



# Carnegie

## **CARNEGIE WAVE ENERGY LIMITED APPENDIX 4D & INTERIM FINANCIAL REPORT**

**FOR THE PERIOD ENDED 31 DECEMBER 2014**

(previous corresponding period ending on 31 December 2013)

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 2014.

# APPENDIX 4D

## Australian Securities Exchange Half-Year Report

<b>Name of Entity</b>	Carnegie Wave Energy Limited
<b>ABN</b>	69 009 237 736
<b>Reporting Period</b>	31 December 2014
<b>Previous Corresponding Reporting Period</b>	31 December 2013

## Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from Ordinary activities	864,922	7.64%
Profit / (loss) from ordinary activities after tax attributable to members	(2,113,856)	(25.54%)
Net profit / (loss) for the period attributable to members	(2,113,856)	(25.54%)
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:		
The directors of Carnegie Wave Energy do not intend to declare a dividend as no profit was made during the period ended 31 <sup>st</sup> December 2014.		

## Dividends

<b>Date the dividend is payable</b>	n/a
<b>Record date to determine entitlement to the dividend</b>	n/a
<b>Amount per security</b>	n/a
<b>Total Dividend</b>	nil
<b>Amount per security of foreign sourced dividend or distribution</b>	n/a
<b>Details of any dividend reinvestment plans in operation</b>	There is no dividend reinvestment plan.
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>	n/a

## Net Tangible Asset Backing

	<b>Current Period</b>	<b>Previous Corresponding Period</b>
<b>Net tangible asset backing per ordinary security (cents per share)</b>	0.29 cents	0.64 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%	(\$243)	(\$236)
Carnegie Recreational Watercraft Pty Ltd	100%	100%	(\$243)	(\$236)
CMA Nominees Pty Ltd	100%	100%	-	-
CETO IP Pty Ltd	100%	100%	-	-
CETO Wave Energy Ireland Limited	100%	100%	(\$86,816)	(\$6,109)
CETO Wave Energy UK Limited	100%	100%	(\$26,524)	(\$47,756)
CETO Wave Energy Chile SpA	100%	100%	-	-
Pacific Coastal Wave Energy Corporation	95%	95%	-	-

### Foreign Entities Accounting Framework

n/a
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### Audit/Review Status

<b>This report is based on accounts to which one of the following applies: (Mark with "YES" or "NO")</b>			
The accounts have been audited	No	The accounts have been subject to review	Yes
<b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b>  Not Applicable			



Print name: GRANT J. MOONEY  
 Company Secretary  
 Date: 17 February 2015

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

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**INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

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

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**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 2014.

**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 Michael Fitzpatrick  
Mr Jeffrey Harding  
Mr John Leggate

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 2014 after income tax was \$2,026,481 (2013: \$2,963,309 loss).

**Review of Operations**

During the period to 31 December 2014, the economic entity focused its efforts on the continued development of the CETO Wave Energy Technology and furthering commercial opportunities for the deployment of CETO wave power and water projects. The developments in the CETO technology included:

- Completion of the installation of two CETO 5 units at the Perth Wave Energy Project.
- Completion of the onshore plant package for the Perth Wave Energy Project including the physical grid connection.
- Completion of manufacture of three commercial scale CETO 5 units.
- Selection of Garden Island, WA as the location for the CETO 6 Project and continued progress with the design and site assessment of the project.

**CARNEGIE WAVE ENERGY LIMITED**

**ABN 69 009 237 736**

**AND CONTROLLED ENTITIES**

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**DIRECTORS' REPORT**

Carnegie also took significant commercial steps forward including:

- Receiving Government grant milestone payments from both the Western Australian and Australian Governments of \$0.6 million, bringing total funding draw down to \$16.8 million for the Perth Wave Energy Project.
- Receiving a Research and Development Tax Refund of \$3.9 million for the previous financial year.
- Receiving \$0.65 million in gold royalties, taking total royalty receipts to \$2.2 million.
- Being awarded a \$1.8 million Australian Research Council linkage project with the University of Adelaide.
- Signing a collaboration agreement with Bosch Rexroth and other wave energy developers for a European based wave energy Collaboration aimed at developing standard offshore power production systems. The Wave Pod device developed in the Collaboration then began undergoing testing in Germany.
- Partnering with the CSIRO in a project with \$1.3 million of ARENA funding for a national wave resource modelling, mapping and impact assessment project involving Carnegie's Perth Wave Energy Project.
- Winning two innovation awards; the Pinnacle award for Innovation Excellence from Australian Institute of Management WA and the Australian Water Association award for Program Innovation to Carnegie and MAK Water.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half year ended 31 December 2014.

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



**MICHAEL OTTAVIANO**

**Managing Director**

***Dated this 17<sup>th</sup> day of February 2015***

**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 2014, 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.



CROWE HORWATH PERTH



SEAN MCGURK  
Partner

Signed at Perth, 17 February 2015

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2014**

	Note	Group	
		31.12.2014	31.12.2013
		\$	\$
<b>Revenue</b>			
Royalty income		637,558	645,716
Other income		227,364	157,816
<b>Expenses</b>			
Employee benefits expense		(488,615)	(274,709)
Depreciation expense		(54,160)	(32,800)
Occupancy expenses		(169,175)	(137,956)
Consultancy expenses		(132,082)	(77,640)
Research expenses		(123,735)	(34,137)
Executive and Non Executive Directors fees		(553,526)	(460,040)
Share based payments		(409,336)	(1,983,425)
Finance costs		(296,362)	(73,757)
Company secretarial expenses		(48,000)	(36,000)
Administrative expenses		(598,265)	(651,334)
Other expenses from ordinary activities		(18,147)	(5,043)
<b>Loss before income tax</b>		(2,026,481)	(2,963,309)
Income tax expense		-	-
<b>Loss for the period</b>	3	(2,026,481)	(2,963,309)
<b>Other comprehensive income</b>			
Exchange differences on translating foreign currencies and foreign controlled entities		(87,375)	124,405
Income tax relating to components of other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		(2,113,856)	(2,838,904)
Loss attributable to:			
Members of the parent entity		(2,026,481)	(2,963,309)
		(2,026,481)	(2,963,309)
Total comprehensive loss attributable to:			
Members of the parent entity		(2,113,856)	(2,838,904)
		(2,113,856)	(2,838,904)
<b>Loss per share</b>			
Basic loss per share (cents)		(0.116)	(0.198)
Diluted loss per share (cents)		(0.116)	(0.198)

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 2014**

		<b>Group</b>	
	<b>Note</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	5,074,976	14,177,509
Trade and other receivables	7	4,545,663	856,744
Other assets		46,359	26,340
<b>TOTAL CURRENT ASSETS</b>		<u>9,666,998</u>	<u>15,060,593</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	1,264,667	604,275
Available for sale financial assets		12,414	12,414
Property, plant and equipment		396,614	414,318
Intangible assets	6	88,380,416	86,159,659
Other non-current assets		158,865	138,555
<b>TOTAL NON-CURRENT ASSETS</b>		<u>90,212,976</u>	<u>87,329,221</u>
<b>TOTAL ASSETS</b>		<u>99,879,974</u>	<u>102,389,814</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,229,940	3,468,375
Short term provisions		373,657	1,183,652
Other current liabilities		-	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,603,597</u>	<u>4,652,027</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		84,260	28,360
Long-term provisions		169,733	104,978
Long-term borrowings	10	3,641,029	3,475,130
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>3,895,022</u>	<u>3,608,468</u>
<b>TOTAL LIABILITIES</b>		<u>6,498,619</u>	<u>8,260,495</u>
<b>NET ASSETS</b>		<u>93,381,355</u>	<u>94,129,319</u>
<b>EQUITY</b>			
Issued Capital	9	143,613,521	142,656,965
Reserves		13,145,386	12,823,425
Accumulated losses		(63,377,552)	(61,351,071)
<b>TOTAL EQUITY</b>		<u>93,381,355</u>	<u>94,129,319</u>

The accompanying notes form part of these financial statements.

**CARNEGIE WAVE ENERGY LIMITED**

**ABN 69 009 237 736**

**AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

<b>Group</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Option Reserve</b>	<b>Foreign Currency Reserve</b>	<b>Total</b>
<b>Balance at 1.7.2013</b>	132,968,498	(57,174,150)	10,173,184	81	85,967,613
<b><i>Transactions with owners in their capacity as owners</i></b>					
Share issue net of transaction costs	-	-	-	-	-
Conversion of convertible note	-	-	-	-	-
Equity portion of convertible note	-	-	482,108	-	482,108
Share based payment expense	-	-	1,983,425	-	1,983,425
<b><i>Comprehensive loss</i></b>					
Loss for the period	-	(2,963,309)	-	-	(2,963,309)
Other Comprehensive loss	-	-	-	124,405	124,405
<b>Balance at 31.12.2013</b>	132,968,498	(60,137,459)	12,638,717	124,486	85,594,242
<b>Balance at 1.7.2014</b>	<b>142,656,965</b>	<b>(61,351,071)</b>	<b>12,737,413</b>	<b>86,012</b>	<b>94,129,319</b>
<b><i>Transactions with owners in their capacity as owners</i></b>					
Share issue net of transaction costs	956,556	-	-	-	956,556
Conversion of convertible note	-	-	-	-	-
Equity portion of convertible note	-	-	-	-	-
Share based payment expense	-	-	409,336	-	409,336
<b><i>Comprehensive loss</i></b>					
Loss for the period		(2,026,481)			(2,026,481)
Other Comprehensive loss				(87,375)	(87,375)
<b>Balance at 31.12.2014</b>	143,613,521	(63,377,552)	13,146,749	(1,363)	93,381,355

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

		Group	
	Note	31.12.2014	31.12.2013
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		144,946	125,753
Interest paid		(5,115)	(8,199)
Payments to suppliers and employees		(4,183,930)	(3,023,772)
Receipts from R&D Tax Rebate		56,639	2,263,825
Receipts from government grants		528,760	5,585,260
Receipts from Royalties		654,101	-
Net cash provided by/(used in) operating activities		(2,804,599)	4,942,867
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for development of asset		(6,459,212)	(8,454,103)
Purchase of property, plant and equipment		(52,664)	(24,789)
Sale of property, plant and equipment		1,317	-
Net cash used in investing activities		(6,510,559)	(8,478,892)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from the issue of shares		300,000	-
Net proceeds from the issue of convertible notes		-	3,805,920
Net cash provided by financing activities		300,000	3,805,920
Net increase in cash and cash equivalents		(9,015,158)	269,895
<b>Cash and cash equivalents at beginning of the half year</b>		14,177,508	11,893,898
Effect of exchange rate fluctuations on cash held		(87,374)	124,405
<b>Cash and cash equivalents at end of the half year</b>	8	5,074,976	12,288,198

The accompanying notes form part of these financial statements.

**CARNEGIE WAVE ENERGY LIMITED**

**ABN 69 009 237 736**

**AND CONTROLLED ENTITIES**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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**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.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards

**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 2014 annual financial statements for the financial year ended 30 June 2014, 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 but will impact the 30 June 2015 annual financial statements.

**NOTE 2: ROYALTY INCOME**

As a result of activities prior to the development of the CETO technology, the company still holds a mining royalty with respect to a gold reserve in Western Australia. Under the royalty agreement the company receives a payment per ounce of gold extracted by third parties.

**NOTE 3: LOSS FOR THE PERIOD**

	Group	
	31.12.2014	31.12.2013
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Employee benefits expense	(488,615)	(274,709)
Share based payment expense	(409,336)	(1,983,425)
Finance costs	(296,362)	(73,757)

**NOTE 4: CONTINGENT LIABILITIES**

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**NOTE 5: 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 6: INTANGIBLE ASSETS**

	Group	
	31.12.2014	30.06.2014
	\$	\$
Acquisition cost of CETO Technology	55,989,877	55,989,877
Subsequent development expenditure – CETO Technology	59,380,146	52,575,895
LEED grant received	(9,424,590)	(8,967,417)
ERP grant received	(9,108,382)	(9,058,382)
AusIndustry grant received	(1,062,086)	(949,091)
R&D tax incentive	(7,394,549)	(3,431,222)
	<u>88,380,416</u>	<u>86,159,660</u>

**NOTE 7: TRADE AND OTHER RECEIVABLES**

	Group	
	31.12.2014	30.06.2014
	\$	\$
Consolidated Group		
<b>CURRENT</b>		
Trade receivables*	4,011,680	19,493
Prepayments	231,849	428,451
Accrued revenue	297,573	327,852
Other receivables	4,561	9,184
Security deposits	-	71,764
	<u>4,545,663</u>	<u>856,744</u>
<b>NON CURRENT</b>		
Prepayment	660,391	-
Security deposits	604,275	604,275
	<u>1,264,667</u>	<u>604,275</u>

\*Trade receivables at 31 December 2014 includes a Research and Development tax incentive of \$3,906,688 which was received on 29 January 2015.

**CARNEGIE WAVE ENERGY LIMITED**

**ABN 69 009 237 736**

**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**NOTE 8: CASH AND CASH EQUIVALENTS**

	Group	
	31.12.2014	30.06.2014
	\$	\$
Consolidated Group		
Cash on hand	313	681
Cash at bank	5,074,663	14,176,828
	<u>5,074,976</u>	<u>14,177,509</u>

**NOTE 9: ISSUED CAPITAL**

- (1) On 18 August 2014, 1,250,543 shares were issued to holders of Carnegie convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.048 per share.
- (2) On 10 November 2014, 10,000,000 shares were issued due to the exercise of 10,000,000 unlisted options expiring 27 November 2014 and exercisable at \$0.03 each.
- (3) On 18 November 2014, 1,123,935 shares were issued to holders of convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible notes announced on 18 November 2013. The shares had an effective issue price of \$0.053 per share.
- (4) On 31 December 2014, 10,000,000 shares were issued to the Clean Energy Finance Corporation under the terms of the debt facility announced on 19 March 2014. The shares had an effective issue price of \$0.054 per share.

**NOTE 10: BORROWINGS**

	Group	
	31.12.2014	30.06.2014
	\$	\$
Convertible note*	3,641,029	3,475,130

  

	Group	
	31.12.2014	30.06.2014
	\$	\$
Convertible note		
Balance at the beginning of the period	3,475,130	-
Placement of notes	-	4,000,000
Adjustment to equity	-	(506,693)
Conversion to equity	-	(43,625)
Unwinding of finance costs	165,899	194,944
Issue costs	-	(169,495)
	<u>3,641,029</u>	<u>3,475,130</u>

\*On the 18<sup>th</sup> November 2013, the Company completed a capital raising of \$4 million by issuing 4,000 Convertible Notes at an issue price of \$1,000 each ("Notes"). The Notes mature on 18 November 2015 and pay a non-cash quarterly coupon of 6% p.a.

Subsequent to the issue of the Notes, on the 19<sup>th</sup> March 2014 the Company signed a five year loan facility for up to \$20 million with the Australian Clean Energy Finance Corporation. As a result of this facility the terms of the Notes were modified to remove the Company's right to mandatory conversion to equity, to change the equity conversion price from 5.5 cents to 4.5 cents and to remove the Company's right to force redemption after 18 months.

**CARNEGIE WAVE ENERGY LIMITED**

**ABN 69 009 237 736**

**AND CONTROLLED ENTITIES**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**NOTE 10: BORROWINGS (CONT'D)**

No debt was drawn under the facility as at reporting date. Commitment Fees payable on the facility during the year of 2015 will be paid through the issue of shares.

**NOTE 11: EVENTS AFTER THE END OF THE INTERIM PERIOD**

The following events occurred after the end of the interim period:

- The Company officially opened the Perth Wave Energy Project on 18 February 2015.
- The Company received a Research and Development tax incentive cash rebate payment of \$3.9 million for the 2014 financial year.
- The Company received a quarterly royalty income payment of \$284,833 for the quarter ended 31 December 2014.
- The Company received a grant payment of \$91,408 under the LEED grant funding agreement for completion of milestone 9 of the Perth Wave Energy Project.
- The Company announced the installation of the second CETO 5 unit at the Perth Wave Energy Project.

**CARNEGIE WAVE ENERGY LIMITED**

**ABN 69 009 237 736**

**AND CONTROLLED ENTITIES**

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**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on page 5 to 12 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 2014 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 17<sup>th</sup> day of February 2015



**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF CARNEGIE WAVE ENERGY LTD**

**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 2014, 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 2014 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 2014 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, 17 February 2015