

CARNEGIE WAVE ENERGY LIMITED

APPENDIX 4D & INTERIM FINANCIAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2015

(previous corresponding period ending on 31 December 2014)

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 2015.



# 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 2015
<b>Previous Corresponding Reporting Period</b>	31 December 2014

### Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
<b>Revenue from Ordinary activities</b>	618,732	(28.46)%
<b>Profit / (loss) from ordinary activities after tax attributable to members</b>	(11,997,605)	467.57%
<b>Net profit / (loss) for the period attributable to members</b>	(11,997,605)	467.57%
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	nil	n/a
<b>Interim Dividend</b>	nil	n/a
<b>Record date for determining entitlements to the dividends (if any)</b>	n/a	
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		
<p>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 2015.</p>		

### 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

	Current Period	Previous Corresponding Period
<b>Net tangible asset backing per ordinary security (cents per share)</b>	0.74 cents	0.29 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%	(\$246)	(\$243)
Carnegie Recreational Watercraft Pty Ltd	100%	100%	(\$246)	(\$243)
CMA Nominees Pty Ltd	100%	100%	-	-
CETO IP Pty Ltd	100%	100%	-	-
CETO Wave Energy Ireland Limited	100%	100%	(\$4,291)	(\$86,816)
CETO Wave Energy UK Limited	100%	100%	(\$114,959)	(\$26,524)
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: AIDAN J. FLYNN  
 Company Secretary  
 Date: 29 February 2016

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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 2015**

**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 2015.

**Directors**

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

Mr Jeffrey Harding  
Dr Michael Edward Ottaviano  
Mr Kieran O'Brien  
Mr Michael Fitzpatrick  
Mr Grant Jonathan Mooney  
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 2015 after income tax was \$11,998,198 (2014: \$2,026,481 loss).

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

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**DIRECTORS' REPORT**

**Review of Operations**

- During the period to 31 December 2015, 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 projects. The developments in the CETO technology included:
- After achieving over 14,000 hours deployed over 12 months of operation, the targeted operational phase of the Perth Wave Energy Project (PWEP) was completed.
- All CETO 5 units were safely retrieved and brought back to shore for inspection and decommissioning.
- Carnegie produced the world's first wave powered desalinated water.
- CETO 6 concept design milestone has been completed.
- The offshore geophysical and environmental site surveys for CETO 6 were completed.
- Carnegie identified and announced the benefits of integrating CETO technology into a mix of renewable technologies such as solar and wind as well as battery storage, desalination and existing diesel and control systems.
- Carnegie announced the Garden Island Microgrid project (GIMG) which will be the first wave integrated renewable microgrid project delivering both electricity and desalinated water.

Carnegie also took significant commercial steps forward including:

- Received a \$12 million Research and Development Tax cash rebate net of future recoupment taxes from the Australian Tax Office.
- Awarded \$800,000 in funding from the Australian Government (in partnership with the Mauritian Government) for the study and design of projects focused on renewable energy microgrids.
- Completed an oversubscribed \$7.5 million capital raise to be used for the commercialisation of CETO technology and microgrid development.
- Received two Government grant milestone payments from the Australian Renewable Energy Agency (ARENA) for the Perth Wave Energy Project (PWEP) bringing total funding draw down to \$20.6 million for the PWEP.
- Received a \$200,000 milestone payment from ARENA for the completion of the CETO 6 concept design.
- Signed an MoU with Western Power to deliver a world first wave-integrated renewable microgrid project.
- Signed MoUs with both governments of Mauritius and the Seychelles to collaborate on wave energy and island microgrid projects.
- Signed a new \$21 million loan facility agreement with the Commonwealth Bank of Australia.

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

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**DIRECTORS' REPORT**

- Won the Banksia Foundation's Innovator of the Year Award, the Australian's Innovation Challenge in the minerals and energy category and received an innovation award from Clean Energy Council.
- Named among Business Review Weekly's (BRW) Top 50 innovative companies.
- Received \$0.6 million in gold royalty payments.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2015.

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



**MICHAEL OTTAVIANO**  
**Managing Director**

***Dated this 29<sup>th</sup> day of February 2016***

**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 2015, 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****CYRUS PATELL**

Partner

Signed at Perth, 29 February 2016

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2015**

	Note	Group	
		31.12.2015	31.12.2014
		\$	\$
<b>Revenue</b>			
Sales revenue	2	19,675	-
Royalty income	2	499,357	637,558
Other income		99,700	227,364
<b>Expenses</b>			
Depreciation expense		(58,634)	(54,160)
Occupancy expenses		(171,104)	(169,175)
Consultancy expenses		(102,040)	(132,082)
Research expenses		(91,531)	(123,735)
Employee and Director expenses		(1,432,872)	(1,042,141)
Share based payments		(299,906)	(409,336)
Finance costs		(1,218,489)	(296,362)
Impairment of Intangible asset		(7,818,030)	-
Company secretarial expenses		(48,000)	(48,000)
Administrative expenses		(1,366,189)	(598,265)
Other expenses from ordinary activities		(10,135)	(18,147)
<b>Loss before income tax</b>		<u>(11,998,198)</u>	<u>(2,026,481)</u>
Income tax expense		-	-
<b>Loss for the period</b>	3	<u>(11,998,198)</u>	<u>(2,026,481)</u>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign currencies and foreign controlled entities		593	(87,375)
Income tax relating to components of other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<u>(11,997,605)</u>	<u>(2,113,856)</u>
Loss attributable to:			
Members of the parent entity		<u>(11,998,198)</u>	<u>(2,026,481)</u>
		<u>(11,998,198)</u>	<u>(2,026,481)</u>
Total comprehensive loss attributable to:			
Members of the parent entity		<u>(11,997,605)</u>	<u>(2,113,856)</u>
		<u>(11,997,605)</u>	<u>(2,113,856)</u>
<b>Loss per share</b>			
Basic loss per share (cents)		(0.666)	(0.116)
Diluted loss per share (cents)		(0.666)	(0.116)

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 2015**

	Note	Group	
		31.12.2015	30.06.2015
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	16,574,432	4,724,794
Trade and other receivables	7	974,139	1,621,009
Other assets		23,289	57,807
<b>TOTAL CURRENT ASSETS</b>		17,571,860	6,403,610
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	11,000	351,017
Available for sale financial assets		12,414	12,414
Other financial assets	8	3,690,000	-
Property, plant and equipment		442,909	402,488
Intangible assets	6	74,014,535	90,102,248
Other non-current assets		60,173	153,290
<b>TOTAL NON-CURRENT ASSETS</b>		78,231,031	91,021,457
<b>TOTAL ASSETS</b>		95,802,891	97,425,067
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,261,861	979,297
Short term provisions		366,929	369,135
<b>TOTAL CURRENT LIABILITIES</b>		3,628,790	1,348,432
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		34,395	47,252
Long-term provisions		256,867	229,155
Long-term borrowings	11	3,331,706	3,561,081
<b>TOTAL NON-CURRENT LIABILITIES</b>		3,622,968	3,837,488
<b>TOTAL LIABILITIES</b>		7,251,758	5,185,920
<b>NET ASSETS</b>		88,551,133	92,239,147
<b>EQUITY</b>			
Issued Capital	10	152,570,555	144,940,603
Reserves		3,662,214	7,863,814
Accumulated losses		(67,681,636)	(60,565,270)
<b>TOTAL EQUITY</b>		88,551,133	92,239,147

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 2015**

Group	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Reserve	Total
<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>	<b>143,613,521</b>	<b>(63,377,552)</b>	<b>13,146,749</b>	<b>(1,363)</b>	<b>93,381,355</b>
<b>Balance at 1.7.2015</b>	<b>144,940,603</b>	<b>(60,565,270)</b>	<b>7,862,134</b>	<b>1,680</b>	<b>92,239,147</b>
<b><i>Transactions with owners in their capacity as owners</i></b>					
Share issue net of transaction costs	7,629,952	-	-	-	7,629,952
Conversion of convertible note	-	-	-	-	-
Equity portion of convertible note	-	-	379,733	-	379,733
Share based payment expense	-	-	299,906	-	299,906
Share based payment expired unexercised	-	4,881,832	(4,881,832)	-	-
<b><i>Comprehensive loss</i></b>					
Loss for the period		(11,998,198)			(11,998,198)
Other Comprehensive loss				593	593
<b>Balance at 31.12.2015</b>	<b>152,570,555</b>	<b>(67,681,637)</b>	<b>3,659,941</b>	<b>2,273</b>	<b>88,551,133</b>

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 2015**

	Note	31.12.2015	31.12.2014
		\$	\$
<b>Group</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		107,902	144,946
Interest paid		(8,195)	(5,115)
Payments to suppliers and employees		(4,581,831)	(4,183,930)
Receipts from R&D Tax Rebate		14,049,871	56,639
Receipts from government grants		66,537	528,760
Receipts from Royalties		606,139	654,101
		10,240,423	(2,804,599)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for development of asset		(2,206,997)	(6,459,212)
Purchase of property, plant and equipment		(15,871)	(52,664)
Sale of property, plant and equipment		690	1,317
Payments for purchase of financial assets		(3,690,000)	-
		(5,912,178)	(6,510,559)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from the issue of shares		7,518,606	300,000
Net proceeds from the issue of convertible notes		-	-
		7,518,606	300,000
Net increase/(decrease) in cash and cash equivalents		11,846,851	(9,015,158)
<b>Cash and cash equivalents at beginning of the half year</b>		4,724,794	14,177,508
Effect of exchange rate fluctuations on cash held		2,787	(87,374)
<b>Cash and cash equivalents at end of the half year</b>	9	16,574,432	5,074,976

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 2015**

**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 2015 annual financial statements for the financial year ended 30 June 2015, 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 did not have any significant impact on the financial performance or position of the consolidated entity.

**NOTE 2: INCOME**

**SALES REVENUE**

As a result of activities for the development of integrated renewable energy and desalination systems on remote islands.

**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 deposit in Western Australia. Under the royalty agreement the Company receives a payment per ounce of gold extracted by third parties. Holding the royalty has no cost to the Company.

**NOTE 3: LOSS FOR THE PERIOD**

	Group	
	31.12.2015	31.12.2014
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Employee benefits expense	(1,432,872)	(1,042,141)
Share based payment expense	(299,906)	(409,336)
Finance costs	(1,218,489)	(296,362)

**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 2015**

**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**

The recoverable amount of the CETO Technology is based on 'value in use' as defined under AASB 136: Impairment of Assets, which has been estimated at the reporting date to have a lower value than its carrying value of \$82 million, accordingly a non-cash impairment loss of \$7.8m has been recognised. The impairment was due primarily to uncertainty in the wave energy industry around the build out rate of wave energy projects globally. The impairment represents approximately 6% of the gross expenditure incurred on the CETO technology to date. Any future reversal of this impairment loss will be undertaken in accordance with the requirements of AASB 136 – Impairment of Assets.

Value in use was determined by discounting the forecasted future net cash flows generated from the sale of the CETO Technology. Although market forecasts deal with a wave energy market going out to 2050 and beyond, the cash flows are analysed only over a 25 year period approved by management for the years from 2016 to 2040. The period is chosen because it consistent with the long term value of a new infrastructure technology and is consistent with comparable energy industry project lives.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The calculation of the value in use is based on the following key assumptions;

- The Company will earn a profit margin based as a percentage of the manufacturing cost of CETO units sold;
- Payment for CETO units will be received in advance of commissioning;
- Forecast sales are based on a specific market share of the world's wave energy capacity annually to 2040;
- The Consolidated Group will have access to sufficient funding to complete the CETO Development through to commercialisation; and
- A post-tax discount rate adjusted to incorporate risks associated with commercialising a wave energy technology of 20.2%.

	Group	
	31.12.2015	30.06.2015
	\$	\$
Initial acquisition cost of CETO Technology – 2009	55,989,877	55,989,877
Subsequent development expenditure – CETO Technology	68,917,702	64,794,474
	124,907,579	120,784,351
Impairment	(7,818,030)	-
LEED grant received	(9,959,066)	(9,959,066)
ERP grants received	(12,190,340)	(12,123,803)
AusIndustry grant received	(1,204,684)	(1,204,684)
R&D tax incentive	(19,720,924)	(7,394,550)
	(50,893,044)	(30,682,103)
	74,014,535	90,102,248

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 7: TRADE AND OTHER RECEIVABLES	Group	
	31.12.2015	30.06.2015
	\$	\$
<b>CURRENT</b>		
Trade receivables	23,012	384
Prepayments	129,046	627,902
Accrued revenue	282,008	380,160
Other receivables	135,798	8,288
Security deposits	404,275	604,275
	974,139	1,621,009
<b>NON CURRENT</b>		
Prepayments	11,000	351,017

**NOTE 8: OTHER FINANCIAL ASSETS**

Other financial assets consist of amounts held under guarantee for the repayment of 3,690 outstanding Convertible Notes at an issue price of \$1,000 each ("Notes") issued on 18 November 2013. The Notes are due to mature on 17 November 2017 if they do not convert to equity prior to this date. The Notes may be converted to equity at any time at the discretion of the Note holder.

NOTE 9: CASH AND CASH EQUIVALENTS	Group	
Consolidated Group	31.12.2015	30.06.2015
	\$	\$
Cash on hand	691	222
Cash at bank	16,573,741	4,724,572
	16,574,432	4,724,794

**NOTE 10: ISSUED CAPITAL**

- (1) On 1 September 2015, 1,123,470 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 \$0.05 per share.
- (2) On 20 November 2015, 4,545,455 shares were issued to the Clean Energy Finance Corporation as a termination fee as a result of the refinancing of the company's loan facility to the Commonwealth Bank of Australia. The shares had an effective issue price of \$0.044 per share.
- (3) On 27 November 2015, the Company raised \$1,059,030 by issuing 25,215,000 ordinary shares in a private placement to sophisticated investors at an issue price of \$0.042 per share.
- (4) On 27 November 2015, the Company raised \$6,513,012 by issuing 155,071,714 ordinary shares pursuant to a Share Purchase Plan to existing shareholders at an issue price of \$0.042 per share.
- (5) On 27 November 2015, 1,204,945 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 Notes announced on 18 November 2013. The shares had an effective issue price of \$0.046 per share. This was the final coupon paid on the Convertible Notes.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

NOTE 11: BORROWINGS	Group	
	31.12.2015	30.06.2015
	\$	\$
Convertible Note*	3,331,706	3,561,081
	Group	
Convertible Note	31.12.2015	30.06.2015
	\$	\$
Balance at the beginning of the period	3,561,081	3,475,130
Placement of notes	-	-
Adjustment to equity	(379,733)	-
Conversion to equity	-	(239,663)
Unwinding of finance costs	150,358	325,614
Issue costs	-	-
	3,331,706	3,561,081

\*On 18 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"). As at the reporting date there are 3,690 Notes on issue which mature on 17 November 2017. No coupon is payable on the Notes from 17 November 2015. The Notes may be converted to equity at any time at the discretion of the Note holder.

On 19 November 2015, the Company signed a five year loan facility for \$21 million with the Commonwealth Bank of Australia which replaces the previous \$20 million loan facility with the Clean Energy Finance Corporation. This will provide funding required for the next stage of CETO technology development and commercialisation and part financing for the Garden Island Microgrid project.

No debt was drawn under the Commonwealth Bank of Australia loan facility as at reporting date. Commitment Fees payable on the facility during the agreement will be paid in cash.

**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 6 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 2015 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 29<sup>th</sup> day of February 2016

## **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 2015, 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 2015 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 2015 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**



**CYRUS PATELL**  
Partner

Signed at Perth, 29 February 2016