,570,034
Total assets	Understated by	5,570,034
Net assets	Understated by	5,570,034
Accumulated losses	Overstated by	5,570,034
Total equity	Understated by	5,570,034
Income Statement		
Loss before income tax	Overstated by	5,570,034
Total comprehensive loss for the period	Overstated by	5,570,034

The 30 June 2011 statements of financial position comparatives in these financial statements have been restated to reflect the above. A third statement of financial position (at 30 June 2010) has not been presented in accordance with the requirements of Australian Accounting Standards as the above reclassification has no effect on the financial statements for the year ended 30 June 2010.

CARNEGIE WAVE ENERGY 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 page 7 to 13 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 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 28th day of February 2012



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

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 consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Carnegie Wave Energy Ltd (the company) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, 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 Carnegie Wave Energy Ltd and its controlled entities' financial position as at 31 December 2011 and its performance for the half-year ended on that date, and complying with 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 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 have 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:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 28 February 2012