

# APPENDIX 4E

## Preliminary Unaudited Financial Report to the Australian Securities Exchange

|  |                               |
|--|-------------------------------|
| <b>Name of Entity</b>                          | Carnegie Clean Energy Limited |
| <b>ABN</b>                                     | 69 009 237 736                |
| <b>Financial Year Ended</b>                    | 30 June 2021                  |
| <b>Previous Corresponding Reporting Period</b> | 30 June 2020                  |

### Results for Announcement to the Market

|   |                     |   |
|---|---------------------|---|
|   | \$                  | Percentage increase / (decrease) over previous corresponding period |
| Revenue from Ordinary activities  | 60,955              | (48.2%)   |
| Profit / (loss) from ordinary activities after tax attributable to members  | (832,426)           | (54.1%)   |
| Net profit / (loss) for the period attributable to members  | (931,845)           | 238.2%  |
| 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:  |                     |   |
| Net loss for the period includes a loss from discontinued operations of \$99,420.   |                     |   |
| The Directors do not intend to declare a dividend as no profit was made during the year ended 30 June 2021. No dividends were paid during the financial year. |                     |   |

### 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>  | None |
| <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 |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security (cents per share) | 0.05           | 0.03                          |

## 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 every 12 months or when there is a significant change in the model, by an independent accounting firm. For the financial year 2021, a 15 year forecast was utilised in a financial model. The valuation methodology uses a '*relief from royalty*' method. There was a reduction in the carrying value of the CETO IP from \$14.6 million to \$14.3 million during the year, due to the 2019 financial year R&D tax refund received and the impairment of the Wave Hub project in CETO UK, being offset against the carrying amount of the CETO IP.

## Commentary on the Results for the Period

### The earnings per security and the nature of any dilution aspects:

During the 2021 year, the Group took significant steps to advance and restructure its business including:

- Carnegie received a research and development tax incentive cash rebate from the Australian Tax Office of \$749,938 in relation to eligible research and development expenditure incurred in the year ended 30 June 2019.
- Carnegie achieved debt free status following the conversion of all the Convertible Notes (113 Convertible Notes with a face value of \$25,000 each for a total of \$2.825 million) into fully paid ordinary shares.
- Over the year, the exercise of unlisted options to the value of \$1.47 million added to the Company's cash reserves, providing additional funding to deliver on the technology pathway.
- Carnegie held its Annual General Meeting on 25 November 2020. All resolutions were passed on a poll.
- Carnegie sold the gold royalty rights held by the Company over part of the Higginsville Gold Project in Western Australia. The rights were sold to Karora Resources Limited for \$1 million cash, which was received post year end.

### Returns to shareholders including distributions and buy backs:

n/a

### Significant features of operating performance:

n/a

**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:

- (\$832,425) loss for the continuing operations.
- (\$99,420) loss from discontinued operations, relating to Administration and moving creditors to the Creditors Trust.

**Discussion of trends in performance:**

In the 2021 financial year, Carnegie executed on its digital development programme with the primary goal of making step change improvements in the performance and economics of the CETO wave energy converter design. This was undertaken with a lean but capable team which has delivered significant improvements and clarity. The method of development continued to use advanced computational methods to home in on an improved design which was regularly tested in the virtual environment. This proved to be both effective, rapid and much lower cost than physical construction.

Carnegie aims to find development support through collaborations and funding opportunities. As a participant in Australia's Blue Economy Co-operative Research Centre (BE-CRC), Carnegie secured support for the development of a key component of the CETO power take-off (PTO), the Tensioner, which also has broader application in the marine sector. A collaboration with Hewlett Packard Enterprise (HPE) is providing significant support in the development of a reinforcement learning controller for CETO.

The digital approach, together with close engagement with industry has resulted in the emergence of spin-off opportunities for certain aspects of the technology and know-how. For example, the wave predictor is a key component to the advanced controller but has been shown to have much broader application as a stand-alone product. Through the BE-CRC, the concept of augmenting aquaculture feed barges with CETO PTOs to power the barge has been progressed and is expected to evolve into a project and ultimately a product.

The Garden Island Microgrid reached 3 GWh of production after emerging from a hiatus due to Defence Department upgrades to the Island's electrical system. Challenges remain but operational performance improved over the period.

Globally, climate change has come back into focus with the US election and subsequent re-commitment to the Paris accord. Full decarbonisation is essential to meet the targets and Carnegie's technology is applicable to many hard-to-abate markets. European support for wave energy has also been increasing and new funding opportunities emerged.

**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 |
|----------------|------------------------|---------|
|                |                        |         |

## Investments in Associates and Joint Ventures

| Name | % Holding | Contribution to Profits / (Loss) |      |
|------|-----------|----------------------------------|------|
|      |           | 2021                             | 2020 |
|      |           |                                  |      |
|      |           |                                  |      |

## 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   | Yes | The accounts have been subject to review           | No |
| The accounts are in the process of being audited or subject to review  | No  | The accounts have not yet been audited or reviewed | No |
| This report is based on financial accounts for the year ended 30 June 2021 which have been audited. There are no disputes or qualification to the financial accounts that the Board is aware of. |     |  |    |
| <b>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:</b><br><br>n/a |     |  |    |
| <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><br><br>n/a                             |     |  |    |

## Attachments forming part of Appendix 4E

| Attachment # | Details  |
|--------------|--|
| 1            | Financial Report for the year ended 30 June 2021 (audited) |

Print name: Jonathan Fievez  
Chief Executive Officer  
Date: 25 August 2021

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

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**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2021**

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**DIRECTORS' REPORT**  
**30 JUNE 2021**

The Directors present their report on Carnegie Clean Energy Limited ("the Company", or "Carnegie") and its controlled entities, ("the Group") for the financial year ended 30 June 2021.

**DIRECTORS**

The Directors of the Company in office at any time during or since the end of the financial year are:

***Terry Stinson B.Bus Admin (Magnum Cum Laude) (Chairman) – appointed 15 November 2017***

Mr Stinson has over 30 years of executive leadership experience with innovation companies globally. He was formerly the Chief Executive Officer and Managing Director of Orbital Corporation Ltd (resigned as a director 18 November 2019). He was previously also a Vice President and General Manager at Siemens AG responsible for overseeing an international business across multiple sites, over 1,200 staff and delivering sales in excess of US \$300m p.a. Mr Stinson was also previously CEO and MD at Synerject, VP Manufacturing OMC, Director Advanced R&D Product and Process Mercury Marine, division of Brunswick Corp, Project Engineer LT-5 Corvette engine, USA SME 1990 Young Engineer of the Year, and leadership positions supporting various international ventures with Yamaha, Honda, Chrysler, Penske and others. Mr Stinson is a Non-Executive Director of 3D metal printing technology company Aurora Labs Limited (appointed 26 February 2020) and is also Non-Executive Chairman of Talga Group Ltd since 9 February 2017.

***Michael Fitzpatrick B.Eng (Hons), B.A (Hons), M.A (Oxon) (Non-Executive Director) – appointed 28 November 2012***

Mr Fitzpatrick has over 40 years in the financial services sector. He is a past Chairman of the Pacific Current Group (formerly Treasury Group Limited) as well as the Australian Football League. He also holds several Non-Executive directorships, including Infrastructure Capital Group and Latam Autos Limited.

In 1994 Mr Fitzpatrick founded Hastings Funds Management Ltd ('Hastings'), the pioneering infrastructure asset management company where he was Managing Director until he sold his interest in 2005. Hastings was then one of the largest managers of infrastructure and alternative assets in Australia (including infrastructure, high yield debt, private equity and timberland) managing investments of approximately A\$3.8 billion. Mr Fitzpatrick was a Director of several of Hastings' managed investments, including Pacific Hydro Limited, Global Renewables Limited, Utilities of Australia, Australian Infrastructure Fund and Australia Development Group Pty Ltd (the holding company of Perth Airport).

Mr Fitzpatrick is a former Chairman of Victorian Funds Management Corporation, and the Australian Sports Commission, a former Director of Rio Tinto Limited and Rio Tinto plc, a former member of the Melbourne Park Tennis Centre Trust, a former Director of the Carlton Football Club and a former Director of the Walter & Eliza Hall Institute of Medical Research.

Mr Fitzpatrick has a Bachelor of Engineering with Honours from the University of Western Australia and a Bachelor of Arts with Honours and a Masters of Arts from Oxford University where he was the 1975 Rhodes Scholar from Western Australia.

***Grant Mooney B.Bus, CA (Non-executive Director and Company Secretary) – appointed 19 February 2008***

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies. Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance. Currently, Mr Mooney serves as a Director to several ASX listed companies across a variety of industries including technology and resources.

He is a Director of Gibb River Diamonds Limited, appointed 14 October 2008, Barra Resources Limited, appointed 29 November 2002, Accelerate Resources Limited, appointed 1 July 2017, Talga Group Limited, appointed 20 February 2014, Aurora Labs Limited appointed 25 March 2020 and Riedel Resources Limited appointed 31 October 2018. Mr Mooney is also a member of Chartered Accountants Australia and New Zealand.

**DIRECTORS' REPORT**  
**30 JUNE 2021**

**Anthony Shields B.Bus (Non-Executive Director) - appointed 25 November 2019**

Mr Shields is the Managing Director of Asymmetric Investment Management Fund Pty Ltd (Asymmetric), a Perth-based investment manager specialising in private debt, venture capital and risk management. He also sits on a number of other non-listed company boards both in Executive and Non-Executive capacities (Asymmetric Investment Management, Source Certain International, NWQ Capital and Old Perth Port). Prior to Asymmetric, Mr Shields established and managed an investment portfolio for a family office in Perth, Western Australia. He currently sits on the investment committee of Canci Group advising on investment strategy and portfolio management. Prior to his family investment roles, Mr Shields worked for Deutsche Bank in equity and derivatives sales and trading, and for Macquarie Bank as an equity analyst and in institutional equity sales and trading.

At the date of this report, the direct and indirect interests of the Directors in the shares and options of the Company were:

|                          | ORDINARY<br>SHARES | OPTIONS       |
|--------------------------|--------------------|---------------|
| Terry Stinson (i)        | 19,700,000         | 85,000,000    |
| Michael Fitzpatrick (ii) | 1,021,535,417      | 1,720,000,000 |
| Grant Mooney             | 350,000,000        | -             |
| Anthony Shields (iii)    | 636,985,492        | 615,000,000   |

- i. Mr Stinson has an interest in 19,700,000 ordinary shares and 85,000,000 options which are held by Terry Stinson <Stinson Family Trust>.
- ii. Mr Fitzpatrick is a Director of Log Creek Pty Ltd and therefore is deemed to have an interest in 584,099,520 ordinary shares held by Log Creek Pty Ltd <88 Green Venture A/C>, and 437,435,897 ordinary shares and 800,000,000 options held by Log Creek Pty Ltd. Mr Fitzpatrick is a Director of HFM Investments Pty Ltd and therefore is deemed to have an interest in 920,000,000 options held by HFM Investments Pty Ltd.
- iii. Mr Shields is a Director of Asymmetric Credit Partners Pty Ltd and therefore is deemed to have an interest in 636,985,492 ordinary shares and 615,000,000 options held by Asymmetric Credit Partners Pty Ltd.

#### **COMPANY SECRETARY**

Mr Grant Mooney held the position of company secretary during the financial year and to the date of this report.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Group during the year was the development of the CETO Wave Energy Technology.

#### **OPERATING RESULTS**

The net loss of the Group for the financial year ended 30 June 2021 was \$931,845 which included a loss from discontinued operations of \$99,420. (2020: loss of \$275,522, which included a profit from discontinued operations of \$1,536,861).

#### **DIVIDENDS**

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2021. No dividends were paid during the financial year.



**DIRECTORS' REPORT**  
**30 JUNE 2021**

**REVIEW OF OPERATIONS**

During the year to 30 June 2021, the Group's activities included the following:

**CETO Wave Energy Technology**

- The Carnegie team diligently progressed the CETO Digital Development Pathway, advancing key innovation opportunities to improve the performance of CETO through greater energy capture, more efficient conversion into electricity, higher system reliability, and reduction in capital and operating costs. Key progress was made on Carnegie's Intelligent Control products, advanced control and power take-off (PTO) system optimisation and hydrodynamic simulations supporting the advancement of the CETO technology. Notably, advanced control efforts are delivering significant improvements in CETO performance with analysis showing the suite of advanced controllers currently achieving up to 27% more energy than the baseline CETO controller.
- Carnegie developed and tested a machine learning based Wave Predictor capable of predicting waves at least 30 seconds into the future. The Wave Predictor was validated in a wave tank testing campaign at the Cantabria Coastal and Ocean Basin in Spain. In addition to being a standalone product for CETO and other applications, the Wave Predictor development is a key step towards the creation of a new Intelligent Control System for the CETO technology.
- In March 2021, Carnegie launched its vision for a new product which is a spin-off from CETO that incorporates aspects of Carnegie's core CETO technology and know-how into a novel wave powered system for use in offshore energy demand applications. The first market for this product would be aquaculture barges and vessels that require energy for offshore operations. As the aquaculture sector moves further offshore into highly energetic conditions, Carnegie's new wave power product would address the challenge of securing clean and reliable energy and replace the diesel generation otherwise required.
- External funding and support have been awarded to the CETO development activities including:
  - The Blue Economy Cooperative Research Centre (CRC) awarded \$850,000 in funding to a Carnegie led Mooring Tensioner for the Wave Energy Converters Project. The project is a collaboration with Advanced Composite Structures Australia, University of Queensland and ClimateKIC representing the Australian Ocean Energy Group to develop a novel Mooring Tensioner, a component of the PTO.
  - Microsoft awarded Carnegie with an "AI for Earth" grant to support enhancements to Carnegie's Wave Predictor. As part of this Project, Microsoft is providing Carnegie with a sponsored Microsoft Azure account and credits for Azure compute consumption up to USD\$15,000.
- Carnegie entered into new Collaboration Agreements to support the development of the CETO technology including:
  - Hewlett Packard Enterprise Company (HPE) and Carnegie signed a Collaboration Agreement to develop a reinforcement learning based controller for CETO. This collaborative work is extending the artificial intelligence development already underway at Carnegie by bringing in Hewlett Packard Labs' significant reinforcement learning expertise and computational resources.
  - Oceantera, a project development company, and Carnegie signed a Collaboration agreement to explore opportunities of mutual interest including investigating potential CETO project opportunities in South East Asia or other mutually agreed locations, sharing knowledge and expertise and exploring collaborative opportunities to use Carnegie's Garden Island Microgrid to support development of the wave energy industry.
  - Wave energy developers Carnegie Clean Energy, CalWave Power Technologies, Marine Power Systems (MPS) and Oscilla Power entered into a Collaboration Agreement to undertake a Joint Industry Project to advance an innovative belt design that will support the commercialisation of rotary power take off systems for CETO like wave energy converters.
  - Carnegie was invited to join the IMPACT Project Technical Advisory Board to direct and guide the European funded IMPACT Project (Innovative Methods for Wave Energy Pathways Acceleration through Novel Criteria and Test Rigs). This project aims to accelerate testing device development and reduce technology cost through the development of a Dual Hardware-In-The-Loop testing platform.

**DIRECTORS' REPORT**  
**30 JUNE 2021**

**Garden Island Microgrid**

- Under Carnegie's Power Supply Agreement, the Department of Defence purchases all of the power produced by the Garden Island Microgrid.
- The system was temporarily disconnected in April 2020 due to Department of Defence infrastructure upgrades on HMAS Stirling (unrelated to Carnegie's system). This was expected and not within Carnegie's control. During the period of disconnection, Carnegie worked with Department of Defence and Defence contractors to minimise the cost and impact of the disconnection and reconnection process.
- Following completion of Department of Defence infrastructure upgrades, the system was reconnected in December 2020 with normal operations resuming in January 2021.

**Corporate**

- Carnegie received a research and development tax incentive cash rebate from the Australian Tax Office of \$749,938 in relation to eligible research and development expenditure incurred in the year ended 30 June 2019.
- Carnegie achieved debt free status following the conversion of all the Convertible Notes (113 Convertible Notes with a face value of \$25,000 each for a total of \$2.825 million) into fully paid ordinary shares.
- Over the year, the exercise of unlisted options to the value of \$1.47 million added to the Company's cash reserves, providing additional funding to deliver on the technology pathway.
- Carnegie held its Annual General Meeting on 25 November 2020. All resolutions were passed on a poll.
- Carnegie sold the gold royalty rights held by the Company over part of the Higginsville Gold Project in Western Australia. The rights were sold to Karora Resources Limited for \$1 million cash, which was received post year end.

**FINANCIAL POSITION**

The net assets of the Group increased by \$3.59 million from \$17.86 million to \$21.45 million as at 30 June 2021. This is predominantly the result of the exercise of options and the conversion of the remaining \$2.85 million of debt notes into issued capital.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There has been no other significant change in the state of affairs of the Group to the date of this report.

**SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END**

Carnegie sold the gold royalty rights held by the Company over part of the Higginsville Gold Project in Western Australia. The rights were sold to Karora Resources Limited on 30 June 2021 for \$1 million cash. Proceeds from the sale of the gold royalty of \$1 million were received on 1 July 2021.

**FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

Carnegie engaged an external consulting firm to update its strategic business plan including refreshing the company's vision, mission and detailed internal strategic focus areas and actions. The core components of the business plan include articulation of Carnegie's purpose, vision and goals and identification of the strategic themes, initiatives and actions that Carnegie will undertake to achieve its ambitions.

**ENVIRONMENTAL ISSUES**

The Group is required to carry out its activities in accordance with the laws and regulations in the areas in which it undertakes its activities. There have been no known significant breaches of these laws and regulations.

## **SHARE OPTIONS**

At the date of this report, there were:

- 10,000,000 options outstanding in respect of unissued ordinary shares to the current Chief Executive Officer, exercisable at 1.6 cents per share on or before 10 October 2021,
- 100,000,000 options outstanding in respect of unissued ordinary shares to the current Chief Executive Officer, exercisable at 0.2 cent per share on or before 20 July 2022
- 79,500,000 options outstanding in respect of unissued ordinary shares exercisable at 0.2 cent per share on or before 20 July 2022,
- 35,000,000 options outstanding in respect of unissued ordinary shares exercisable at 6 cents per share on or before 8 February 2023,
- 1,600,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 28 October 2022,
- 250,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.125 cent per share on or before 28 October 2024,
- 200,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 12 January 2024,
- 520,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 3 February 2024,
- 600,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 24 February 2024,
- 860,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 23 March 2024, and
- 85,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.3 cent per share on or before 25 November 2023

No person entitled to exercise options had or has any right by virtue of the option to participate in any share issue of the company or any other body corporate.

## **INSURANCE PREMIUMS**

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Group, the Company Secretary, and executive officers of the Group against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001 (Cth). The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

## **INDEMNIFYING OFFICERS**

During or since the year end, the Company has given an indemnity or entered an agreement to indemnify, the Directors against certain risks they are exposed to as Directors of the Company.

## **REMUNERATION REPORT - AUDITED**

This report details the nature and amount of remuneration for each Director of Carnegie Clean Energy Limited and other Key Management Personnel (KMP) being the Chief Executive Officer, Mr Jonathan Fievez.

### *Remuneration Policy*

The remuneration policy of Carnegie Clean Energy Limited has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Carnegie Clean Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best KMP to run and manage the Group, as well as create goal congruence between KMP and shareholders.

**DIRECTORS' REPORT**  
**30 JUNE 2021**

**REMUNERATION REPORT – AUDITED (CONTINUED)**

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Board of Directors after seeking professional advice from independent external consultants. The Board of Directors benchmarks the Company's salaries payable to senior management by reference to independent industry data to ensure that the Company is consistent with prevailing market conditions. All executives receive a base annual salary (which is based on factors such as length of service and experience). The Board of Directors has chosen to adopt an equity-based approach to remunerating executive staff and employees. The Company utilised the Employee Share Option Plan as adopted by shareholders in November 2020 as the mechanism by which options may be issued to executive management and staff to adequately incentivise these individuals.

The Board of Directors reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries and then considers the justification of any salary review or participation in the Employee Share Option Plan.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the past year's growth in shareholders' value over the financial year and by contrast with its peers and industry sector. All incentives must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Executive Directors determine payments to the Non-Executive Directors and review their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No remuneration consultants were used during the year. The maximum aggregate fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group.

**Company Performance, Shareholder Wealth and KMP Remuneration**

|                         | 2017         | 2018         | 2019*        | 2020      | 2021      |
|-------------------------|--------------|--------------|--------------|-----------|-----------|
|                         | \$           | \$           | \$           | \$        | \$        |
| Revenue                 | 4,845,575    | 10,045,707   | 534,034      | 117,668   | 60,955    |
| Net loss after tax      | (14,382,638) | (63,349,694) | (51,930,513) | (275,522) | (931,845) |
| Share price at year end | 0.057        | 0.024        | 0.0*         | 0.001     | 0.002     |

\* The Company was in suspension on the ASX at 30 June 2019, so no share price was quoted.

The remuneration for each KMP of the Group paid during the year was as follows:

**Details of Remuneration for Year Ended 30 June 2021**

|                     | Actual rewards received in the period  |                   |   |                             |                         |            | % of<br>Remuneration<br>Performance<br>Based |
|---------------------|--|-------------------|---|-----------------------------|-------------------------|------------|--|
|                     | Short-term benefits                    |                   | Post<br>Employment<br>Benefits -<br>Super | Other long term<br>benefits | Share based<br>payments | Total      |  |
|                     | Cash salary,<br>leave paid<br>and fees | Non Cash Benefits |   |                             |                         |            |  |
| Terry Stinson       | \$ 60,000                              | \$ -              | \$ 5,700                                  | \$ -                        | \$ 8,500                | \$ 74,200  | 11.46%                                       |
| Anthony Shields     | \$ 40,000                              | \$ -              | \$ 3,800                                  | \$ -                        | \$ -                    | \$ 43,800  | -  |
| Michael Fitzpatrick | \$ 40,000                              | \$ -              | \$ 3,800                                  | \$ -                        | \$ -                    | \$ 43,800  | -  |
| Grant Mooney*       | \$ 88,000                              | \$ -              | \$ 3,800                                  | \$ -                        | \$ -                    | \$ 91,800  | -  |
| Jonathan Fievez     | \$ 250,000                             | \$ -              | \$ 23,750                                 | \$ -                        | \$ 37,750               | \$ 311,500 | 12.12%                                       |
| Total               | \$ 478,000                             | \$ -              | \$ 40,850                                 | \$ -                        | \$ 46,250               | \$ 565,100 | 8.18%  |

\* Fees include \$48,000 paid to Mooney & Partners Pty Ltd, a company associated with Grant Mooney, for company secretarial services.

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

**DIRECTORS' REPORT**  
**30 JUNE 2021**

**REMUNERATION REPORT – AUDITED (CONTINUED)**

***Performance Rights and Options Issued as Part of Remuneration for the Year Ended 30 June 2021***

The following performance rights and options were issued to KMP during the year as follows:

| KMP             | Vested & Granted Number | Grant Date | Expiry Date | Exercise Price | Grant Date Value | Exercised | Forfeited | Balance at 30 June 2021 |
|-----------------|-------------------------|------------|-------------|----------------|------------------|-----------|-----------|-------------------------|
|                 |                         |            |             | \$             | \$               | \$        | \$        | \$                      |
| Terry Stinson   | 100,000,000             | 25 Nov 20  | 25 Nov 22   | 0.3 cents      | 10,000           | (1,500)   | -         | 8,500                   |
| Jonathan Fievez | 200,000,000             | 21 Jul 20  | 20 Jul 22   | 0.2 cents      | 75,501           | (25,293)  | (12,458)  | 37,750                  |

***Details of Remuneration for Year Ended 30 June 2020***

|                     | Actual rewards received in the period |                   |                                  |                          |                      |            |                                     |
|---------------------|---------------------------------------|-------------------|----------------------------------|--------------------------|----------------------|------------|-------------------------------------|
|                     | Short-term benefits                   |                   | Post Employment Benefits - Super | Other long term benefits | Share based payments | Total      | % of Remuneration Performance Based |
|                     | Cash salary, leave paid and fees      | Non Cash Benefits |                                  |                          |                      |            |                                     |
| Terry Stinson       | \$ 39,231                             | \$ -              | \$ 3,727                         | \$ -                     | \$ -                 | \$ 42,958  | -                                   |
| Anthony Shields     | \$ 26,154                             | \$ -              | \$ 2,485                         | \$ -                     | \$ -                 | \$ 28,639  | -                                   |
| Michael Fitzpatrick | \$ 26,154                             | \$ -              | \$ 2,485                         | \$ -                     | \$ -                 | \$ 28,639  | -                                   |
| Grant Mooney*       | \$ 58,541                             | \$ -              | \$ 2,485                         | \$ -                     | \$ -                 | \$ 61,026  | -                                   |
| Jonathan Fievez     | \$ 250,000                            | \$ -              | \$ 23,750                        | \$ -                     | \$ -                 | \$ 273,750 | -                                   |
| Total               | \$ 400,080                            | \$ -              | \$ 34,932                        | \$ -                     | \$ -                 | \$ 435,012 | \$ -                                |

Directors' fees were ceased being paid during the administration period and resumed on 28 October 2019.

\* Fees include \$32,387 paid to Mooney & Partners Pty Ltd, a company associated with Grant Mooney, for company secretarial services.

***Employment Contracts of KMP***

The employment conditions of KMP are formalised in Service Contracts.

The Company entered into an executive services agreement with Mr Jonathan Fievez on 27 September 2018 in respect of his employment as the CEO of the Company. The principal terms of the executive services agreement are as follows:

- (i) Mr Fievez receives a base salary of \$250,000 per annum, excluding mandatory superannuation contributions;
- (ii) a cash bonus of up to 30% of the annual gross salary may be payable annually at the discretion of the Directors.
- (iii) express provisions protecting the Company's confidential information and intellectual property;
- (iv) Mr Fievez may terminate the agreement by giving 3 months' notice in writing to the Company; and
- (v) The Company may terminate the agreement (without cause) by giving Mr Fievez 3 months' notice in writing (or make payment in lieu of notice), unless the Company is terminating as a result of serious misconduct (or other similar grounds) by Mr Fievez, in which case no notice is required.

Messrs Fitzpatrick, Mooney and Shields each receive an annual remuneration as Non-Executive Directors of \$40,000 (exclusive of mandatory superannuation contributions and GST) while Mr Stinson (Chairman) receives \$60,000 per annum (exclusive of mandatory superannuation contributions and GST). These salaries took effect from effectuation of the DOCA on 28 October 2019.

Their appointment shall cease if:

- (a) the Non-Executive Director resigns;
- (b) at the close of any general meeting of Shareholders at which a resolution of their re-election is not approved;
- (c) the Non-Executive Director is removed as a Director in accordance with the Corporations Act or the Constitution.

**DIRECTORS' REPORT**  
**30 JUNE 2021**

**REMUNERATION REPORT – AUDITED (CONTINUED)**

The Company has entered into an agreement for the provision of Company secretarial services by Mooney & Partners Pty Ltd, a company associated with director Mr Grant Mooney. The agreement provides for the provision of Company Secretarial Services to the Company for \$48,000 per annum plus statutory superannuation. Both Mr Mooney and the Company can terminate the agreement by giving 3 months' notice to either party.

Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Termination payments are in accordance with the Corporations Act 2001.

**Options and Rights Holdings**

Movement in equity settled options and performance rights held by KMP is detailed below:

|                     | <b>Balance<br/>30 June 2020</b> | <b>Granted as<br/>Compensation</b> | <b>Rights &amp;<br/>Options<br/>exercised</b> | <b>Net Change<br/>Other</b> | <b>Balance<br/>30 June 2021</b> |
|---------------------|---------------------------------|------------------------------------|---|-----------------------------|---------------------------------|
| Michael Fitzpatrick | 860,000,000                     | -                                  | -   | 860,000,000 <sup>2</sup>    | 1,720,000,000                   |
| Grant Mooney        | 250,000,000                     | -                                  | (250,000,000)                                 | -                           | -                               |
| Anthony Shields     | 450,000,000                     | -                                  | (60,000,000)                                  | 225,000,000 <sup>2</sup>    | 615,000,000                     |
| Terry Stinson       | -                               | 100,000,000                        | (15,000,000)                                  | -                           | 85,000,000                      |
| Jonathan Fievez     | 10,000,000                      | 200,000,000                        | (66,666,666)                                  | (33,333,334) <sup>1</sup>   | 110,000,000                     |
| <b>Total</b>        | <b>1,570,000,000</b>            | <b>300,000,000</b>                 | <b>(391,666,666)</b>                          | <b>1,051,666,666</b>        | <b>2,530,000,000</b>            |

<sup>1</sup> Performance Rights forfeited as consideration for utilising the cashless exercise option of the 66,666,666 rights exercised.

<sup>2</sup> Free-attaching options acquired as a result of conversion of convertible notes.

Details of equity settled options for KMP outstanding at balance date are as follows:

**Terms & Conditions for Each Instrument**

| <b>KMP</b>                              | <b>Vested &amp;<br/>Granted<br/>Number</b> | <b>Grant Date</b> | <b>Value per<br/>Instrument at<br/>Grant Date</b> | <b>Exercise<br/>Price</b> | <b>First<br/>Exercise<br/>Date</b> | <b>Last<br/>Exercise<br/>Date</b> |
|---|--|-------------------|---|---------------------------|------------------------------------|-----------------------------------|
| Asymmetric Credit Partners <sup>1</sup> | 25,000,000                                 | 08 Feb 18         | 0.024 cents                                       | 6.0 cents                 | 08 Feb 2018                        | 24 Jan 2024                       |
| Jonathan Fievez                         | 10,000,000                                 | 10 Oct 18         | 0.10 cents  | 1.6 cents                 | 10 Oct 2018                        | 10 Oct 2021                       |
| Terry Stinson                           | 15,000,000                                 | 25 Nov 20         | 0.01 cents  | 0.3 cents                 | 25 Nov 2020                        | 25 Nov 2022                       |
| Jonathan Fievez                         | 100,000,000                                | 21 Jul 20         | 0.08 cents  | 0.2 cents                 | 20 Jul 2022                        | 20 Jul 2022                       |

<sup>1</sup>Asymmetric Credit Partners is a company associated with Anthony Shields.

All options were granted for nil consideration.



**DIRECTORS' REPORT**  
**30 JUNE 2021**

**REMUNERATION REPORT – AUDITED (CONTINUED)**

**Shareholdings**

**Number of Shares held by KMP**

|                     | <b>Balance<br/>30 June 2020</b> | <b>Received as<br/>Compensation</b> | <b>Rights &amp;<br/>Options<br/>Exercised</b> | <b>Net Change<br/>Other</b> | <b>Balance<br/>30 June 2021</b> |
|---------------------|---------------------------------|-------------------------------------|---|-----------------------------|---------------------------------|
| Terry Stinson       | 4,700,000                       | -                                   | 15,000,000                                    | -                           | 19,700,000                      |
| Michael Fitzpatrick | 1,486,826,795                   | -                                   | -   | (465,291,378)               | 1,021,535,417                   |
| Grant Mooney        | 263,141,390                     | -                                   | 250,000,000                                   | (163,141,390)               | 350,000,000                     |
| Anthony Shields     | 641,750,000                     | -                                   | 60,000,000                                    | (64,764,508)                | 636,985,492                     |
| Jonathan Fievez     | 20,000,000                      | -                                   | 66,666,666                                    | (56,666,666)                | 30,000,000                      |
| Total               | 2,416,418,635                   | -                                   | 391,666,666                                   | 1,909,901,422               | 2,058,220,909                   |

**END OF REMUNERATION REPORT**

**OTHER TRANSACTIONS WITH KMP AND/OR THEIR RELATED PARTIES**

Director Grant Mooney and Chief Executive Officer Jonathan Fievez jointly own solar energy microgrid operation and maintenance company EMC Asset Management Pty Ltd (EMCAM). EMCAM provides operation and maintenance services to Carnegie to maintain the Garden Island Solar Battery System. For the period, EMCAM was paid \$151,590 inclusive of GST for those services. The Company has established a Committee comprising independent directors Anthony Shields and Terry Stinson to negotiate commercial terms of contracts with EMCAM.

EMCAM also subleases office space from Carnegie at the Rous Head facility in Fremantle, Western Australia. The lease is on commercial terms and was negotiated between EMCAM and the Committee. Rent and outgoings paid to Carnegie during the year totalled to \$36,396 including GST.

**DIRECTORS' MEETINGS**

There were 6 Directors' meetings held during the financial year ended 30 June 2021. Attendances were as follows:

| Director            | Directors             |   |
|---------------------|-----------------------|---|
|                     | No. Meetings attended | No. Meetings held during time in office |
| Terry Stinson       | 6                     | 6                                       |
| Grant Mooney        | 6                     | 6                                       |
| Michael Fitzpatrick | 6                     | 6                                       |
| Anthony Shields     | 6                     | 6                                       |

There were also eleven (11) circular resolutions passed by the Board of Directors during the financial year.

**DIRECTORS' REPORT**  
**30 JUNE 2021**

**NON-AUDIT SERVICES**

The auditors were not engaged for any non-audit services during the financial year ended 30 June 2021.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 13.

Signed on 25 August 2021 in accordance with a resolution of the Board of Directors.



**GRANT MOONEY**  
Director



**TERRY STINSON**  
Director



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Carnegie Clean Energy Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
25 August 2021



**N G Neill**  
Partner

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME FOR THE YEAR ENDED 30 JUNE 2021**

|   | Note | Group<br>2021<br>\$ | 2020<br>\$  |
|---|------|---------------------|-------------|
| <b>Continuing Operations:</b>   |      |                     |             |
| Revenue   | 2    | 60,955              | 117,668     |
| <b>Gross Profit</b>   |      | 60,955              | 117,668     |
| <b>Other income:</b>  |      |                     |             |
| Expected credit losses  |      | 40,866              | 82,247      |
| Government grants and subsidies   |      | 50,000              | 50,371      |
| Other income  | 2    | 1,102,059           | 19,626      |
|   |      | 1,192,925           | 152,244     |
| <b>Expenses</b>   |      |                     |             |
| Bad and doubtful debts  |      | -                   | (7,800)     |
| Professional fees   |      | (120,027)           | (132,597)   |
| Depreciation and amortisation expense   | 3    | (488,379)           | (399,679)   |
| Employee and Directors expenses   |      | (545,513)           | (711,256)   |
| Employee share based payments   |      | (108,239)           | -           |
| Finance costs   |      | (144,629)           | (176,918)   |
| Impairment of non-financial assets  | 13   | (366,443)           | -           |
| Occupancy and administration  |      | (312,362)           | (654,045)   |
| Other expenses from ordinary activities   |      | (713)               | -           |
| Loss before income tax  |      | (2,086,305)         | (2,082,295) |
| Income tax benefit/(expense)  |      | -                   | -           |
| <b>Loss after tax from continuing operations</b>                                  |      | (832,425)           | (1,812,383) |
| Profit/(Loss) from discontinued operations  | 28   | (99,420)            | 1,536,861   |
| <b>Loss after tax from continuing and discontinued operations</b>                 |      | (931,845)           | (275,522)   |
| <b>Other comprehensive income/(loss)</b>  |      |                     |             |
| <i>Items that may be reclassified to profit or loss</i>                           |      |                     |             |
| Exchange gains on translating overseas controlled entities and foreign currencies |      | (674)               | (12,507)    |
| <b>Total comprehensive loss for the year</b>                                      |      | (932,519)           | (288,029)   |
| <b>Earnings per share from continuing operations</b>                              |      |                     |             |
| Basic loss per share (cents per share)  | 7    | (0.008)             | (0.021)     |
| Diluted loss per share (cents per share)  | 7    | (0.008)             | (0.021)     |
| <b>Earnings per share from discontinued operations</b>                            |      |                     |             |
| Basic profit/(loss) per share (cents per share)                                   | 7    | 0.001               | 0.018       |
| Diluted profit/(loss) per share (cents per share)                                 | 7    | 0.001               | 0.018       |

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

|                                      | Note | Group<br>2021<br>\$ | 2020<br>\$    |
|--------------------------------------|------|---------------------|---------------|
| <b>CURRENT ASSETS</b>                |      |                     |               |
| Cash and cash equivalents            | 8    | 3,633,171           | 3,414,671     |
| Trade and other receivables          | 9    | 1,398,847           | 169,815       |
| <b>TOTAL CURRENT ASSETS</b>          |      | 5,032,018           | 3,584,486     |
| <b>NON-CURRENT ASSETS</b>            |      |                     |               |
| Trade and other receivables          | 9    | 539,336             | 542,264       |
| Other financial assets               | 10   | 12,414              | 12,414        |
| Property, plant, and equipment       | 11   | 2,092,948           | 2,357,941     |
| Leased assets – right of use         | 12   | 39,940              | 119,821       |
| Intangibles assets                   | 13   | 14,274,621          | 14,590,973    |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | 16,959,259          | 17,623,413    |
| <b>TOTAL ASSETS</b>                  |      | 21,991,277          | 21,207,899    |
| <b>CURRENT LIABILITIES</b>           |      |                     |               |
| Trade and other payables             | 14   | 333,762             | 256,785       |
| Short-term provisions                | 15   | 95,785              | 82,862        |
| Lease liability                      | 16   | 47,162              | 79,881        |
| Short-term borrowings                | 17   | -                   | 2,825,000     |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | 476,709             | 3,244,528     |
| <b>NON-CURRENT LIABILITIES</b>       |      |                     |               |
| Long-term provisions                 | 15   | 68,233              | 51,837        |
| Lease liability                      | 16   | -                   | 48,603        |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | 68,233              | 100,440       |
| <b>TOTAL LIABILITIES</b>             |      | 544,942             | 3,344,968     |
| <b>NET ASSETS</b>                    |      | 21,446,335          | 17,862,931    |
| <b>EQUITY</b>                        |      |                     |               |
| Share capital                        | 18   | 207,661,175         | 203,221,135   |
| Reserves                             | 19   | 962,970             | 887,761       |
| Accumulated losses                   |      | (187,177,810)       | (186,245,965) |
| <b>TOTAL EQUITY</b>                  |      | 21,446,335          | 17,862,931    |

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

| Group   | Issued<br>Capital  | Accumulated<br>Losses | Foreign<br>Currency<br>Reserve | Convertible<br>Note/Option<br>Reserve | Total             |
|---|--------------------|-----------------------|--------------------------------|---------------------------------------|-------------------|
| <b>Balance at 1 July 2019</b>   | 194,460,984        | (185,970,443)         | 50,268                         | 850,000                               | 9,390,809         |
| <b>Comprehensive loss</b>   |                    |                       |                                |                                       |                   |
| Loss for the year   | -                  | (275,522)             | -                              | -                                     | (275,522)         |
| Other comprehensive income  | -                  | -                     | (12,507)                       | -                                     | (12,507)          |
| <b>Total comprehensive loss for the year</b>                                  | -                  | (275,522)             | (12,507)                       | -                                     | (288,029)         |
| <b>Transactions with owners</b>   |                    |                       |                                |                                       |                   |
| Share capital issued during the period  | 5,500,003          | -                     | -                              | -                                     | 5,500,003         |
| Conversion of loans to equity   | 1,075,000          | -                     | -                              | -                                     | 1,075,000         |
| Conversion of convertible notes to equity                                     | 2,250,000          | -                     | -                              | -                                     | 2,250,000         |
| Capital raising costs   | (255,500)          | -                     | -                              | -                                     | (255,500)         |
| Sale of treasury shares   | 34,615             | -                     | -                              | -                                     | 34,615            |
| Accrual for share issue for interest on convertible note to 30 June 2020      | 156,033            | -                     | -                              | -                                     | 156,033           |
| <b>Total transactions with owners</b>   | 8,760,151          | -                     | -                              | -                                     | 8,760,151         |
| <b>Balance at 30 June 2020</b>  | <b>203,221,135</b> | <b>(186,245,965)</b>  | <b>37,761</b>                  | <b>850,000</b>                        | <b>17,862,931</b> |
| <b>Balance at 1 July 2020</b>   |                    |                       |                                |                                       |                   |
| <b>Comprehensive loss</b>   | 203,221,135        | (186,245,965)         | 37,761                         | 850,000                               | 17,862,931        |
| Loss for the year   | -                  | (931,845)             | -                              | -                                     | (931,845)         |
| Other comprehensive loss  | -                  | -                     | (674)                          | -                                     | (674)             |
| <b>Total comprehensive loss for the year</b>                                  | -                  | (931,845)             | (674)                          | -                                     | (932,519)         |
| <b>Transactions with owners</b>   |                    |                       |                                |                                       |                   |
| Shares issued for interest on convertible notes for the period to 24 Nov 2020 | 300,662            | -                     | -                              | -                                     | 300,662           |
| Reversal of accrual for interest on convertible notes                         | (156,033)          | -                     | -                              | -                                     | (156,033)         |
| Exercise of options – transfer from option reserve                            | 32,357             | -                     | -                              | (32,357)                              | -                 |
| Options cancelled from cashless exercise of staff options                     | -                  | -                     | -                              | (15,011)                              | (15,011)          |
| Convertible notes converted into shares                                       | 2,825,000          | -                     | -                              | -                                     | 2,825,000         |
| Shares issued from exercise of options  | 1,469,500          | -                     | -                              | -                                     | 1,469,500         |
| Share issue costs   | (31,446)           | -                     | -                              | -                                     | (31,446)          |
| Share-based payment expense   | -                  | -                     | -                              | 123,251                               | 123,251           |
| <b>Total transactions with owners</b>   | 4,440,040          | -                     | -                              | 75,883                                | 4,515,923         |
| <b>Balance at 30 June 2021</b>  | <b>207,661,175</b> | <b>(187,177,810)</b>  | <b>37,087</b>                  | <b>925,883</b>                        | <b>21,446,335</b> |

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

|  | Note | Group<br>2021<br>\$ | 2020<br>\$  |
|--|------|---------------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |      |                     |             |
| Receipts from customers                                  |      | 153,123             | 117,668     |
| Interest received  |      | 13,552              | 14,779      |
| Interest paid  |      | -                   | (20,885)    |
| Payments to suppliers and employees                      |      | (924,841)           | (2,601,662) |
| Receipts from R&D Tax Rebate                             |      | 749,938             | -           |
| Receipts from Government grant funding                   |      | 175,141             | 1,065,493   |
| Net cash provided by/(used in) operating activities      | 2    | 166,913             | (1,424,607) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |      |                     |             |
| Payments for development of asset                        |      | (1,148,537)         | (677,517)   |
| Purchase of property, plant and equipment                |      | (160,020)           | (1,692)     |
| Proceeds from sale of property, plant and equipment      |      | 1,969               | 15,040      |
| Net cash (used in) investing activities                  |      | (1,306,588)         | (664,169)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |      |                     |             |
| Proceeds from issue of shares                            |      | 1,469,500           | 5,500,003   |
| Share issue costs  |      | (31,444)            | (255,500)   |
| Sale of treasury shares                                  |      | -                   | 34,615      |
| Payments for lease liabilities                           |      | (79,881)            | (31,277)    |
| Net cash provided by financing activities                |      | 1,358,175           | 5,247,841   |
| Net increase in cash held                                |      | 218,500             | 3,159,065   |
| Cash and cash equivalents at beginning of financial year |      | 3,414,671           | 255,606     |
| Cash and cash equivalents at end of financial year       | 8    | 3,633,171           | 3,414,671   |

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Carnegie Clean Energy Limited ("the Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries ("the Group"). The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

The separate financial statements of the Company have not been presented within this financial report as permitted by the Corporations Act 2001. The Group is a 'for profit' entity for financial reporting purposes under Australian Accounting Standards.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 August 2021.

**Basis of Preparation**

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASB), adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**New and amended accounting standards and interpretations**

In the year ended 30 June 2021, the Directors have reviewed all of the revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting year. The Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company's business and, therefore, no change necessary to the Group accounting policies.

**Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Carnegie Clean Energy Limited at the end of the reporting period. A controlled entity is any entity over which Carnegie Clean Energy Limited has the power to direct the activities of the entity and is exposed to, or has rights to, variable returns from its involvement. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Carnegie Clean Energy Limited has not formed a tax consolidated group with its Australian wholly owned subsidiaries. As such each entity is responsible for accounting for its own current and deferred tax amounts. Any unused tax losses and unused tax credits are therefore quarantined at each entity and are unavailable to the remainder of the Group.

**Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. The capitalised development costs are an intangible asset not yet ready for use and are therefore not currently subject to amortisation.

**Impairment of intangible assets**

Intangible assets that have an indefinite useful life, or are not yet ready for use, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of intangible assets (continued)**

Recoverable amount is the higher of an assets fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cashflows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cashflow flows are grouped together to form a cash-generating unit.

**Property, Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Depreciation is calculated on a straight-line basis to write off the net costs of each item of plant & equipment.

The depreciation rates used for each class of depreciable asset are:

| <i>Class of Fixed Asset</i>                    | <i>Depreciation Rate</i> |
|--|--------------------------|
| Plant and equipment                            | 1.0% - 50.0%             |
| Microgrid/Battery technology development asset | 7 years                  |

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leaseholder improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Any item of property, plant and equipment is derecognised upon disposal or where there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the items disposed of is transferred directly to accumulated losses.

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentive received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or rate are expensed in the period in which they are incurred.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Lease liabilities (continued)**

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following; future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Financial Instruments***Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

*Borrowings*

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. Where appropriate they are subsequently measured at amortised cost using the effective interest method

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial Instruments (Continued)**

On the issue of convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a financial liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the application of the effective interest method is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option. Where the conversion option meets the definition of equity, it is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

**Foreign Currency***Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

*Transaction and balances*

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred to equity as qualifying cash flow or net investment hedge.

**Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Share-based payments**

Equity-settled and cash-settled share-based compensation are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Share-based payments (continued)**

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**Revenue and Other Income**

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contact with a customer; identifies the performance obligations in the contract, determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods of service promised.

***Sale of Goods***

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Revenue and Other Income (continued)***Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or hourly rate.

*Interest*

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

*Royalty income*

Royalty income is recognised on an accrual basis. Royalty income, when applicable, is received on a quarterly basis and any under or over accrual applicable to previously recognised royalty income is adjusted for based on the receipt of the royalty income entitlement.

**Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses, and assets are recognised net of the amount of GST and VAT, except where the amount of GST and VAT incurred are not recoverable from the Tax Office. In these circumstances the GST and VAT are recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST and VAT.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST and VAT component of investing and financing activities, which are disclosed as operating cash flows.

**Government Grants and Research and Development Tax Incentives**

Government grants and research and development tax incentives are recognised at fair value where there is reasonable assurance that the grant or tax incentive will be received, and all grant or tax incentive conditions will be met. Where grantor tax incentive conditions are not yet fully met, grants or tax incentives will be treated as unearned funding in the balance sheet. Grants or tax incentives relating to expense items are recognised as an offset against these expenses to match the costs they are compensating. Grants or tax incentives relating to items capitalised as assets are recognised as an offset against the asset to match the costs they are compensating.

**Earnings/(loss) per share**

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the Group, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares on issue throughout the reporting period.

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the Group, adjusted for, the dilutive effects of any outstanding unlisted options over ordinary shares in the parent.

**Fair Value Measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Fair Value Measurement (continued)**

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs, and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

**Derivatives not designed as hedging instruments**

Forward sale contracts for large scale generation certificates are recognised when the entity becomes a party to the contractual provisions to the instrument. The Group has not designated these as hedging instruments and recognises the fair value gain or loss on these instruments at each balance date through the statement of profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the large-scale generation certificates takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principle market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset of liability, assuming that market participants act in their economic best interest.

**Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

**Financial Assets**

The Group has no significant financial assets held at fair value, nor did it have any in the prior period.

**Financial Liabilities**

The Group has no significant financial liabilities held at fair value through the profit or loss, nor did it have any in the prior period.

**Allowance for expected credit losses**

The allowance for expected credit losses assessment required a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Standards for Application in Future Periods**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. New Accounting Standards applicable for future periods are not expected to have a material impact on the Group.

**Significant accounting judgements, estimates and assumptions**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Impairment of development asset*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. Annual impairment testing is also carried out for all intangible assets (refer to Note 13).

The CETO development asset is an intangible asset which is not yet available for use which the Group tests annually for impairment. Refer to Note 13 for details of the significant assumptions and judgements utilised in this assessment.

*Useful lives of available for use intangible assets*

Acquired intellectual property and development costs in respect of an asset available for use that has a finite life is amortised over the asset's useful life. The Group assesses the useful life based on conditions specific to the Group and to the particular asset, including the expected usage of the asset by the Group, public information on estimates of useful lives of similar assets, and technical and technological obsolescence.

*Share based payment transactions*

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using the Black Scholes valuation method taking into consideration the terms and conditions upon which the instruments are granted (refer to Note 26).

**NOTE 2: REVENUE AND OTHER INCOME**

The Group derives its sales revenue from the sale of goods and provision of services under AASB 15.

|   | <b>Group</b> |             |
|---|--------------|-------------|
|   | <b>2021</b>  | <b>2020</b> |
|   | <b>\$</b>    | <b>\$</b>   |
| <i>Sales revenue</i>                    |              |             |
| Garden Island Microgrid (point in time) | 60,955       | 117,668     |
| <i>Other income</i>                     |              |             |
| Interest income                         | 15,088       | 17,806      |
| Sale of gold royalty rights             | 1,000,000    | -           |
| Other income                            | 9,452        | 1,820       |
| Returned bank guarantee                 | 58,899       | -           |
| Rental income                           | 18,620       | -           |
|   | 1,102,059    | 19,626      |

**CARNEGIE CLEAN ENERGY LIMITED**

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**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 3: DEPRECIATION AND AMORTISATION EXPENSE**

|   |              | <b>Group</b>   |                |
|---|--------------|----------------|----------------|
|   | <b>Notes</b> | <b>2021</b>    | <b>2020</b>    |
|   |              | <b>\$</b>      | <b>\$</b>      |
| Depreciation – property, plant, and equipment | 11           | 11,589         | 17,037         |
| Amortisation - property, plant, and equipment | 11           | 396,909        | 342,702        |
| Amortisation– right of use asset              | 12           | 79,881         | 39,940         |
|   |              | <u>488,379</u> | <u>399,679</u> |

**NOTE 4: INCOME TAX EXPENSE**

- a. The components of tax expense comprise:

**Current tax expense**

|                |          |          |
|----------------|----------|----------|
| Current period | -        | -        |
|                | <u>-</u> | <u>-</u> |

- b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

|  | <b>2021</b>      | <b>2020</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| — Loss from continuing operations                  | (832,425)        | (1,812,383)      |
| — Loss from discontinued operations                | (99,420)         | 1,536,861        |
| — Total Loss for the year                          | <u>(931,845)</u> | <u>(275,522)</u> |
| — Income tax at 30.0% (2020: 27.5%)                | (279,553)        | (75,768)         |
| Add/(Deduct): Tax effect of:                       |                  |                  |
| — Other non-allowable items                        | (9,863)          | 19,349           |
| — Non-deductible R&D costs                         | 1,827            | 2,803            |
| — Assessable government grants                     | -                | 268,407          |
| — Share options expenses during the year           | 32,472           | -                |
| — Movement in deferred tax balances not recognised | 206,766          | (228,175)        |
| — Effect of lower foreign tax rates                | 48,350           | 13,384           |
|  | <u>-</u>         | <u>-</u>         |

The Group has tax revenue losses carried forward of \$49,374,504 (2020: \$45,858,289) and capital tax losses carried forward of \$1,239,028 (2020: \$1,239,028). The tax losses do not expire under current tax legislation. Deferred tax asset has not been recognised in respect of tax losses carried forward as a formal assessment of the recoverability of the tax losses under the current tax legislation has not been performed.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2021.

**Names and positions held in economic and parent entity by KMP in office at any time during the financial year are:**

| <i>Key Management Person</i> | <i>Position</i>                              |
|------------------------------|--|
| Terry Stinson                | Non-Executive Chairman                       |
| Michael Fitzpatrick          | Non-Executive Director                       |
| Grant Mooney                 | Non-Executive Director and Company Secretary |
| Anthony Shields              | Non-Executive Director                       |
| Jonathan Fievez              | Chief Executive Officer                      |

The totals of remuneration paid to KMP of the Group during the year are as follows:

|                              | <b>2021</b>    | <b>2020</b>    |
|------------------------------|----------------|----------------|
|                              | <b>\$</b>      | <b>\$</b>      |
| Short term employee benefits | 478,000        | 400,080        |
| Share based payments         | 46,250         | -              |
| Post-employment benefits     | 40,850         | 34,932         |
|                              | <u>565,100</u> | <u>435,012</u> |

**NOTE 6: AUDITORS' REMUNERATION**

|  | <b>Group</b>  |                |
|--|---------------|----------------|
|  | <b>2021</b>   | <b>2020</b>    |
|  | <b>\$</b>     | <b>\$</b>      |
| • Remuneration of the current auditor of the Group for auditing or reviewing the financial report  | 61,210        | 117,350        |
| • Remuneration of the previous auditor of the Group for auditing or reviewing the financial report | -             | 5,000          |
|  | <u>61,210</u> | <u>122,350</u> |

**NOTE 7: EARNINGS/(LOSS) PER SHARE**

|  | <b>Group</b> |             |
|--|--------------|-------------|
|  | <b>2021</b>  | <b>2020</b> |
| Basic loss per share (cents per share) from continuing operations              | (0.008)      | (0.021)     |
| Diluted loss per share (cents per share) from continuing operations            | (0.008)      | (0.021)     |
| Basic profit/(loss) per share (cents per share) from discontinued operations   | 0.001        | 0.018       |
| Diluted profit/(loss) per share (cents per share) from discontinued operations | 0.001        | 0.018       |



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 7: EARNINGS/(LOSS) PER SHARE (CONTINUED)**

|   | <b>Group</b> |             |
|---|--------------|-------------|
|   | <b>2021</b>  | <b>2020</b> |
|   | <b>\$</b>    | <b>\$</b>   |
| (a)   |              |             |
| Loss used in the calculation of basic and diluted EPS – continuing operations             | (832,425)    | (1,812,383) |
| Profit/(loss) used in the calculation of basic and diluted EPS – discontinuing operations | (99,420)     | 1,536,861   |

|  | <b>Group</b>   |               |
|--|----------------|---------------|
|  | <b>2021</b>    | <b>2020</b>   |
| (b) Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share | 12,330,363,393 | 8,448,446,149 |

As at 30 June 2020 and 30 June 2021, the outstanding options were not dilutive as the Group made net losses in both years.

**NOTE 8: CASH AND CASH EQUIVALENTS**

|               | <b>Group</b>     |                  |
|---------------|------------------|------------------|
|               | <b>2021</b>      | <b>2020</b>      |
|               | <b>\$</b>        | <b>\$</b>        |
| Cash on hand  | 245              | 134              |
| Cash at bank  | 1,632,926        | 2,414,537        |
| Term deposits | 2,000,000        | 1,000,000        |
|               | <u>3,633,171</u> | <u>3,414,671</u> |

**NOTE 9: TRADE AND OTHER RECEIVABLES**

| <b>Group</b>                               | <b>Gross Amount</b> | <b>Past due but not impaired<br/>(days overdue)</b> |              |            | <b>Within trade terms</b> |
|--|---------------------|---|--------------|------------|---------------------------|
| <b>2021</b>                                |                     | <b>1-30</b>   | <b>31-60</b> | <b>61+</b> |                           |
|  | <b>\$</b>           | <b>\$</b>   | <b>\$</b>    | <b>\$</b>  | <b>\$</b>                 |
| CURRENT                                    |                     |   |              |            |                           |
| Trade receivables                          | 108,977             | -   | -            | -          | 108,977                   |
| Net trade receivables                      | 108,977             | -   | -            | -          | 108,977                   |
| Prepayments                                | 42,837              | -   | -            | -          | 42,837                    |
| Other receivables*                         | 247,033             | -   | -            | -          | 247,033                   |
| Receivable for sale of gold royalty rights | 1,000,000           | -   | -            | -          | 1,000,000                 |
|  | <u>1,398,847</u>    | -   | -            | -          | <u>1,398,847</u>          |

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)**

| Group             | Gross Amount | Past due but not impaired<br>(days overdue) |       |     | Within trade terms |
|-------------------|--------------|---|-------|-----|--------------------|
| 2021              |              | 1-30  | 31-60 | 61+ |                    |
|                   | \$           | \$  | \$    | \$  | \$                 |
| NON-CURRENT       |              |   |       |     |                    |
| Security deposits | 539,336      | -   | -     | -   | 539,336            |
|                   | 539,336      | -   | -     | -   | 539,336            |

\* Other receivables are mainly represented by R&D rebate receivable, GST receivable and accrued income.

| Group                 | Gross Amount | Past due but not impaired<br>(days overdue) |       |     | Within trade terms |
|-----------------------|--------------|---|-------|-----|--------------------|
| 2020                  |              | 1-30  | 31-60 | 61+ |                    |
|                       | \$           | \$  | \$    | \$  | \$                 |
| CURRENT               |              |   |       |     |                    |
| Trade receivables     | 137,592      | -   | -     | -   | 137,592            |
| Net trade receivables | 137,592      | -   | -     | -   | 137,592            |
| Other receivables*    | 32,223       | -   | -     | -   | 32,223             |
|                       | 169,815      | -   | -     | -   | 169,815            |
| NON-CURRENT           |              |   |       |     |                    |
| Security deposits     | 542,264      | -   | -     | -   | 542,264            |
|                       | 542,264      | -   | -     | -   | 542,264            |

\* Other receivables are mainly represented by R&D Refund receivable, GST receivable and accrued income.

**NOTE 10: FINANCIAL ASSETS**

|   | Group  |        |
|---|--------|--------|
|   | 2021   | 2020   |
|   | \$     | \$     |
| Non-current financial assets                      | 12,414 | 12,414 |
| <b>Non-current financial assets comprise:</b>     |        |        |
| Unlisted investment, shares in other corporations | 12,414 | 12,414 |

Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 11: PROPERTY, PLANT AND EQUIPMENT**

|                             | <b>Group</b> |             |
|-----------------------------|--------------|-------------|
| <i>Plant and equipment:</i> | <b>2021</b>  | <b>2020</b> |
|                             | <b>\$</b>    | <b>\$</b>   |
| At cost                     | 2,977,194    | 2,844,013   |
| Accumulated depreciation    | (884,246)    | (486,072)   |
| Total plant and equipment   | 2,092,948    | 2,357,941   |

**Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| <b>Group:</b>                      | <b>Plant and<br/>Equipment<br/>2021</b> | <b>Plant and<br/>Equipment<br/>2020</b> |
|------------------------------------|---|---|
|                                    | <b>\$</b>                               | <b>\$</b>                               |
| Balance at the beginning of year   | 2,357,941                               | 2,675,949                               |
| Additions                          | 143,505                                 | 41,731                                  |
| Depreciation expense               | (408,498)                               | (359,739)                               |
| Carrying amount at the end of year | 2,092,948                               | 2,357,941                               |

**NOTE 12: RIGHT-OF-USE ASSETS**

|                                      | <b>Group</b> |             |
|--------------------------------------|--------------|-------------|
|                                      | <b>2021</b>  | <b>2020</b> |
|                                      | <b>\$</b>    | <b>\$</b>   |
| Cost                                 | 159,761      | 159,761     |
| Accumulated amortisation             | (119,821)    | (39,940)    |
| Closing balance at end of the period | 39,940       | 119,821     |

|                                      | <b>Group</b> |             |
|--------------------------------------|--------------|-------------|
| <b>Reconciliation - Premises</b>     | <b>2021</b>  | <b>2020</b> |
|                                      | <b>\$</b>    | <b>\$</b>   |
| Balance at the beginning of period   | 119,821      | -           |
| Additions                            | -            | 159,761     |
| Amortisation expense                 | (79,881)     | (39,940)    |
| Closing Balance at end of the period | 39,940       | 119,821     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 13: INTANGIBLE ASSETS

*Intangibles – CETO technology development asset*

|  | 2021<br>\$ | Group<br>2020<br>\$ |
|--|------------|---------------------|
| <i>Movements for year ended 30 June</i>              |            |                     |
| Opening Balance                                      | 14,590,973 | 15,000,000          |
| Subsequent development expenditure – CETO Technology | 1,181,316  | 656,466             |
| Other grants received                                | (159,218)  | (1,065,493)         |
| R&D tax incentives                                   | (971,843)  | -                   |
| Impairment (i)                                       | (366,607)  | -                   |
| Balance as at 30 June                                | 14,274,621 | 14,590,973          |

- (i) The impairment was recognised due to the Wave Hub project finalisation in CETO Wave Energy UK Limited. As there is no longer an active project, the intangible asset value could not be carried forward.

The CETO technology has yet to be commercialised and is in the development phase. As it is not yet ready for use, it is necessary to test the asset annually for impairment. The recoverable amount is determined as the fair value less costs to sell and the 'relief from royalty' methodology (RRM) is used to determine this amount. Management has considered the RRM as being the most appropriate methodology to value CETO technology as:

- RRM is a commonly used and widely accepted method for valuing intellectual property (IP), and
- A cost-based approach can be used as a crosscheck using the costs required to replicate the IP. Whilst Management have details on the historical expenditure incurred in developing and maintaining the IP, it is not possible to identify what proportion of the historical expenditure is now obsolete.

A market-based approach is also rarely applied in the valuation of IP due to lack of comparable transactions of IP from which valuation metrics can be observed and deducted. The basic principle of the relief from royalty methodology (RRM) is that if the intellectual property (IP) is not owned, there would need to be payment to license it from the IP owner. By virtue of owning the asset, the IP owner is 'relieved' from the responsibility of licensing the IP from a third party. The value of that is therefore benchmarked to the hypothetical cost to license such IP from a third party.

The determination of fair value is based on 'fair value' as defined under *AASB 13: Fair Value Measurement*. In the current year management has prepared a valuation model using the RRM which was then assessed by a suitably qualified independent consultant during the financial year. The RRM utilises an estimate of the forecast royalty stream that a hypothetical third party would pay to utilise the IP less the costs of commercialisation.

The development asset in its entirety is classified as level 3 in the fair value hierarchy.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The calculation of the fair value less cost of disposal is based on the following key assumptions:

- Expected revenue generated from the sale of CETO IP units, based on a minority market share of the world's installed wave energy capacity;
- Remaining useful life of the IP will have a life beyond the remaining patent period as new technology is developed and patented. As such, a 15-year forecast period with a terminal value has been utilised in the financial model;
- A royalty rate range of 3% to 5% with a mid-point of 4% has been applied. To determine a royalty rate range, royalty rates associated with the renewable energy sector were considered and selected;

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**NOTE 13: INTANGIBLE ASSETS (CONTINUED)**

- Management estimates of the cost to Carnegie (net of grants and research & development rebates) to commercialise would require an R&D budget of \$2 million per year until 2026;
- A tax rate of 25% until revenues reach \$50m and 30% where revenue is above \$50m;
- A discount rate of 21% derived by applying the capital asset pricing model (CAPM).

On this basis no additional impairment is required.

**NOTE 14: TRADE AND OTHER PAYABLES**

|                 | <b>Group</b>  |               |
|-----------------|---------------|---------------|
|                 | <b>2021</b>   | <b>2020</b>   |
|                 | <b>\$</b>     | <b>\$</b>     |
| Trade creditors | 162,785       | 210,623       |
| Accruals        | 170,977       | 46,162        |
|                 | <hr/> 333,762 | <hr/> 256,785 |

**NOTE 15: PROVISIONS**

|  | <b>Group</b> |              |
|--|--------------|--------------|
|  | <b>2021</b>  | <b>2020</b>  |
|  | <b>\$</b>    | <b>\$</b>    |
| <b>Current</b>   |              |              |
| Annual, Long Service Leave and Other Employee Provisions | 95,785       | 82,862       |
|  | <hr/> 95,785 | <hr/> 82,862 |
| <b>Non-current</b>                                       |              |              |
| Long Service Leave and Other Employee Provisions         | 68,233       | 51,837       |
|  | <hr/> 68,233 | <hr/> 51,837 |

**Provision for Employee Benefits**

A provision has been recognised for employee entitlements relating to long service leave (LSL) and annual leave. In calculating the present value of future cash flows in respect of LSL, the probability of LSL being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 of this report.

**NOTE 16: LEASE LIABILITY**

|                         | <b>Group</b> |               |
|-------------------------|--------------|---------------|
|                         | <b>2021</b>  | <b>2020</b>   |
|                         | <b>\$</b>    | <b>\$</b>     |
| <b>Premises</b>         |              |               |
| Current liabilities     | 47,162       | 79,881        |
| Non-current liabilities | -            | 48,603        |
| Total lease liability   | <hr/> 47,162 | <hr/> 128,484 |

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**NOTE 16: LEASE LIABILITY (CONTINUED)**

|  | <b>Group</b> |             |
|--|--------------|-------------|
| <b>Reconciliation</b>                    | <b>2021</b>  | <b>2020</b> |
|  | <b>\$</b>    | <b>\$</b>   |
| Opening balance at beginning of period   | 128,484      | -           |
| Liabilities incurred during the year (i) | -            | 159,761     |
| Principal repayments                     | (81,322)     | (31,277)    |
| Closing Balance 30 June                  | 47,162       | 128,484     |

(i) Extension of Fremantle office lease to 31 December 2021.

**NOTE 17: BORROWINGS**

|  | <b>Group</b> |             |
|--|--------------|-------------|
| <b>Current</b>   | <b>2021</b>  | <b>2020</b> |
|  | <b>\$</b>    | <b>\$</b>   |
| Carnegie convertible notes                               | -            | 2,825,000   |
|  | -            | 2,825,000   |
| <b>Convertible Notes reconciliation</b>                  |              |             |
| Balance at the beginning of the period                   | 2,825,000    | 6,039,987   |
| Unwinding of finance costs                               | -            | 110,013     |
| Conversion to equity during the period                   | (2,825,000)  | (3,325,000) |
| Cancel existing convertible notes                        | -            | (2,825,000) |
| Placement of new convertible notes, expiry 31 March 2021 | -            | 2,825,000   |
|  | -            | 2,825,000   |

During the year all convertible notes were converted into shares, as follows:

- On 12 January 2021, 10 convertible notes with a face value of \$25,000 each were converted into shares at an issue price of \$0.00125 per share with 1 attaching option per share exercisable at \$0.0015 per share with an expiry of 3 February 2024. 200,000,000 shares and 200,000,000 options were issued as a result of this. Interest on the convertible notes was also paid in shares as per the convertible notes agreement.
- On 3 February 2021, 26 convertible notes with a face value of \$25,000 each were converted into shares at an issue price of \$0.00125 per share with 1 attaching option per share exercisable at \$0.0015 per share with an expiry of 3 February 2024. 520,000,000 shares and 520,000,000 options were issued as a result of this. Interest on the convertible notes was also paid in shares as per the convertible notes agreement.
- On 24 February 2021, 34 convertible notes with a face value of \$25,000 each were converted into shares at an issue price of \$0.00125 per share with 1 attaching option per share exercisable at \$0.0015 per share with an expiry of 24 February 2024. 680,000,000 shares and 680,000,000 options were issued as a result of this. Interest on the convertible notes was also paid in shares as per the convertible notes agreement.
- On 24 March 2021, 43 convertible notes with a face value of \$25,000 each were converted into shares at an issue price of \$0.00125 per share with 1 attaching option per share exercisable at \$0.0015 per share with an expiry of 24 March 2024. 860,000,000 shares and 860,000,000 options were issued as a result of this. Interest on the convertible notes was also paid in shares as per the convertible notes agreement.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 18: SHARE CAPITAL**

|  | <b>2021</b> | <b>Group</b> | <b>2020</b> |
|--|-------------|--------------|-------------|
|  | <b>\$</b>   |              | <b>\$</b>   |
| 14,702,573,710 (2020: 11,141,452,450) fully paid ordinary shares | 207,661,176 |              | 203,221,135 |

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

| <b>a. Ordinary shares number</b>   | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
|  | <b>No.</b>     | <b>No.</b>     |
| At the beginning of reporting period   | 11,141,452,450 | 2,881,452,450  |
| Shares issued during the year  |                |                |
| — Rights issue 28 October 2019   | -              | 5,500,000,000  |
| — Shares issued from conversion of 50% of HMF loan to equity 28 October 2019                                     | -              | 460,000,000    |
| — Shares issued from conversion of 50% of the old convertible Notes to equity 28 October 2019                    | -              | 1,800,000,000  |
| — Shares issued from conversion of funding loans to DoCA proponents 28 October 2020                              | -              | 500,000,000    |
| — Shares issued as payment for interest on convertible notes 24 November 2020                                    | 188,333,330    | -              |
| — Conversion of 10 convertible notes plus interest on the 10 convertible notes up to conversion 12 January 2021  | 202,282,778    | -              |
| — Conversion of 26 convertible notes plus interest on the 26 convertible notes up to conversion 3 February 2021  | 526,281,363    | -              |
| — Conversion of 34 convertible notes plus interest on the 34 convertible notes up to conversion 24 February 2021 | 689,736,611    | -              |
| — Exercise of employee options 3 March 2021  | 80,666,666     | -              |
| — Exercise of options 3 March 2021   | 200,000,000    | -              |
| — Exercise of Director options 5 March 2021  | 250,000,000    | -              |
| — Conversion of 43 convertible notes plus interest on the 43 convertible notes up to conversion 24 March 2021    | 868,820,512    | -              |
| — Exercise of options 24 March 2021  | 60,000,000     | -              |
| — Exercise of options 26 March 2021  | 200,000,000    | -              |
| — Exercise of Director options 16 April 2021   | 15,000,000     | -              |
| — Exercise of options 27 April 2021  | 200,000,000    | -              |
| — Exercise of options 10 May 2021  | 80,000,000     | -              |
| At reporting date  | 14,702,573,710 | 11,141,452,450 |

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 18: SHARE CAPITAL (CONTINUED)**

|   | <b>2021</b>        | <b>Group</b>       |
|---|--------------------|--------------------|
| <b>b. Ordinary shares \$</b>  | <b>\$</b>          | <b>2020</b>        |
|   |                    | <b>\$</b>          |
| At the beginning of reporting period  | 203,221,135        | 194,460,984        |
| Shares issued during the year   |                    |                    |
| — Rights issue 28 October 2019 @ \$0.001 per share  | -                  | 5,500,003          |
| — Shares issued from conversion of 50% of the HMF loan to equity 28 October 2019 @ \$0.00125 per share              | -                  | 575,000            |
| — Shares issued from conversion of 50% of the old convertible Notes to equity 28 October 2019 @ \$0.00125 per share | -                  | 2,250,000          |
| — Shares issued from conversion of funding loans to DoCA proponents 28 October 2019 @ \$0.001 per share             | -                  | 500,000            |
| — Sale of treasury shares   | -                  | 34,615             |
| — Shares issued as payment for interest on convertible notes 24 November 2020                                       | 226,000            | -                  |
| — Conversion of 10 convertible notes plus interest on the 10 convertible notes up to conversion 12 January 2021     | 255,022            | -                  |
| — Conversion of 26 convertible notes plus interest on the 26 convertible notes up to conversion 3 February 2021     | 663,819            | -                  |
| — Conversion of 34 convertible notes plus interest on the 34 convertible notes up to conversion 24 February 2021    | 871,421            | -                  |
| — Exercise of employee options 3 March 2021   | 32,856             | -                  |
| — Exercise of options 3 March 2021  | 300,000            | -                  |
| — Exercise of Director options 5 March 2021   | 312,500            | -                  |
| — Conversion of 43 convertible notes plus interest on the 43 convertible notes up to conversion 24 March 2021       | 1,109,400          | -                  |
| — Exercise of options 24 March 2021   | 90,000             | -                  |
| — Exercise of options 26 March 2021   | 300,000            | -                  |
| — Exercise of Director options 16 April 2021  | 46,500             | -                  |
| — Exercise of options 27 April 2021   | 300,000            | -                  |
| — Exercise of options 10 May 2021   | 120,000            | -                  |
| Accrual for unissued shares (interest on convertible notes)   | (156,033)          | 156,033            |
| Share issue costs   | (31,446)           | (255,500)          |
| At reporting date   | <u>207,661,177</u> | <u>203,221,135</u> |



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 18: SHARE CAPITAL (CONTINUED)**

**c. Capital Management**

Management controls the capital of the group in order to ensure that the Group can fund its operations and continue as a going concern.

The Group's capital is made up of ordinary share capital and debt funding via convertible notes.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. This includes the management of share issues.

During the year, convertible notes were 100% converted to equity (Refer to Note 17), in addition, options were exercised during the year.

**NOTE 19: RESERVES**

|  | <b>2021</b>    | <b>Group</b>   |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>2020</b>    |
|  | <b>\$</b>      | <b>\$</b>      |
| <b>a. Foreign Currency Translation Reserve</b>   |                |                |
| The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and foreign currencies.  | 37,356         | 37,760         |
| <b>b. Convertible Note/Option Reserve</b>  |                |                |
| The reserve records items recognised as expenses on valuation of share options and share based payments including loan funded shares. It also records amounts classified as "equity" under the requirements of AASB 132. | 925,883        | 850,000        |
| <b>Total</b>   | <u>963,239</u> | <u>887,760</u> |

**NOTE 20: BUSINESS RISK**

The net loss of the Group for the financial year ended 30 June 2021 was \$931,845, which included a loss on discontinued operations of \$99,420. (2020: net loss \$275,522, which included a profit on discontinued operations of \$1,536,861). As at 30 June 2021, the Group had net assets of \$21,446,335 (2020: \$17,862,931).

As the Group continues to develop its proprietary technologies, it expects to have a net decrease in cash from operating activities until it achieves positive cash flow.

The Group cannot say with certainty when it will become profitable because of the uncertainties associated with successfully commercializing a wave energy technology. If existing resources are insufficient to satisfy the liquidity requirements, the Group may seek to sell its solar microgrid asset, issue additional equity or debt securities or obtain credit facilities. If the Group is unable to obtain required financing, it may be required to reduce the scope of its planned product development and commercialization efforts which could adversely affect its financial position and operating results.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 21: 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:

- Discontinued operations
- Continuing operations

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.

| 2021               | Continuing<br>Operations | Discontinued<br>Operations | Total<br>segments | Adjustments<br>and<br>eliminations | Consolidated |
|--------------------|--------------------------|----------------------------|-------------------|------------------------------------|--------------|
| <b>Revenue</b>     |                          |                            |                   |                                    |              |
| External customers | 60,955                   | -                          | 60,955            | -                                  | 60,955       |
|                    | 60,955                   | -                          | 60,955            | -                                  | 60,955       |

| 2021                         | Continuing<br>Operations | Discontinued<br>Operations | Total<br>segments | Adjustments<br>and<br>eliminations | Consolidated |
|------------------------------|--------------------------|----------------------------|-------------------|------------------------------------|--------------|
| <b>Segment profit/(loss)</b> | (832,425)                | (99,420)                   | (931,845)         | -                                  | (931,845)    |
| <b>Total assets</b>          | 21,911,277               | -                          | 21,911,277        | -                                  | 21,911,277   |
| <b>Total liabilities</b>     | (544,942)                | -                          | (544,942)         | -                                  | (544,942)    |

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 21: OPERATING SEGMENTS (CONTINUED)**

| 2020               | Continuing<br>Operations | Discontinued<br>Operations | Total<br>segments | Adjustments<br>and<br>eliminations | Consolidated   |
|--------------------|--------------------------|----------------------------|-------------------|------------------------------------|----------------|
| <b>Revenue</b>     |                          |                            |                   |                                    |                |
| External customers | 117,668                  | -                          | 117,668           | -                                  | 117,668        |
|                    | <u>117,668</u>           | <u>-</u>                   | <u>117,668</u>    | <u>-</u>                           | <u>117,668</u> |

  

| 2020                     | Continuing<br>Operations | Discontinued<br>Operations | Total<br>segments  | Adjustments<br>and<br>eliminations | Consolidated       |
|--------------------------|--------------------------|----------------------------|--------------------|------------------------------------|--------------------|
| <b>Segment loss</b>      | (1,812,383)              | 1,536,861                  | (275,522)          | -                                  | (275,522)          |
| <b>Total assets</b>      | <u>21,207,899</u>        | <u>-</u>                   | <u>21,207,899</u>  | <u>-</u>                           | <u>21,207,899</u>  |
| <b>Total liabilities</b> | <u>(3,344,968)</u>       | <u>-</u>                   | <u>(3,344,968)</u> | <u>-</u>                           | <u>(3,344,968)</u> |

**NOTE 22: RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX**

|  | <b>Group</b>   |                    |
|--|----------------|--------------------|
|  | <b>2021</b>    | <b>2020</b>        |
|  | <b>\$</b>      | <b>\$</b>          |
| Loss after income tax  | (931,845)      | (275,522)          |
| Non-cash flows in loss   |                |                    |
| Depreciation and amortisation  | 488,379        | 399,679            |
| Impairment   | 366,443        | -                  |
| Effect of discontinued operations  | (99,420)       | 1,536,861          |
| Government funding capitalised   | 1,122,812      | -                  |
| Share based payments   | 108,239        | -                  |
| Doubtful Debts   | -              | 7,800              |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries |                |                    |
| (Increase)/decrease in trade and other receivables   | (1,229,030)    | 1,946,518          |
| (Decrease)/increase in development assets  | 251,436        | (56,435)           |
| Increase/(decrease) in trade payables and accruals   | 76,977         | (4,997,040)        |
| Increase/(decrease) in provisions  | 12,922         | (13,532)           |
| Net cashflow from (used in) operations   | <u>166,913</u> | <u>(1,424,607)</u> |

**NOTE 23: EVENTS AFTER THE REPORTING PERIOD**

Carnegie sold the gold royalty rights held by the Company over part of the Higginsville Gold Project in Western Australia. The rights were sold to Karora Resources Limited on 30 June 2021 for \$1 million cash. Proceeds from the sale of the gold royalty of \$1 million were received on 1 July 2021.

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Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The Group has not recorded any impairment on receivables relating to amounts owed by related parties.

*Transactions and balances with Director related entities*

Company secretarial services have been provided by Mooney & Partners Pty Ltd, a company associated with Grant Mooney during the financial year. These amounts have been included in the disclosures at Note 5. These transactions were undertaken under normal commercial terms.

Director Grant Mooney and Chief Executive Officer Jonathan Fievez jointly own solar energy microgrid operation and maintenance company EMC Asset Management Pty Ltd (EMCAM). EMCAM provides operation and maintenance services to Carnegie to maintain the Garden Island Solar Battery System. For the period, EMCAM was paid \$151,590 inclusive of GST for those services. The Company has established a Committee comprising independent directors Anthony Shields and Terry Stinson to negotiate commercial terms of contracts with EMCAM.

EMCAM also subleases office space from Carnegie at the Rous Head facility in Fremantle, Western Australia. The lease is on commercial terms and was negotiated between EMCAM and the Committee. Rent and outgoings paid to Carnegie during the year totalled to \$36,396 including GST.

Balances outstanding with Director and Director related entities:

|  | 2021<br>\$ | 2020<br>\$ |
|--|------------|------------|
| Mooney & Partners Pty Ltd  | 4,400      | 4,400      |
| Asymmetric Arbitrage Ltd – 10 convertible notes <sup>(1)</sup>         | -          | 250,000    |
| HFM Investments Pty Ltd – 23 convertible notes <sup>(2)</sup>          | -          | 575,000    |
| Log Creek Pty Ltd <88 Green A/c> - 20 convertible notes <sup>(2)</sup> | -          | 500,000    |
| EMC Asset Management   | 12,566     | -          |

<sup>(1)</sup> Asymmetric Arbitrage Ltd is a company associated with Anthony Shields, who is a Director.

<sup>(2)</sup> HFM Investments Pty Ltd and Log Creek Pty Ltd <88 Green A/c> are companies associated with Mike Fitzpatrick, who is a Director.

Balances receivable with Director and Director related entities:

|                      | 2021<br>\$ | 2020<br>\$ |
|----------------------|------------|------------|
| EMC Asset Management | 2,030      | -          |

**NOTE 25: FINANCIAL RISK MANAGEMENT****Financial Risk Management Policies**

The Board of Directors has responsibility for, amongst other issues, monitoring and managing financial risk exposures of the Group. The board monitors the Group's financial risk management policies and exposures and approves the financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

**(a) Interest rate risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The effective weighted average interest rates in classes of financial assets and liabilities is as follows:

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 25: FINANCIAL RISK MANAGEMENT (CONTINUED)**

| Group                     | Weighted<br>Average<br>Effective<br>Interest<br>Rate<br>% | Floating<br>Interest<br>Rate<br>\$ | Fixed Interest Rate<br>Maturing |                    | Non-<br>interest<br>Bearing<br>\$ | Total<br>\$ |
|---------------------------|---|------------------------------------|---------------------------------|--------------------|-----------------------------------|-------------|
| 30 June 2021:             |   |                                    | Within year<br>\$               | 1 to 5 years<br>\$ |                                   |             |
| Financial assets:         |   |                                    |                                 |                    |                                   |             |
| Cash and cash equivalents | 0.37  | 1,000,386                          | 2,000,000                       | -                  | 632,785                           | 3,633,171   |
| Receivables               | -   | -                                  | -                               | -                  | 1,108,976                         | 1,108,976   |
| Financial assets          | -   | -                                  | -                               | -                  | 12,414                            | 12,414      |
|                           |   | 1,000,386                          | 2,000,000                       | -                  | 1,754,175                         | 4,754,561   |
| Financial liabilities:    |   |                                    |                                 |                    |                                   |             |
| Accounts payable          |   | -                                  | -                               | -                  | 333,762                           | 333,762     |
|                           |   | -                                  | -                               | -                  | 333,762                           | 333,762     |

| Group                     | Weighted<br>Average<br>Effective<br>Interest<br>Rate<br>% | Floating<br>Interest<br>Rate<br>\$ | Fixed Interest Rate<br>Maturing |                    | Non-<br>interest<br>Bearing<br>\$ | Total<br>\$ |
|---------------------------|---|------------------------------------|---------------------------------|--------------------|-----------------------------------|-------------|
| 30 June 2020:             |   |                                    | Within year<br>\$               | 1 to 5 years<br>\$ |                                   |             |
| Financial assets:         |   |                                    |                                 |                    |                                   |             |
| Cash and cash equivalents | 0.81  | 1,414,671                          | 2,000,000                       | -                  | -                                 | 3,414,671   |
| Receivables               | -   | -                                  | -                               | -                  | 70,950                            | 70,950      |
| Financial assets          | -   | -                                  | -                               | -                  | 12,414                            | 12,414      |
|                           |   | 1,414,671                          | 2,000,000                       | -                  | 83,364                            | 3,498,035   |
| Financial liabilities:    |   |                                    |                                 |                    |                                   |             |
| Accounts payable          |   | -                                  | -                               | -                  | 256,785                           | 256,785     |
| Borrowings                | 0.08  | -                                  | 2,825,000                       | -                  | -                                 | 2,825,000   |
|                           |   | -                                  | 2,825,000                       | -                  | 256,785                           | 3,081,785   |

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the Statement of Financial Position.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## NOTE 25: FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Net fair value

The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the Statement of Financial Position.

For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment, where this could not be done, they have been carried at cost. No financial assets or financial liabilities are readily traded on organised markets in standardised form other than investments.

*Financial Instruments Measured at Fair Value*

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

| 2021                     | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|--------------------------|---------------|---------------|---------------|-------------|
| <b>Financial assets:</b> |               |               |               |             |
| <i>Financial assets:</i> |               |               |               |             |
| — Unlisted investments   | -             | -             | 12,414        | 12,414      |
|                          | -             | -             | 12,414        | 12,414      |
| <b>2020</b>              |               |               |               |             |
| <b>Financial assets:</b> |               |               |               |             |
| <i>Financial assets:</i> |               |               |               |             |
| — Unlisted investments   | -             | -             | 12,414        | 12,414      |
|                          | -             | -             | 12,414        | 12,414      |

## (d) Sensitivity Analysis

*Interest Rate Risk*

The group is not subject to any significant interest rate risk.

## (e) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from variety of sources;
- Managing credit risk related to financial assets;
- Investing only in surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 26: SHARE BASED PAYMENTS**

Types of share-based payment plans

*Employee share option plan*

Share options are granted to executives and staff at the discretion of the Board of Directors. Share options are only granted to Directors' after approval by shareholders. The plan is designed to align participants' interests with those of shareholders by increasing value of the Company's shares. Under the plan, the exercise price of the options is set by the Board of Directors at the time of issue.

*Consultant & financier share options*

Share options are granted to consultants at the discretion of the Board of Directors for services provided to the Group. The exercise price of the options is set by the Board of Directors at the time of issue.

*Consultant & financier shares*

Shares are granted to consultants and financiers at the discretion of the Board of Directors for services provided to the Group.

Total options and rights outstanding and exercisable are as follows;

| <b>2021</b>                            |                    |                       |   |                      |                      |                                  |                                       |
|--|--------------------|-----------------------|---|----------------------|----------------------|----------------------------------|---------------------------------------|
| <b>Grant Date</b>                      | <b>Expiry date</b> | <b>Exercise price</b> | <b>Balance at the start of the year</b> | <b>Granted</b>       | <b>Exercised</b>     | <b>Expired/ forfeited/ other</b> | <b>Balance at the end of the year</b> |
| 8 Feb 2018                             | 24 Jan 2024        | \$0.06000             | 35,000,000                              | -                    | -                    | -                                | 35,000,000                            |
| 10 Oct 2018                            | 10 Oct 2021        | \$0.01600             | 10,000,000                              | -                    | -                    | -                                | 10,000,000                            |
| 28 Oct 2019                            | 12 Jan 2024        | \$0.00150             | 2,260,000,000                           | -                    | (660,000)            | -                                | 1,600,000,000                         |
| 28 Oct 2019                            | 28 Oct 2024        | \$0.00125             | 500,000,000                             | -                    | (25,000,000)         | -                                | 250,000,000                           |
| 21 Jul 2020                            | 20 Jul 2022        | \$0.00200             | -                                       | 200,000,000          | (66,666,666)         | (33,333,334)                     | 100,000,000                           |
| 21 Jul 2020                            | 20 Jul 2022        | \$0.00200             | -                                       | 100,000,000          | (14,000,000)         | (6,500,000)                      | 79,500,000                            |
| 12 Jan 2021                            | 12 Jan 2024        | \$0.00150             | -                                       | 200,000,000          | -                    | -                                | 200,000,000                           |
| 3 Feb 2021                             | 3 Feb 2024         | \$0.00150             | -                                       | 520,000,000          | -                    | -                                | 520,000,000                           |
| 24 Feb 2021                            | 24 Feb 2024        | \$0.00150             | -                                       | 680,000,000          | (80,000,000)         | -                                | 600,000,000                           |
| 24 Mar 2021                            | 23 Mar 2024        | \$0.00150             | -                                       | 860,000,000          | -                    | -                                | 860,000,000                           |
| 24 Mar 2021                            | 25 Nov 2022        | \$0.00300             | -                                       | 100,000,000          | (15,000,000)         | -                                | 85,000,000                            |
|  |                    |                       | <b>2,805,000,000</b>                    | <b>2,660,000,000</b> | <b>(201,326,666)</b> | <b>(39,833,334)</b>              | <b>4,339,500,000</b>                  |
| <b>Weighted average exercise price</b> |                    |                       | <b>0.00143</b>                          | <b>0.00161</b>       | <b>0.00186</b>       | <b>0.00200</b>                   | <b>0.00204</b>                        |

The options outstanding as at 30 June 2021 had a weighted average exercise price of \$0.002 and a weighted average remaining contractual life of 2.58 years. Exercise prices range from \$0.00125 to \$0.06 in respect to options outstanding as at 30 June 2021.

For the rights and options granted during the financial year, the valuation model inputs used to determine the fair value at the grant date are as follows. These rights and options were issued pursuant to shareholder approval at the Annual General Meeting held 25 November 2020.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTE 26: SHARE BASED PAYMENTS (CONTINUED)**

| Grant date                | Expiry date  | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---------------------------|--------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| <sup>1</sup> 25 Nov 2020  | 25 Nov 2022  | \$0.0015                  | \$0.003        | 75%                 | 0%             | 0.25%                   | \$0.0001                 |
| <sup>2</sup> 21 July 2020 | 20 July 2022 | \$0.0015                  | \$0.002        | 120%                | 0%             | 0.26%                   | \$0.0008                 |

**NOTE 27: PARENT INFORMATION**

The following information has been extracted from the books and records of the parent and has been prepared applying policies that are consistent with those of the Group.

|  | <b>2021</b>       | <b>2020</b>       |
|--|-------------------|-------------------|
|  | <b>\$</b>         | <b>\$</b>         |
| <b>STATEMENT OF FINANCIAL POSITION</b>   |                   |                   |
| <b>ASSETS</b>                            |                   |                   |
| Current assets                           | 5,026,790         | 3,547,346         |
| Non-current assets                       | 11,237,159        | 17,666,720        |
| <b>TOTAL ASSETS</b>                      | <b>16,263,950</b> | <b>21,214,066</b> |
| <b>LIABILITIES</b>                       |                   |                   |
| Current liabilities                      | 476,258           | 3,245,048         |
| Non-current liabilities                  | 68,233            | 100,440           |
| <b>TOTAL LIABILITIES</b>                 | <b>535,492</b>    | <b>3,345,488</b>  |
| <b>TOTAL NET ASSETS</b>                  | <b>15,728,458</b> | <b>17,898,578</b> |
| <b>EQUITY</b>                            |                   |                   |
| Issued capital                           | 207,661,177       | 203,221,135       |
| Reserves                                 | 925,883           | 850,000           |
| Accumulated losses                       | (192,858,602)     | (186,202,557)     |
| <b>TOTAL EQUITY</b>                      | <b>15,728,458</b> | <b>17,898,578</b> |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b> |                   |                   |
| Total loss                               | (511,342)         | (141,707)         |
| Total comprehensive loss                 | (511,342)         | (141,707)         |



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**AND CONTROLLED ENTITIES****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021****NOTE 28: PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**

On 14 March 2019, EMC was placed into voluntary administration. After holding meetings with creditors, the Administrators placed EMC into liquidation. In addition, the loss from Northam Solar farm was also classified as a discontinued operation. The total losses written off are as follows:

|   | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Cash from sale of Northam Solar Farm  | -           | (200,868)   |
| Creditors, accruals and other liabilities   | -           | 3,783,432   |
| Payment to Creditor Trust as agreed for delay in relisting                        | -           | (463,615)   |
| KordaMentha administration fee  | (50,000)    | (1,400,000) |
| Cash transferred to creditors trust   | -           | (18,253)    |
| Payment to Creditor Trust for Northam Solar Farm expired bank guarantee           | -           | (163,835)   |
| Reimbursement to KordaMentha for FY19 R&D tax fee                                 | (37,724)    | -           |
| Payment of outstanding Business Activity Statement from pre-administration period | (14,678)    | -           |
| Accrual of Northam Solar Farm bank account to be transferred to creditors trust   | 2,982       | -           |
| Profit/(Loss) from discontinued operations  | (99,420)    | 1,536,861   |

**NOTE 29: INTERESTS IN SUBSIDIARIES AND JOINT ARRANGEMENTS**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

|  | <b>Country of Incorporation</b> | <b>Percentage Owned (%)</b> |             |
|--|---------------------------------|-----------------------------|-------------|
|  |                                 | <b>2021</b>                 | <b>2020</b> |
| Carnegie Recreational Watercraft Pty Ltd | Australia                       | 100                         | 100         |
| CETO IP (Australia) Pty Ltd              | Australia                       | 100                         | 100         |
| CETO Wave Energy Ireland                 | Ireland                         | 100                         | 100         |
| CETO Wave Energy UK                      | United Kingdom                  | 100                         | 100         |
| CMA Nominees Pty Ltd                     | Australia                       | 100                         | 100         |
| New Millennium Engineering Pty Ltd       | Australia                       | 100                         | 100         |
| Pacific Coast Wave Energy Corp           | Canada                          | 95                          | 95          |

**NOTE 30: COMPANY DETAILS**

The registered office and Principal place of business of the Company is:

Carnegie Clean Energy Limited  
21 North Mole Drive  
NORTH FREMANTLE WA 6159

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**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 18 to 45, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the *Corporations Regulations 2001*;
  - b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Group;
2. the financial statements comply with International Financial Reporting Standards as set out in Note 1;
3. the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with the *Corporations Act 2001* and the *Corporations Regulations 2001*; and
4. the Managing Director and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
5. In the Director's 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.



**GRANT MOONEY**  
Director



**TERRY STINSON**  
Director

Dated this 25th day of August 2021

## INDEPENDENT AUDITOR'S REPORT

To the members of Carnegie Clean Energy Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Carnegie Clean Energy Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

**hlb.com.au**

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| Key Audit Matter   | How our audit addressed the key audit matter  |
|--|---|
| <b>Fair value of intangible assets</b><br>Refer to Note 13   |   |
| <p>As at 30 June 2021, the Group has recorded intangible assets with a value of \$14,274,621 which relate to capitalised development costs and intellectual property associated with the CETO development asset. This asset is in the development phase and is not yet available for use.</p> <p>Under AASB 136 <i>Impairment of Assets</i>, intangible assets that are not yet available for use are subject to an annual impairment assessment irrespective of whether indicators of impairment exist. We consider the recoverability of intangible assets to be a key audit matter as it involved complex matters including subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Discussing with management the appropriateness of the methodology and assumptions used in determining the recoverable amount.</li> <li>• Considering the determination of the cash-generating unit.</li> <li>• Considered the basis for the cash flow forecasts in the value-in-use modelling. This included consideration of the historical accuracy of previous estimates.</li> <li>• Comparing the discount rate, growth rates and other economic assumptions to available internal and external data;</li> <li>• Determining if the valuation supported the carrying value of the intangible assets. This process included sensitivity analysis performed over critical variables.</li> <li>• Performing our own assessment of impairment indicators based on the provisions of AASB 136 <i>Impairment of Assets</i>.</li> <li>• Assessing the adequacy of financial statement disclosures.</li> </ul> |

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Carnegie Clean Energy Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**25 August 2021**



**N G Neill**  
**Partner**