ASX ANNOUNCEMENT

30 August 2018

Preliminary Financial Report

Carnegie Clean Energy Limited (ASX:CCE) today released its Appendix 4E and Preliminary Financial Report. Audited financial results will be released in September 2018. The results released today include non-cash write downs of the intangible value of the CETO intellectual property of $35 million and in the value of intangibles associated with the Energy Made Clean (EMC) business of $12 million (goodwill and intellectual property).

This carrying value of the CETO intellectual property is tested each six months by an independent accounting firm. For the financial year 2018, the valuation methodology utilised by the independent accounting firm was changed from a discounted cashflow to a relief from royalty method impacting the carrying value. Carnegie's Board of Directors approved the adoption of the new intangible carrying value viewing it as prudent in light of the increasing cost competitiveness of alternative renewable energy technologies, particularly wind and solar, and the recent reduction in the market capitalisation of Carnegie.

The successful commercialisation of the CETO wave energy retains its material potential upside, particularly under a scenario where the majority of the world's power in the future is to be sourced from renewable energy. Carnegie will use its 100% ownership in the Garden Island Microgrid and 50% ownership of the Northam Solar Farm, along with its cash on hand to support CETO commercialisation going forward. Carnegie will also retain access to the R&D tax incentive refund program to support CETO as a result of the EMC transaction.

Separately, the EMC business recorded a pre-consolidation operating loss of $7 million on growing revenues of $15 million ($10 million H2 2018 versus $5 million H1 2018).

The take up of utility renewable energy systems in Western Australia and off-grid nationally has been slower than was anticipated at the time of the EMC acquisition, and system pricing has been more competitive. Separately, corporate consolidation in the off-grid and fringe of grid sector is underway and it will be increasingly difficult for small companies to compete. With the impending completion of the 2020 Renewable Energy Target and the continued uncertainty surrounding any replacement policy, it is likely that State-based renewables policy (currently in Victoria, South Australia and Queensland) will drive investment for the foreseeable future. Additionally, the ongoing subsidisation of diesel power generation in remote areas by the Federal Government is slowing the uptake of off-grid, renewables based microgrids which are otherwise capable of providing cheaper, cleaner and more reliable power than diesel power stations alone.

The merger of EMC and Tag (MPower) businesses should deliver a business of sufficient scale and liquidity to unlock significant value for Carnegie and Tag shareholders going forward. With a pro forma 2018 revenue base in excess of $50 million, the combined MPower/EMC business will be a leading specialist renewable energy microgrid in Australia and regionally. The combined EMC/MPower business will require further working capital funding to meet the ongoing expansion and working capital requirements of the business as well as development capital for build, own and operate (BOO) projects, however a larger scale business is likely to source this capital more readily and cheaply, and better withstand the uncertainties of renewable energy policy. By separating out the EMC business, Carnegie also removes approximately $6 million in annual administrative and overhead/unrecovered direct costs from its business.

As the completion of the EMC/MPower transaction nears, Carnegie shareholders retain their shares in Carnegie which will continue commercialising its leading CETO wave energy technology and to pursue growth from a reset base, as well as owning shares in a larger scale, regional, microgrid and renewable leader in MPower.

Michael Ottaviano
Chief Executive Officer & Managing Director

APPENDIX 4E

Preliminary Unaudited Financial Report to the Australian Securities Exchange

Name of Entity	Carnegie Clean Energy Limited
ABN	69 009 237 736
Financial Year Ended	30 June 2018
Previous Corresponding Reporting Period	30 June 2017

Results for Announcement to the Market

	$	Percentage increase / (decrease) over previous corresponding period
Revenue from Ordinary activities	9,834,956	202.97%
Profit / (loss) from ordinary activities after tax attributable to members	(64,081,270)	445.55%
Net profit / (loss) for the period attributable to members	(64,081,270)	445.5%

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:

Revenue includes those from the Energy Made Clean Group (EMC), disclosed under "loss after tax for the year from discontinued operations" in the Statement of Profit and Loss of the preliminary unaudited financial statements.

The Directors do not intend to declare a dividend as no profit was made during the year ended 30 June 2018. No dividends were paid during the financial year.

Dividends

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

Net Tangible Asset Backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security (cents per share)	0.37	0.63

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

The carrying value of the CETO intellectual property is tested each six (6) months by an independent accounting firm. For the financial year 2018, the valuation methodology utilised by the independent accounting firm was changed from a '*discounted cashflow*' method to a '*relief from royalty*' method impacting the carrying value. This has resulted in a reduction in the carrying value of the CETO IP by $34.9 million to a carrying value at year-end of $49.9 million.

Commentary on the Results for the Period

The earnings per security and the nature of any dilution aspects:
During the 2018 financial year, the Consolidated Group took significant steps to advance and restructure its business including:

- Continued progress of the CETO technology including the higher capacity and efficiency multi-moored CETO 6 technology and the securing of $15.75m in Western Australian State Government funding and the transfer of $11.7m in ARENA funding for the Albany Wave Energy Project;

- Advancing the 10MW solar project at Northam in Western Australia including Development Approval, signing of EPC contract with the EMC/Lendlease JV, reaching financial close securing all equity and debt required for the project and the commencement of construction.

- Advancing the 2MW solar and 2MW/0.5MWh Garden Island Microgrid project in Western Australia including all approvals, financing with CCE equity and ARENA funding, signing of EPC contract with EMC, and the commencement of construction.

- Securing material solar and/or battery EPC contract wins through the EMC/Lendlease JV including the 5MW solar PV project for the Newcastle City Council in NSW and the 5MW/4.5MWh battery (BESS) for Western Power at Kalbarri in Western Australia.

- The delivery of a number of solar, battery and microgrid systems including the CSIRO Pathfinder solar/battery microgrid in Western Australia and the RAF Delamere Weapons Range Base in Northern Territory.

Despite record revenues of $9,834,956 for the Group (on a consolidated basis), the loss for the 12 months to 30 June 2018 has increased to $64,081,270 from the prior period loss of $14,382,638. This is primarily due to the impairment of the CETO IP by $34,934,267 and write-downs of EMC's goodwill by $8,868,092 and other intangibles by $3,623,698. The balance includes expenses of $12,084,605 cost of goods sold, $1,783,158 fair value adjustment relating to convertible notes, $13,000,473 of operating expenses, offset by a tax gain of $378,067 relating to a prior year R&D rebate for EMC.

Returns to shareholders including distributions and buy backs:

n/a

Significant features of operating performance:

The Company recognised an impairment of the CETO IP of $34,934,267, due to a change in valuation methodology, and write-downs to EMC's goodwill by $8,868,092 and other intangibles by $3,623,698 as a result of the announced transaction with Tag Pacific Limited (ASX:TAG) to acquire the business of EMC.

The results of segments that are significant to an understanding of the business as a whole:

The segment losses after tax for the year were:

- $42,128,977 for the CETO wave energy technology segment (CETO); and
- $21,109,896 for the solar and battery engineering, procurement and construction ("EPC") segment (EMC);

including impairment of intangible assets. Segment losses exclude consolidation adjustments and income and expenses that are managed on a group basis and are not allocated to operating segments.

Excluding impairments and write-offs, the losses were $7,194,710 and $8,255,978 for CETO and EMC respectively.

Discussion of trends in performance:

The 2018 financial year saw Carnegie reposition its business to separate its wave and solar/battery/microgrid divisions to capture greater value for shareholders going forward. The announced transaction with ASX-listed Tag Pacific Limited delivers immediate scale benefits to EMC to create one of the region's largest, specialist EPC and Build, Own, Operate (BOO) specialists in the rapidly growing off-grid and fringe-of-grid solar, battery and microgrid markets. It also removes the need for Carnegie to fund EMC going forward and to preserve its access to the R&D tax incentive program. Carnegie's focus will remain on the commercialisation of its leading CETO wave energy technology.

Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

n/a

Entities purchased/sold during the last financial year

Name of Entity	Date Control Gain/Lost	Details
EMC Kimberley Pty Ltd	Gain: February 2018	The Consolidated Group acquired a 50% interest in EMC Kimberley (EMCK) in 2016. On 7 February 2018, the Consolidated Group acquired the remaining 50% of EMCK for nil consideration. A condition precent of the transaction is that Carnegie will commence winding up of EMCK.

Investments in Associates and Joint Ventures

Name	% Holding	Contribution to Profits / (Loss)	
		2018	2017
Energy Made Clean (EMC) Group	35%*	-	(578,981)
EMC Kimberley Pty Ltd	50%**	-	(100)

*35% interest held until 1 December 2016. From 2 December 2016 EMC was 100% owned and was no longer treated as an associate.

**50% interest held from 2 December 2016 as part of the acquisition of EMC. From 7 February 2018 EMC Kimberley was 100% owned and was no longer treated as an associate.

Associates report according to AIFRS.

Audit/Review Status

This report is based on accounts to which one of the following applies: (Mark with “YES” or “NO”)

The accounts have been audited	No	The accounts have been subject to review	No
The accounts are in the process of being audited or subject to review	Yes	The accounts have not yet been audited or reviewed	Yes

This report is based on financial accounts for the year ended 30 June 2018 which are in the process of being audited. There are no disputes or qualification to the financial accounts that the Board is aware of.

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

N/A

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:

N/A

Attachments forming part of Appendix 4E

Attachment #	Details
1	Preliminary final report for the year ended 30 June 2018 (unaudited)

Print name: Dr Michael Ottaviano

Chief Executive Officer & Managing Director
Date: 30 August 2018

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

PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2018

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group 2018 $	2017 $
Continuing operations			
Revenue			
Sales revenue	1	90,773	-
Royalty income	1	-	452,591
Net loss on derivatives not designated as hedging instruments	13	(8,300)	-
Net gain on financial instruments at fair value through profit and loss		428,669	250,343
Other income	1	155,349	123,692
		666,491	826,626
Cost Of Goods Sold			
Cost of sales - solar, battery energy storage systems, & microgrids	10	-	-
Gross Profit/(Loss)		666,491	826,626
Expenses			
Consultancy expenses		(336,684)	(19,915)
Company secretarial expenses		(63,000)	(96,000)
Depreciation and amortisation expense	2	(116,270)	(122,854)
Employee and Directors expenses		(3,078,990)	(3,222,792)
Employee Share based payments		(3,352)	(131,583)
Fair value of additional shares and options issued	5(a)	(1,783,158)	-
Finance costs		(1,018,828)	(707,561)
Impairment of CETO IP	4(a)	(34,934,267)	-
Occupancy expense		(570,046)	(391,212)
Research expenses		(79,380)	(706,241)
Write-off of goodwill	4(c)	(8,868,092)	-
Write-off of intangibles	4(b)	(3,623,698)	-
Administrative expenses		(1,321,087)	(1,589,960)
Other expenses from ordinary activities		(4,318)	(16,374)
Loss before income tax		(55,134,679)	(6,177,866)
Income tax benefit/(expense)		-	-
Loss for the year from continuing operations		(55,134,679)	(6,177,866)
Discontinued operations			
Loss after tax for the year from discontinued operations	12	(8,946,591)	(8,204,772)
Loss for the year		(64,081,270)	(14,382,638)
Other comprehensive income			
Exchange differences on translating foreign controlled entities and foreign currencies		(43,358)	5,488
Income tax relating to components of other comprehensive income		-	-
Total comprehensive loss for the year		(64,124,628)	(14,377,150)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2018 (CONTINUED)

	Note	Consolidated Group 2018 $	2017 $
Loss attributable to:			
Members of the parent entity		(64,081,270)	(14,382,638)
Total comprehensive loss attributable to:			
Members of the parent entity		(64,124,628)	(14,377,150)
Earnings per share			
Basic loss per share (cents per share)	3	(2.388)	(0.647)
Diluted loss per share (cents per share)	3	(2.388)	(0.647)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
CURRENT ASSETS			
Cash and cash equivalents		5,898,403	16,202,143
Trade and other receivables		4,796,139	6,735,661
Derivatives	13	9,750	-
Inventories	10	2,808	1,389,218
Other assets		-	3,278
		10,707,100	24,330,300
Assets held for sale	11	3,578,176	-
TOTAL CURRENT ASSETS		14,285,276	24,330,300
NON-CURRENT ASSETS			
Trade and other receivables		778,835	575,182
Available for sale financial assets		12,414	12,414
Investment accounted for using the equity method	8	-	-
Property, plant and equipment		13,719,327	6,501,304
Intangibles	4	49,900,000	96,644,810
TOTAL NON-CURRENT ASSETS		64,410,576	103,733,710
TOTAL ASSETS		78,695,852	128,064,010
CURRENT LIABILITIES			
Trade and other payables		4,981,567	6,044,754
Short-term provisions		1,247,464	728,878
Short-term borrowings	5	722,827	2,785,468
		6,951,858	9,559,100
Liabilities directly associated with assets held for sale		2,568,023	-
TOTAL CURRENT LIABILITIES		9,519,881	9,559,100
NON-CURRENT LIABILITIES			
Trade and other payables		64,576	570,819
Derivatives	13	18,050	-
Long-term provision		512,523	273,399
Long-term borrowings	5	8,087,047	4,733,715
TOTAL NON-CURRENT LIABILITIES		8,682,196	5,577,933
TOTAL LIABILITIES		18,202,077	15,137,033
NET ASSETS		60,493,775	112,926,977

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 (CONTINUED)

	Note	Consolidated Group	
		2018	2017
		$	$
EQUITY			
Issued capital		196,060,984	185,212,910
Reserves		2,974,254	2,913,540
Accumulated losses		(138,541,463)	(75,199,473)
TOTAL EQUITY		60,493,775	112,926,977

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2018

Consolidated Group	Note	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Option Reserve	Total
Balance at 1.7.2016		154,019,255	(62,032,825)	2,167	3,958,179	95,946,776
Comprehensive loss						
Loss for the year		-	(14,382,638)	-	-	(14,382,638)
Other comprehensive income		-	-	5,488	-	5,488
Total comprehensive loss for the year		-	(14,382,638)	5,488	-	(14,377,150)
Transactions with owners						
Share capital issued during the year		31,554,230	-	-	-	31,554,230
Capital raising costs		(360,575)	-	-	-	(360,575)
Equity portion of convertible notes		-	-	-	32,113	32,113
Transfer of equity portion of convertible note on exercise		-	668,977	-	(668,977)	-
Share based payment expense		-	-	-	131,583	131,583
Share based payment expired unexercised and exercised		-	547,013	-	(547,013)	-
Total transactions with owners		31,193,655	1,215,990	-	(1,052,294)	31,357,351
Balance at 30.6.2017		**185,212,910**	**(75,199,473)**	**7,655**	**2,905,885**	**112,926,977**
Balance at 1.7.2017		185,212,910	(75,199,473)	7,655	2,905,885	112,926,977
Comprehensive loss						
Loss for the year		-	(64,081,270)	-	-	(64,081,270)
Other comprehensive income		-	-	(43,358)	-	(43,358)
Total comprehensive loss for the year		-	(64,081,270)	(43,358)	-	(64,124,628)
Transactions with owners						
Share capital issued during the year		11,127,443	-	-	-	11,127,443
Capital raising costs		(279,369)	-	-	-	(279,369)
Options issued during the year		-	-	-	840,000	840,000
Share based payment expense		-	-	-	3,352	3,352
Share based payment expired unexercised and exercised		-	739,280	-	(739,280)	-
Total transactions with owners		10,848,074	739,280	-	104,072	11,691,426
Balance at 30.6.2018		**196,060,984**	**(138,541,463)**	**(35,703)**	**3,009,957**	**60,493,775**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,376,008	10,542,486
Receipts from Royalties		-	677,918
Interest received		130,067	141,994
Interest paid		(502,048)	(265,704)
Payments to suppliers and employees		(30,518,556)	(25,230,105)
Receipts from R&D Tax Rebate		2,648,408	3,142,973
Receipts from Government grant funding		1,704,913	1,847,436
Net cash (used in)/provided by operating activities		(15,161,208)	(9,143,002)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development of asset		(2,996,854)	(3,296,547)
Purchase of property, plant and equipment		(558,107)	(6,280,359)
Proceeds from sale of property, plant and equipment		760,741	818
Payments for purchase of financial assets		-	3,690,000
Net proceeds from acquisition of subsidiaries	9	807,274	264,313
Payments for investment		-	-
Net cash (used in) investing activities		(1,986,946)	(5,621,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		5,004,916	18,417,940
Net proceeds from issue of convertible notes		-	4,873,684
Net proceeds from borrowings		4,423,305	-
Repayment of borrowings		-	(527,762)
Net cash provided by financing activities		9,428,221	22,763,861
Net (decrease)/increase in cash held		(7,719,933)	7,999,085
Cash and cash equivalents at beginning of financial year		16,202,143	8,200,500
Cash disclosed as assets held for distribution		(2,538,127)	-
Effect of exchange rate fluctuations on cash held		(45,680)	2,558
Cash and cash equivalents at end of financial year		5,898,403	16,202,143

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: REVENUE AND OTHER INCOME

	Notes	Consolidated Group 2018(i) $	2017 $
Sales revenue			
Other revenue		90,773	-
		90,773	-
Royalty income	(ii)	-	452,591
Other income			
Interest income		87,898	157,942
Gain on property, plant and equipment sale		192	869
Realised gain/(loss) on foreign exchange		67,259	(35,119)
		155,349	123,692

i. Results for the year ended 30 June 2018 excludes discontinued operations (refer to Note 12).

ii. The Group holds a mining royalty with respect to a gold deposit in Western Australia. Under the royalty agreement, the Group receives a payment per ounce of gold extracted by third parties. The past and any future royalty income stream requires no expenditure or resources by the Company. Mining operations related to the royalty were suspended as of 1 January 2017.

NOTE 2: LOSS FOR THE YEAR

The following expense items are relevant in explaining the financial performance for the reporting year:	Notes	Consolidated Group 2018(i) $	2017 $
Depreciation – property, plant and equipment		116,270	122,854
		116,270	122,854

i. Results for the year ended 30 June 2018 exclude discontinued operations (refer to Note 12).

NOTE 3: EARNINGS PER SHARE

	Consolidated Group	
	2018	**2017**
Basic loss per share (cents per share)	(2.388)	(0.647)
Diluted loss per share (cents per share)	(2.388)	(0.647)

		Consolidated Group	
		2018	**2017**
(a)	*Reconciliation of earning to Net Loss*	**$**	**$**
	Loss used in the calculation of basic EPS	(64,081,270)	(6,349,387)
	Loss used in the calculation of diluted EPS	(64,081,270)	(6,349,387)

		Consolidated Group	
		2018	**2017**
(b)	Weighted average number of ordinary shares used in calculation of weighted average earnings per share	2,683,572,635	2,223,789,062

As at 30 June 2017 and 30 June 2018, the outstanding options were not dilutive as the weighted average exercise price of the options were higher than the weighted average share price for the year.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 4: INTANGIBLE ASSETS

	Consolidated Group	
	2018	**2017**
	$	**$**
CETO technology development asset	49,900,000	83,041,247
Microgrid/battery technology development assets	-	4,735,471
Goodwill	-	8,868,092
	49,900,900	96,644,810

NOTE 4: INTANGIBLE ASSETS (CONTINUED)

Intangible assets can be broken down as follows:

a) Intangibles – CETO technology development asset

	Consolidated Group	
	2018	**2017**
	$	**$**
Initial acquisition cost of CETO Technology – 2009	55,989,877	55,989,877
Subsequent development expenditure – CETO Technology	78,595,834	72,301,647
Grants and R&D tax incentives received	(51,544,464)	(44,293,459)
Balance as at 1 July	83,041,247	83,998,065
Movements for year ended 30 June		
Subsequent development expenditure – CETO Technology	3,323,625	6,294,186
Other grants received	(104,912)	(1,847,436)
R&D tax incentive	(1,425,693)	(5,403,568)
Impairment	(34,934,267)	-
Balance as at 30 June	49,900,000	83,041,247

b) Intangibles – Microgrid/battery technology development assets

	Consolidated Group	
	2018	**2017**
	$	**$**
Opening balance	4,735,471	-
Acquisition of Energy Made Clean Group (refer to Note 9)	-	5,847,244
Amortisation	(1,111,773)	(1,111,773)
Write-off*	(3,623,698)	-
	-	4,735,471

* Management has assessed the net realisable value of the microgrid/battery technology development assets, relating to intellectual property and know-how developed by the Energy Made Clean Group, as having a nil recoverable value. This is consistent with Management's knowledge from actively pursuing the sale of assets related to Energy Made Clean (refer to Note 11), where no additional value has been offered for these intangible assets.

NOTE 4: INTANGIBLE ASSETS (CONTINUED)

c) *Intangibles – Goodwill*

The carrying amount of goodwill acquired on the acquisition of Energy Made Clean (refer to Note 9) is allocated to the following cash-generating units:

	Consolidated Group	
	2018	**2017**
	$	**$**
CETO wave energy technology	4,434,046	4,434,046
Solar & battery engineering, procurement, and construction	4,434,046	4,434,046
Write-off*	(8,868,092)	-
	-	8,868,092

* Management has assessed the net realisable value of the Energy Made Clean related goodwill as having a nil recoverable value and consequently have written-off the assets to nil. This is consistent with Management's knowledge from actively pursuing the sale of assets related to Energy Made Clean (refer to Note 11).

NOTE 5: BORROWINGS

	Consolidated Group	
Current	**2018**	**2017**
	$	**$**
Convertible notes	-	2,785,468
Senior loan facility	722,827	-
	722,827	2,785,468

	Consolidated Group	
Non-Current	**2018**	**2017**
	$	**$**
Convertible notes	4,337,047	4,733,715
Senior loan facility	3,750,000	-
	8,087,047	4,733,715

NOTE 5: BORROWINGS (CONTINUED)

Borrowings can be broken down as follows:

a. Convertible notes

	Consolidated Group	
	2018	**2017**
	$	**$**
CURRENT		
Carnegie convertible notes (i)	-	2,785,468
	-	2,785,468
NON-CURRENT		
EMC convertible notes (ii)	4,337,047	4,733,715
Non-current	4,337,047	4,733,715

	Consolidated Group	
	2018	**2017**
	$	**$**
Convertible Notes		
Balance at the beginning of the period	7,519,183	3,423,034
Placement of new convertible notes (ii)	-	5,000,000
Equity component of convertible notes	-	(32,113)
Conversion to equity during the period (i)	(3,300,000)	(890,000)
Unwinding of finance costs	117,864	144,578
Issue costs (ii)	-	(126,316)
	4,337,047	7,519,183

i. On 18 November 2013, the Company completed a capital raising of $4.0 million by issuing 4,000 unlisted Convertible Notes at an issue price of $1,000 each ("Senior Notes"). Other financial assets as at 30 June 2016 consisted of amounts held under guarantee for the repayment of 3,690 outstanding Senior Notes (Totalling $3,690,000). These Senior Notes were cancelled and reissued on 17 November 2016 such that they no longer require amounts held under guarantee. The reissued notes have an 8.0% coupon rate (original notes: 0%) and a 3.8 cents conversion price convertible to equity at any time at the discretion of the Senior Note holder.

In October 2017, Carnegie announced that it had entered into a Partnership Agreement with Bookitja Pty Ltd and Indigenous Business Australia (IBA) as co-equity investors in relation to the 10MW Northam Solar Farm Project. As part of this arrangement, Carnegie signed a term sheet for a $7.5 million construction debt facility for the Northam Solar Farm Project. The facility is provided by Asymmetric Credit Partners Pty Ltd, who were one of the existing convertible note holders. In order to secure the construction debt facility, Carnegie undertook a debt restructure whereby:

- the existing $2.8 million convertible notes would be wound up and converted at the rate of $0.038, resulting in the issue of 73,684,211 ordinary Carnegie shares;
- existing convertible note holders would be issued (at no cost) an additional 19,649,123 Carnegie shares within 7 days of signing detailed transaction documentation;
- and existing convertible note holders would be issued a further 35,000,000 unlisted Carnegie options (expiring in 5 years with a fixed exercise price of $0.06 per share), within 7 days of signing detailed transaction documentation.

NOTE 5: BORROWINGS (CONTINUED)

The conversion of the existing convertible notes occurred during October 2017, however the issue of the additional Carnegie shares and unlisted options occurred on 8 February 2018. The issue of the additional shares and options were considered to be an adjusting subsequent event and the fair values have therefore been recognised in this interim financial report. The fair values have been calculated at the same date as the existing convertible notes were converted into ordinary shares. The fair values were calculated as follows:

Additional Carnegie Shares issued	$ 943,158
Unlisted options issued	$ 840,000
Amount recognised in Profit/Loss	$1,783,158

ii. On 11 January 2017, the Company completed a capital raising of $5.0 million by issuing 500 unlisted Convertible Notes at an issue price of $10,000 each. These notes have an 8.0% coupon rate and a 4.0 cents conversion price convertible to equity at any time at the discretion of the note holder. As at the reporting date there are 450 notes on issue which mature on 11 January 2020.

b. Senior loan facility

Restricted access was available at the reporting date to the following lines of credit:

	Consolidated Group 2018 $
Total facilities:	
Post-construction debt refinancing	2,100,000
Revolving R&D debt facility	4,000,000
Project construction debt financing	3,750,000
	9,850,000
Used at the reporting date:	
Revolving R&D debt facility (Current borrowing)	800,000
Less: Unamortised borrowing costs	(77,173)
	722,827
Project construction debt financing (Non-current borrowing)	3,750,000
	4,472,827
Unused at the reporting date	
Post-construction debt refinancing	2,100,000
Revolving R&D debt facility	3,200,000
	5,300,000

In March 2018, the Company signed a $2.1 million project financing facility for the post-construction debt refinancing of the Garden Island Microgrid and an additional $4.0 million revolving debt facility to support research and development activities with the Commonwealth Bank of Australia. The project construction debt financing was signed in November 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: 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 is organised into two operating segments:

1) The CETO wave energy technology/microgrid build, own, operator, which:
   - Is developing and commercialising technology for zero-emission electricity generation from ocean swell, and
   - The production and selling of energy through the ownership of microgrids; and
2) Solar and battery engineering, procurement, and construction, which designs and installs solar, battery, and microgrid infrastructure for sale.

No operating segments have been aggregated to form the above reportable operating segments.

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. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, financing (including finance costs and finance income), gains and losses on fair value movements through profit and loss, royalties, share of profit and losses of associates, losses on consolidation and disposal of associates, and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment transactions are on arm's length basis and are eliminated on consolidation. Intersegment loans are initially recognised at the consideration received and earn or incur interest at prevailing market rates. Intersegment loans are eliminated on consolidation.

All amounts reported to the Board of Directors as the chief decision maker are in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

2018	CETO wave energy technology/ microgrid BOO	Solar & battery engineering, procurement, and construction	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	90,773	8,843,537	8,934,310	-	8,934,310
Inter-segment	-	5,686,843	5,686,843	(5,686,843)	-
	90,773	14,530,380	14,621,153	(5,686,843)	8,934,310

2018	CETO wave energy technology/ microgrid BOO	Solar & battery engineering, procurement, and construction	Total segments	Adjustments and eliminations	Consolidated
Segment loss	(42,128,977)	(21,109,896)	(63,238,873)	(842,397)	(64,081,270)
Total assets	86,005,203.	9,205,062	95,210,265	(16,514,413)	78,695,852
Total liabilities	4,225,382	10,008,301	14,233,683	3,968,394	18,202,077

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: OPERATING SEGMENTS (CONTINUED)

2017	CETO wave energy technology/ microgrid BOO	Solar & battery engineering, procurement, and construction*	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	-	4,598,030	4,598,030	-	4,598,030
Inter-segment	-	643,322	643,322	(643,322)	-
	-	5,241,352	5,241,352	(643,322)	4,598,030

2017	CETO wave energy technology/ microgrid BOO	Solar & battery engineering, procurement, and construction*	Total segments	Adjustments and eliminations	Consolidated
Segment loss	(6,199,598)	(6,887,128)*	(13,086,726)	(1,295,912)	(14,382,638)
Total assets	123,064,849	16,751,968	139,816,817	(11,752,807)	128,064,010
Total liabilities	413,727	8,475,917	8,889,644	6,247,389	15,137,033

**The solar and battery engineering, procurement and construction segment covers the period from 2 December 2016 to 30 June 2017. This represents the portion of the reporting period post the acquisition of the remaining 65% interest in the Energy Made Clean Group.*

NOTE 7: EVENTS AFTER THE REPORTING PERIOD

On 17 August 2018, Carnegie announced the signing of three key binding documents including the binding sales and purchase agreements to advance the transaction to merge Carnegie's solar, battery and microgrid business, Energy Made Clean (EMC) with Tag Pacific (ASX:TAG).

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

NOTE 8. INTERESTS IN ASSOCIATE

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

		Ownership interest	
	Principal place of business /	**2018**	**2017**
Name	**Country of incorporation**	**%**	**%**
Energy Made Clean Group*	Australia	100.00%	100.00%
EMC Kimberley Pty Ltd **	Australia	100.00%	50.00%

* On 19 April 2016, the Company acquired a 35% stake in the Energy Made Clean Group, a West Australian based solar, battery and microgrid developer for a payment of $4,676,027 of shares and cash. The purchase was made, under accounting standards in the accounts for the year ended 30 June 2016, with the investment treated as an associate and accounted for using the equity accounting method under which no goodwill or intellectual property was recognised. During the reporting year, the investment continued to be accounted for under the equity accounting method until 1 December 2016. On 2 December 2016, the Company acquired the remaining 65% interest in the Energy Made Clean Group and thereafter was consolidated (refer to note 9).

** At 30 June 2016 the Company held a 35% interest in the Energy Made Clean Group, who on held a 50% interest in EMC Kimberley Pty Ltd. The Company therefore indirectly held a 17.5% in EMC Kimberley Pty Ltd. On the Company acquiring the remaining 65% of the Energy Made Clean Group on 2 December 2016 its interest in EMC Kimberley Pty Ltd increased to 50%. As EMC Kimberley Pty Ltd was a joint venture arrangement with its other 50% shareholder, the Group's interest in EMC Kimberley Pty Ltd was recognised as an interest in an associate utilising the equity method until 7 February 2018, when the Energy Made Clean Group acquired the remaining 50% interest in EMC Kimberley Pty Ltd and thereafter was consolidated (refer to note 9).

a) Energy Made Clean Group

	01.12.2016
	$
Summarised statement of financial position:	
Current assets	7,977,402
Non-current assets	1,097,362
Total assets	9,074,764
Current liabilities	6,628,817
Non-current liabilities	144,523
Total liabilities	6,773,340
Net assets	2,301,424

NOTE 8. INTERESTS IN ASSOCIATE (CONTINUED

Summarised statement of profit or loss and other comprehensive income:

	1 July to 1 December 2016 $
Revenue	7,070,350
Expenses	(8,724,581)
Loss before income tax	(1,654,231)
Income tax expense	-
Loss after income tax	(1,654,231)
Total comprehensive loss	(1,654,231)

Reconciliation of the consolidated entity's carrying amount

	2017 $
Opening carrying amount	5,047,919
Professional fees related to investment in Energy Made Clean	19,196
Share of (loss)/profit after income tax (refer to Note 12)	(578,981)
Reversal of carrying amount of interest in Energy Made Clean upon cessation of equity accounting	(4,488,134)
Closing carrying amount	-

Adjustment to fair value of interest in the Energy Made Clean on acquisition of the remaining 65% interest in Energy Made Clean	
35% share of identifiable net assets at fair value (refer to Note 9)	2,852,033
Carrying amount of equity accounted investment in Energy Made Clean prior to 100% acquisition	(4,488,134)
Loss recognised on fair value re-measurement of the 35% interest in Energy Made Clean	(1,636,101)

b) EMC Kimberley Pty Ltd

	7.02.2018 $	30.06.2017 $
Summarised statement of financial position		
Current assets	807,274	720,869
Non-current assets	14,193	-
Total assets	821,467	720,869

NOTE 8. INTERESTS IN ASSOCIATE (CONTINUED)

	7.02.2018 $	30.06.2017 $
Total liabilities	713,935	20,897
Net assets	107,532	699,972
Summarised statement of profit or loss and other comprehensive income		
Revenue	79,271	-
Expenses	(721,740)	(49,458)
Loss before income tax	(642,469)	(49,458)
Income tax benefit	-	14,837
Loss after income tax	(642,469)	(34,621)
Total comprehensive loss	(642,469)	(34,621)
Reconciliation of the consolidated entity's carrying amount		
Opening carrying amount	-	-
Interest acquired on purchase of Energy Made Clean	-	100
Share of loss after income tax (refer to note 12)	-	(100)
Closing carrying amount	-	-
Adjustment to fair value of interest in the EMC Kimberley Pty Ltd on acquisition of the remaining 50% interest in EMC Kimberley Pty Ltd		
50% share of identifiable net assets at fair value (refer to Note 9)	107,532	-
Carrying amount of equity accounted investment in EMC Kimberley Pty Ltd prior to 100% acquisition	-	-
Gain recognised on fair value re-measurement of the 50% interest in EMC Kimberley Pty Ltd	107,532	-

NOTE 9: BUSINESS ACQUISITION

Energy Made Clean Group

On 2 December 2016, the Company acquired the remaining 65% of the Energy Made Clean Group (refer to Note 8) for consideration of $14,164,727 consisting of shares, cash and contingent cash. Accordingly, under accounting standards at 2 December 2016, the equity accounting method was discontinued and the Energy Made Clean Group ("EMC") was fully consolidated into the Company accounts. At 31 December 2016, the Group had not completed the initial accounting for the business combination and therefore disclosed provisional amounts in its 31 December 2016 interim financial report. At 30 June 2017, the acquisition accounting of EMC had been finalised.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Energy Made Clean as at the date of acquisition were as follows:

	Fair Value
	$
Cash and cash equivalents	1,751,678
Current trade and other receivables	3,779,271
Inventories	2,165,464
Other current assets	280,989
Property, plant and equipment	893,514
Intangible – microgrid/battery technology development assets (refer to Note 4(b))	5,847,244
Other non-current assets	203,848
Interest bearing liabilities	(507,477)
Trade and other payables	(5,838,869)
Short-term provisions	(282,471)
Non-current trade and other payables	(144,523)
Total identifiable net assets at fair value	8,148,668
Fair value re-measurement of interest in Energy Made Clean prior to 100% acquisition (refer to Note 8)	(2,852,033)
Goodwill (refer to Note 4(c))	8,868,092
Purchase consideration	14,164,727

Representing:	
Cash paid to vendor	1,600,000
Fair value of shares issued	11,885,714
Fair value of contingent cash	679,012
	14,164,726

NOTE 9: BUSINESS ACQUISITION (CONTINUED)

	$
Cash used to acquire business, net of cash acquired:	
Cash paid to vendor	1,600,000
Less: cash and cash equivalents acquired	(1,751,678)
Less: other non-current assets (deposits) acquired	(112,635)
Net cash inflow	(264,313)

The amount of revenue and profit or loss of EMC (the acquiree), excluding inter-company transactions, since acquisition date up to 30 June 2017 included in the Consolidated Statement of Comprehensive Income was:

- Revenue $4,136,056
- Loss $5,937,105

Had the acquisition occurred on 1 July 2016 the full year contribution to revenues and the consolidated loss after tax would have been:

- Consolidated revenue $8,515,059
- Consolidated loss $18,028,457

EMC Kimberley Pty Ltd

On 7 February 2018, the Company acquired the remaining 50% of EMC Kimberley Pty Ltd (refer to Note 8) for nil consideration. Accordingly, under accounting standards at 7 February 2018, the equity accounting method was discontinued and the EMC Kimberley was fully consolidated into the Company accounts.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of EMC Kimberley as at the date of acquisition were as follows:

	Fair Value **$**
Cash and cash equivalents	807,274
Property, plant and equipment	14,193
Trade and other payables	(713,935)
Total identifiable net assets at fair value	107,532
Fair value re-measurement of interest in EMC Kimberley prior to 100% acquisition (refer to Note 8)	-
Gain on acquisition	(107,532)
Purchase consideration	-

NOTE 9: BUSINESS ACQUISITION (CONTINUED)

The amount of revenue and profit or loss of EMC Kimberley (the acquiree), excluding inter-company transactions, since acquisition date up to 30 June 2018 included in the Consolidated Statement of Comprehensive Income was:

- Revenue $-
- Loss $50,302

Had the acquisition occurred on 1 July 2017 the full year contribution to revenues and the consolidated loss after tax would have been:

- Consolidated revenue $79,271
- Consolidated loss $557,546

NOTE 10: INVENTORY

	2018 $	2017 $
Balance at beginning of period	1,389,218	-
Add: Inventory acquired as part of business acquisition (refer to Note 9)	-	2,165,464
Add: Purchases during period	11,160,324	5,204,678
Less: Cost of goods sold – Disclosed as loss after tax from discontinued operations (refer to Note 12)*	(12,084,605)	(5,980,924)
Less: Impairment (refer to Note 12)*	(362,129)	-
Less: Assets held for sale (refer to Note 11)*	(100,000)	-
Balance at end of period	2,808	1,389,218
Inventory may be broken down as follows:		
Raw materials	2,808	464,660
Goods in transit	-	111,365
Work in progress	-	813,193
	2,808	1,389,218

*As at 30 June 2018 inventory held by Energy Made Clean has been classified as being held for sale. The anticipated proceeds from the sale of the inventory is $100,000, with the carrying value prior to any impairment of $462,129.

NOTE 11: ASSETS HELD FOR SALE

In June 2018, Carnegie announced the signing of an implementation deed setting out the terms and key steps for the sale of the Energy Made Clean business for $4.2 million. Binding documents including the binding sales and purchase agreements to advance the transaction were signed in August 2018. The sale remains subject to due diligence and shareholder approval.

The breakdown of assets and liabilities held for sale below reflect the committed assets and liabilities that are to be transferred to the acquirer upon completion of the transaction as calculated based upon 30 June 2018 net book value. As at completion date the value of these net assets will therefore have changed to reflect the net book value as at completion date. Upon completion of the transaction, Carnegie will transfer the assets and liabilities held for sale, but has committed to transferring net assets with a value of $4.2 million. Any shortfall in this amount will be topped up with cash.

	2018
Assets held for sale	**$**
Cash and cash equivalents	2,538,127
Trade and other receivables	216,309
Inventories (refer to Note 10)	100,000
Property, plant and equipment	723,741
	3,578,176
Liabilities directly associated with assets held for sale	
Trade and other payables	2,515,679
Long-term provisions	52,344
	2,568,023
Net assets held for sale	1,010,153

NOTE 12: LOSS AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS

The loss after tax from discontinued operations relate to assets held for sale (refer to Note 11):

	2018	2017
	$	$
Revenue		
Sales revenue	8,843,538	4,598,030
Adjustment to fair value on the acquisition of the remaining interest in a former associate (refer to Note 8)	107,531	-
Share of losses of associate accounted for using the equity method	-	(579,081)
Other income	217,396	-
	9,168,465	4,018,949
Cost Of Goods Sold		
Cost of goods sold (refer to Note 10)	(12,084,605)	(5,980,924)
Gross Loss	(2,916,140)	(1,961,975)
Less:		
Adjustment to fair value on the acquisition of the remaining interest in a former associate (refer to Note 8)	-	(1,636,101)
Bad and doubtful debts	(401,147)	(20,000)
Consultancy expenses	(82,448)	-
Depreciation and amortisation expense	(1,450,607)	(1,278,265)
Employee and Directors expenses	(2,801,435)	(2,033,366)
Finance costs	(37,873)	48,633
Impairment of inventory	(362,129)	-
Occupancy expenses	(221,018)	(301,621)
Administrative expenses	(1,051,861)	(948,716)
Other expenses	-	(73,361)
	(9,324,658)	(8,204,772)
Income tax benefit	378,067	-
Balance at end of period	(8,946,591)	(8,204,772)

NOTE 13: DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

Carnegie holds a 50% interest in the Northam Solar Farm (NSF), which expects to create large scale generation certificates (LGCs) from its renewable energy generation in future periods. Under the Renewable Energy Target Scheme (RET Scheme) renewable energy producers create a certificate for each megawatt-hour of renewable electricity they produce and liable entities are required to surrender LGCs to the Clean Energy Regulator. The price of LGCs is determined based on supply and demand for these certificates and may be impacted by the actions of market participants and any changes to existing government regulations.

The NSF holds agreements with various parties to supply LGCs at future dates. These forward contracts are not designated as cash flow hedges and are entered into for periods consistent with the expected renewable energy generation from the NSF's assets. Any of these actions or reduced confidence in the RET scheme could adversely affect the Group's revenue and future financial performance.

The fair value of the LGCs are based on quoted forward markets, being level one inputs in the fair value hierarchy. Where a LGC is expected to be settled within 12 months they are to be disclosed as current. All other LGCs are disclosed as non-current.

	2018
	$
Current Asset	
Opening balance	-
Movement in fair value of derivatives reflected in Profit and Loss	9,750
Closing balance	9,750
Non-Current Liability	
Opening balance	-
Movement in fair value of derivatives reflected in Profit and Loss	(18,050)
Closing balance	(18,050)
Net loss on derivatives not designated as hedging instruments	
Current asset derivatives	9,750
Non-current liability derivatives	(18,050)
	(8,300)