2022

Annual Report

Carnegie CLEAN ENERGY

Carnegie Clean Energy Limited
ABN: 69 009 237 736

Corporate Directory

Directors

Terry Stinson
Non-Executive Chairman

Michael Fitzpatrick
Non-Executive Director

Grant Mooney
Non-Executive Director

Anthony Shields
Non-Executive Director

Share Registry

Automic Group
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(within Australia)

Auditors

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Subsidiaries include:

- CETO Wave Energy Ireland
- CETO Wave Energy UK
- Carnegie Technologies Spain

Chief Executive Officer

Jonathan Fiévez

Company Secretary

Grant Mooney

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ASX Code: CCE

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01 Chairman's Report

Another year has passed, and I take this opportunity to reflect upon Carnegie's progress. Financial Year 2022 has been an eventful period for Carnegie with the team making huge progress toward meeting the performance and commercial targets of our CETO wave energy converter technology.

Our Purpose remains front of mind – "harness ocean energy to make the world more sustainable". And our aim is to become the global leader in this new renewable source of energy, delivering clean renewable technologies to the world whilst delivering value to our shareholders.

The worldwide push towards decarbonisation and the need for renewable energy sources has grown even further over the last 12 months, with Governments and businesses steering away from the reliance on traditional fossil fuels. The Russia-Ukraine war also shows further incentive to reduce the dependence on gas monopolies by accelerating the rollout of renewables.

Australia's recent landmark Climate Change Bill 2022 is a big step forward, committing to cut greenhouse gas emissions to 43% below 2005 levels by 2030, and reach a net zero goal by 2050. The legislation gives our industry and investors greater confidence in the nation's commitment to reaching a credible path to net zero and increased clarity for participants in the energy market.

CSIRO projects that wave energy could contribute up to 11% of Australia's energy (enough to power a city the size of Melbourne) by 2050, making it a strong contender in the nation's renewable energy mix.

Meanwhile on a global front, by 2050, 85% of global energy is targeted to come from renewable sources. With investments accelerating, ocean energy has an enormous potential to follow the same trajectory as solar and wind.

Technologies like CETO – capturing energy in ocean waves and converting it into zero-emission electricity – are receiving increasingly wide interest as an additional means to help fight climate change.

As part of the milestones achieved this year, the team made substantial improvements with a step change enhancement in CETO's cost and performance, based on modelling and tank testing, which also culminated in the completion of Carnegie's Digital Development Pathway.

Looking ahead, we have unveiled our new Product Validation Roadmap for CETO, MoorPower and our complimentary product streams (Mooring Tensioner and Wave Predictor), outlining the targets and milestones over the next 18 months.

Europe is leading the way in wave energy support and adoption, so being awarded Phase 1 of the competitive €22.5m EuropeWave PCP Programme was a huge endorsement of the applicability of our technology. In September 2022, the team was excited to be selected as one of five contractors to continue in Phase 2 of EuropeWave. This was an even further validation of CETO's competitive potential and a big step forward towards the final Phase 3 which, if successful in the final competitive selection, would see a funded CETO prototype deployed at BiMEP in Spain or EMEC in Scotland.

The EuropeWave programme aims to advance wave energy technologies for commercial exploitation, running from 2021 to 2025. EuropeWave has been a great win for Carnegie. During Phase 1, our fantastic team and consortium of partners have worked relentlessly to complete CETO's design and tank testing campaign and validate the technology's performance in the European wave conditions. Our European team has grown this year, particularly expanding its footprint in Spain to support EuropeWave, with our wave tank testing campaign conducted at the Cantabria Coastal and Ocean Basin (CCOB). Over the coming year, we'll be undertaking a range of Phase 2 CETO design, testing and commercial activities.

EuropeWave aligns well with Carnegie's objectives to pave the way for a commercial roll-out of CETO and attract future project partners.

Securing additional world-class partnerships remains a key focus and deliverable to support our efforts to develop our wave energy technologies. For instance, together with our partner Hewlett Packard Enterprise (HPE), we have made great strides to integrate reinforcement learning-based Artificial Intelligence, allowing CETO to optimally extract more energy from each wave.

Partnerships have also facilitated the advancements of our spin-off projects like the $3.4 million MoorPower Scaled Demonstrator Project with the Blue Economy CRC. MoorPower, a CETO-derived product, aims to decarbonise moored offshore operations by reducing the reliance on diesel. Leading aquaculture industry companies, Huon Aquaculture and Tassal Group, are also active partners in the project.

We will continue to strengthen and nurture the relationship with our partners and supporters to expand our addressable market and educate on the potential for wave energy. And we will be working hard to deliver value on this over the coming year.

Carnegie's strategy was advanced this year with highly efficient use of capital whilst remaining debt free. Shareholder funds were managed responsibly, resulting in a solid balance sheet and a cash balance of $4.05m at the end of the June quarter.

With a clear strategy and accelerated route to commercialisation, this is an exciting time for Carnegie to advance wave energy as the next big source of clean energy. We have created a unique set of competitive products while building a market for wave energy with our partner ecosystem.

This is only the beginning as the world, and Europe specifically, reduces its reliance on fossil fuels and as we play a key role in accelerating the adoption of one of the world's largest untapped renewable energy sources.

Together with our fellow Directors and Team, we sincerely thank our Shareholders, who have supported us during what has been a significant year. I look forward to providing you with further updates on Carnegie's journey as we positively impact our planet.

Terry Stinson
Chairman

02 Company Overview

Our Purpose

We harness ocean energy to make the world more sustainable.

Our Vision

To be the most successful ocean energy company on Earth.

Carnegie Clean Energy (ASX: CCE) is an ASX listed technology company focused on the development and commercialisation of our proprietary CETO and MoorPower wave energy technologies and complimentary products including the Wave Predictor and Mooring Tensioner. Carnegie is headquartered in Fremantle, Western Australia but our reach is international with subsidiaries in the UK, Ireland and Spain actively involved in the development of our products and commercialisation pathways.

Over the past year, Carnegie progressed and completed the Digital Development Pathway, which commenced in 2019, and achieved significant CETO cost and performance improvements that maximise the commercial attractiveness of this tried and tested technology. The value unlocked by this work was demonstrated when CETO was selected as 1 of 7 technologies for Phase 1 of the EuropeWave Programme. During the year, the CETO Wave Energy Ireland team (a subsidiary of Carnegie) delivered Phase 1 of the EuropeWave Programme and, following the end of FY22, was selected as 1 of 5 to continue into Phase 2 of the Programme.

The team was also busy developing opportunities to spin-off and develop complementary technologies which enhance Carnegie's technology offering and fit within the Company's vision and mission. As part of this, Carnegie secured funding from the Blue Economy CRC to deliver the MoorPower TM Scaled Demonstrator Project in Western Australia.

Carnegie's technology portfolio now consists of the following products:

- CETO: an advanced wave energy system suitable for a wide range of remote and utility scale markets globally.
- MoorPower: an integrated wave energy system for offshore demand applications such as offshore aquaculture.
- Wave Predictor: a system capable of precisely predicting upcoming waves using a proprietary machine learning algorithm that enables intelligent control for wave energy converters and supports optimised performance and costs. Also suitable for other applications outside of the wave energy industry.
- Mooring Tensioner: a product that provides passive tension required for rotary electric power take-off systems, such as is needed for CETO and MoorPower. Also has the potential to provide other services such as improving station-keeping for vessels.

The CETO and MoorPower products are our core products, they are wave energy converters (WECs) which capture energy in ocean waves and convert it into zero-emission electricity suitable for a variety of different markets. Carnegie's intellectual property, embedded in all our products, provides the potential to revolutionise marine renewable power, deliver innovative solutions to ocean industries, support global efforts towards decarbonisation and create value for our shareholders.

03 Team

Carnegie maintains a lean but expanding team that is focused on the commercialisation of Carnegie's products and driving innovation aligned with our vision, mission and strategic business plan. With new team members joining in Europe, our global presence and impact is growing. Our team has a passion for technology, renewable energy and sustainability and remains guided by our mission, vision and core values.

04 Global Context and Opportunity

Global context

Driven by global policies to combat climate change and the commitments to achieve net zero CO2 emissions by 2050, renewables are set to become the dominant source of energy.

Momentum is building around the world. The European Union's Renewable Energy Directive is pushing for Europe's overall renewable energy target to increase to 45% by 2030. Meanwhile the US's recent Inflation Reduction Act will provide significant new support for renewable energy. The law will position America to meet its climate goals of cutting greenhouse gases at least in half in 2030 and reach net zero by 2050.

Locally, Australia recently passed the landmark Climate Change Bill 2022 setting new targets to cut greenhouse gas emissions by 43% by 2030 and reach a net zero goal by 2050.

By 2050, 85% of global energy will have to come from renewable sources. With only 5.7% of the global energy system currently consisting of renewable energy[1], a lot of work must still be done.

Wind and solar have made a difference, but other renewables are needed to complement these efforts. Wave energy is an abundant and untapped resource that can play an important role in the energy transition. It is clean, consistent – present day and night – predictable and abundant. It requires lower energy storage and can produce twice the amount of electricity the world currently produces[2]. With investments accelerating, wave energy is expected to achieve a cost reduction and growth rates in line with previously developed technologies such as offshore wind and solar PV.

Why wave energy

With the ocean covering more than 70% of the surface of our planet, wave energy is an important part of the fight against climate change as it emits no CO_2 and can provide a clean source of power without negatively impacting marine life.

Despite lockdowns and worldwide supply chain disruptions, the ocean energy sector hit several significant milestones in 2021. Global investment increased by 50% in 2021[3] and Ocean Energy Europe (OEE) forecasts a €653b market potential for this renewable alone by 2050[4].

Europe continues to lead the way in developing wave energy technologies with €3.84bn invested in wave and tidal energy R&D between 2007 and 2019[5]. Funding also continues to be led from Europe, as with the European Union funded €22.5m EuropeWave PCP Programme.

Ocean energy has the potential to provide 10% of Europe's current electricity needs by 2050 - enough to power 94 million households every year[6].

In Australia, CSIRO projects that wave energy could contribute up to 11% of Australia's energy (enough to power a city the size of Melbourne) by 2050, making it a strong contender in the nation's renewable energy mix.

The increased commercial commitments to ESG present a substantial opportunity for Carnegie to become a leading player in the renewable space. By developing and commercialising innovative technology, Carnegie is helping to create a sustainable energy future that is efficient and clean.

1 BP (2021) Statistical Review of World Energy
2 World Energy Resources Council (2016) World Energy Resources Full Report
3 Energy Digital (2022) Future Energy
4 Carbon Trust (2011) Marine Renewables Green Growth Paper
5 Innovation News Network (2022) Ocean energy can make waves in the renewable energy sector
6 Innovation News Network (2022) Ocean energy can make waves in the renewable energy sector

Key trends for the acceleration of wave energy

Increased demand for electricity

The global population is forecast to increase nearly 34% by 2050 to 9.47 billion and there is expected to be a 45% rise in global energy demand with much of the world's populations and energy requirements close to the coast.

Climate

Climate change is driving the need to decarbonise every aspect of the economy. Governments worldwide are committing to zero carbon and this requires solutions for every aspect of modern energy consumption.

Blue Economy

Growing recognition of the value of the Blue Economy. Ocean related industries contribute more than $1.5 trillion in value added to the overall economy each year. The MoorPower product is specifically targeted at Blue Economy applications.

Demand for renewables:

Renewables are replacing coal and gas generated electricity. Even the largest traditional oil & gas entities globally are investing in renewable power projects. Wave energy is consistent and predictable and can support other more variable renewables in an energy portfolio.

Corporate environmental, social and governance (ESG)

Increased focus on sustainability in business is driving ESG reporting by businesses and changing investor behaviours to increasingly value socially conscious investments.

Learning rates reduce energy cost

Established renewable energy sectors like wind and solar have demonstrated and proven viable cost reduction pathways which the wave energy sector will follow.

UN Sustainable Development Goals

Wave energy can play an important part to accelerate the United Nation's Sustainable Development Goals (SDGs), aimed to be reached by 2030. The four SDGs below are objectives Carnegie is actively committed to supporting and contributing to.

7. Affordable and Clean Energy.

Energy is the dominant contributor to climate change, accounting for around 60% of total global greenhouse gas emissions. Energy is becoming more sustainable and widely available, nonetheless more focused attention is needed to expand the use of renewable sources. As investment in clean energy continues, Carnegie aims to provide affordable and clean energy through its CETO and related technology.

13. Climate Action.

Combating climate change represents the biggest challenge but also opportunity. Marine protected areas need to be effectively managed and well-resourced and regulations should be put in place to reduce overfishing, marine pollution and ocean acidification. Providing beneficial renewable energy technologies to help combat climate change is at the core of Carnegie's strategy.

14. Life Below Water.

Conserving and sustainably using the oceans, seas and marine resources is a key feature of a sustainable future. However, at the current time, there is a continuous deterioration of coastal waters owing to pollution, overfishing, and due to the fact that about 80% of the volume of international trade in goods is carried by sea. Carnegie, through its MoorPower Project, aims to protect marine and coastal ecosystems, including via the sustainable management of fisheries and aquaculture.

6. Clean Water and Sanitisation.

Water is essential to almost all aspects of energy supply and electricity generation. Energy is also required for water treatment and to move water to where it is needed. With both water and energy needs set to increase, the inter-dependencies between the two will intensify. New technologies are opening up new ways to manage the potential strains on both fronts.

Carnegie Market Opportunity

The largest target market for CETO comprises the global utility-scale electricity markets and to an early extent also remote coastal and island markets.

With the development of MoorPower, Carnegie's initial target industry comprises offshore vessels – such as feeding barges for the aquaculture sector.

As the aquaculture sector moves operations further offshore, operations such as feeding barges will no longer have access to shore-based power and the reliance on diesel generators comes with many associated costs, carbon emissions and environmental risks, including fuel storage and spillage risks while refuelling offshore. This challenge presents an opportunity to utilise wave energy to offer healthy seafood produced with a low carbon footprint.

MoorPower can be deployed for any type of moored vessel and the company's vision is for the technology to also present an integrated solution with other offshore renewable energy systems including hydrogen and batteries.

Carnegie will continue to educate on the benefits of wave energy while building its addressable market and progressing commercialisation efforts.


SHIPYARD

05 Products and Product Validation

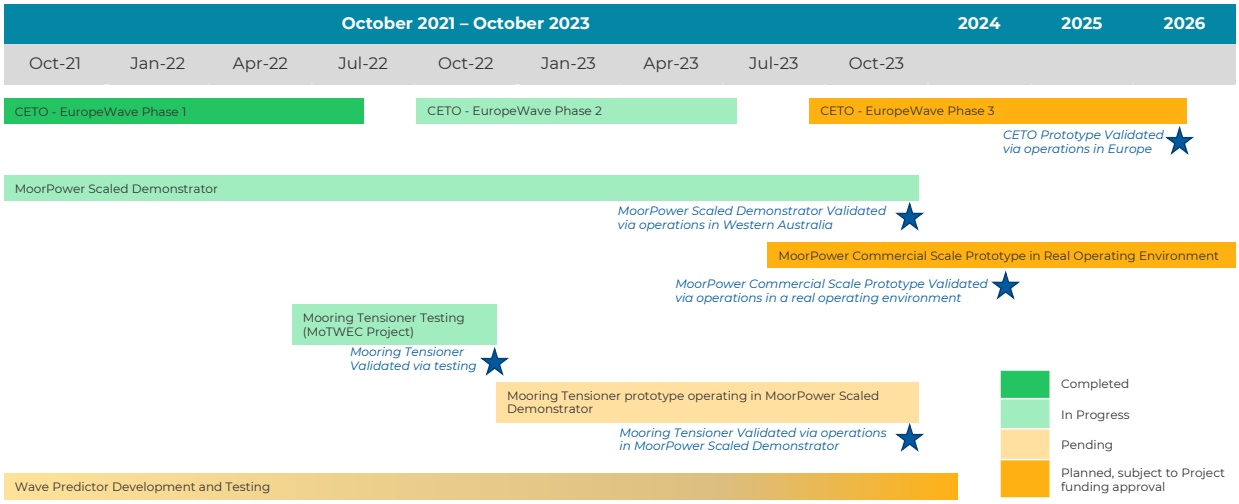
Carnegie Clean Energy is a technology developer dedicated to harnessing ocean energy to make the world more sustainable and has developed a portfolio of wave energy technologies and associated products that can help deliver this vision. While wave energy technologies are the core focus of the business, the team is now also creating spin-off products that have a range of applications beyond ocean energy but have their origin in the work the company is doing to advance wave energy.

In June 2022, Carnegie released a new Product Validation Roadmap for the primary CETO and MoorPower technologies, alongside additional products Wave Predictor and Mooring Tensioner. The new Roadmap follows the completion of the Digital Development Pathway, which resulted in the Company reaching its internal target of incorporating innovations that enhanced CETO performance and reduced CETO's cost of energy, shortening the timeframe to commercialisation.

The latest Roadmap outlines activities to be progressed over the next 18+ months to validate Carnegie's products, and can be found in the roadmap summary shown below (more details available in the ASX announcement from 29 June 2022). This validation process is an important stage in the commercialisation pathways of the Company's products.

Carnegie is in a strong position to validate its core CETO and MoorPower technologies through the delivery of projects that have support from key partners and funding bodies. CETO Wave Energy Ireland's continued participation in the EuropeWave PCP Programme and Carnegie's MoorPower Project are key mechanisms to validate the technologies in this Roadmap. These activities are supported by the company's strong partner ecosystem, which includes Hewlett Packard Enterprise and Blue Economy Cooperative Research Centre (CRC).

Carnegie Products
Product Validation Roadmap Summary



06 CETO®

Named after a Greek sea goddess, Carnegie's CETO wave energy technology offers the potential to revolutionise marine renewable power and deliver carbon reduction through the use of wave energy which can complement other renewable energy technologies.

The CETO system is a fully submerged, point absorber type wave energy technology affording minimal visual impact from shore. A submerged buoy sits a few metres below the surface of the ocean and moves with the ocean's waves. This orbital motion drives a Power Take-Off (PTO) system that converts the wave motion into grid-ready electricity.

Following the Digital Development Pathway's advancements over the past few years, the technical and commercial promise of this technology was reaffirmed by the successful selection as 1 of 7 contractors for Phase 1 of the competitive €22.5m EuropeWave PCP Programme for the advancement of wave energy technologies. Our EuropeWave Phase 1 Project, completed in July 2022, took the innovation concepts of the Digital Development Pathway and progressed the design of a CETO prototype and completed a tank testing campaign in Spain. In September 2022, the CETO technology was selected as 1 of 5 contractors to continue in Phase 2 of the EuropeWave Programme. During Phase 2, the team will advance the design through Front End Engineering Design, PTO testing, tank testing and associated commercial and certification activities. Subject to successful selection for Phase 3, this all leads to the full design, manufacture, deployment and operations of a CETO prototype in Europe. This provides a clear validation pathway for the CETO technology as illustrated in the CETO Development Activities Roadmap.

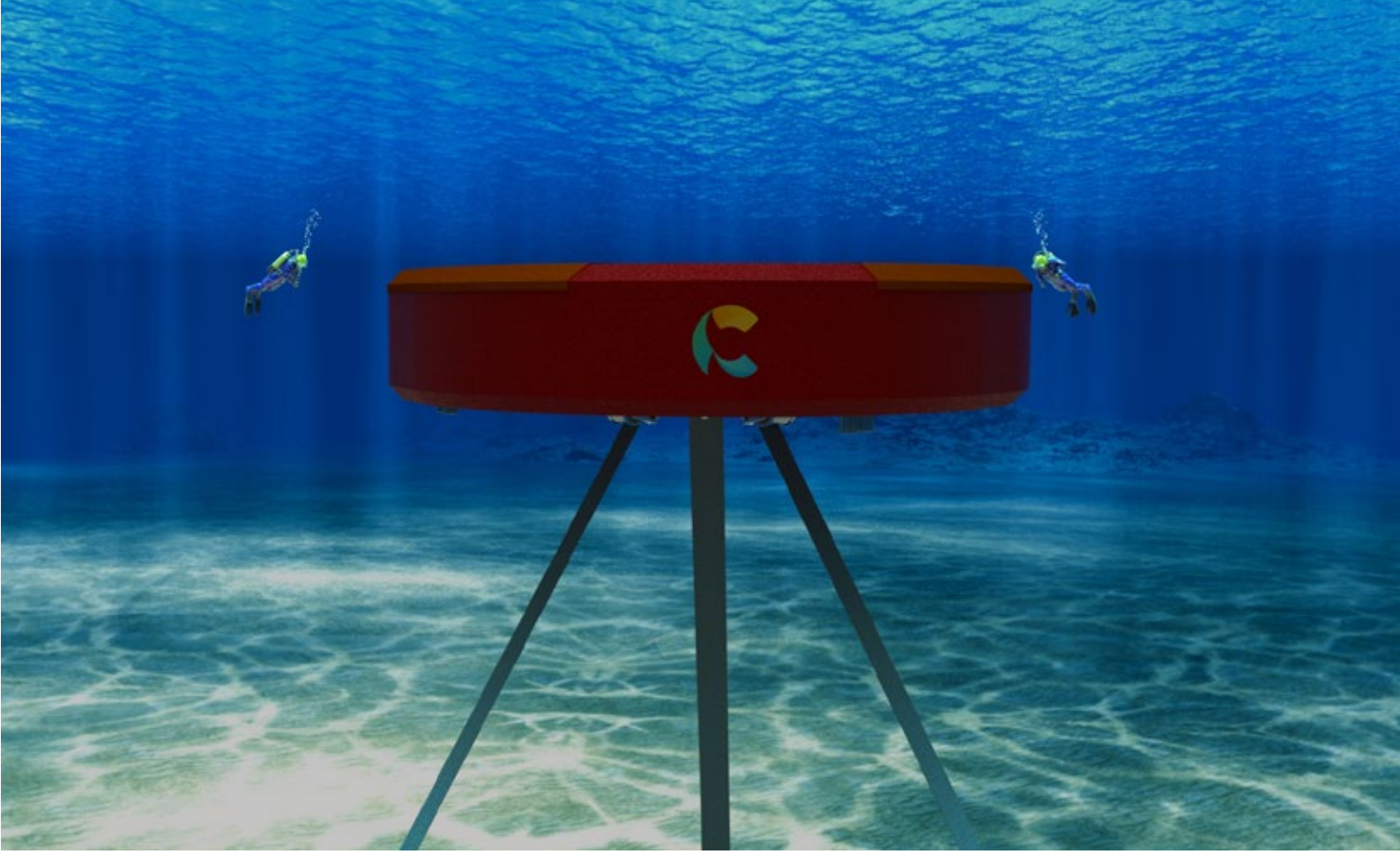
Carnegie's CETO commercialisation objectives are well aligned with the EuropeWave PCP Programme's ambition. The EuropeWave Project provides an attractive means to show future end users and project owners what CETO can do, and for these prospective future clients to see the technology in action - paving the way for the first early commercial projects and subsequent commercial roll out.

Europe is a leader in wave energy funding and adoption, as countries steer away from relying on fossil fuels, and thus Europe is an ideal location to validate CETO's promise and unlock its potential.

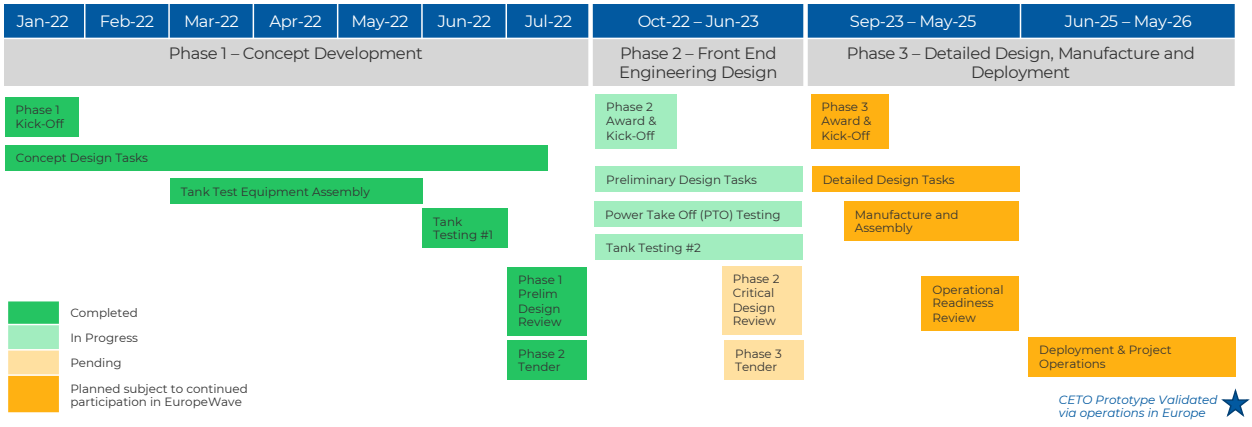
As the technology progresses along its commercialisation pathway and cost of energy decreases further, Carnegie envisages the addressable market for wave energy to expand, forming a growing adoption curve previously seen in the solar PV and offshore wind market expansions.

CETO Advantages

- No Visual Impact – fully submerged and invisible from shore
- Developed & Tested – over 10 years of onshore, tank and tens of thousands of hours of in-ocean testing
- Flexible – operates in variety of water depths, swell directions, tides & seafloor conditions
- Storm Survivability – fully submerged & extreme wave mitigation system
- Security – provides emissions free sustainable energy and water security to countries & islands
- Scalable – modular array design
- Clean – minimal environmental impact, co-exists with and encourages marine life
- Desalination – zero-emission freshwater co-production allows pseudo energy storage



CETO Development Activities
Validated via EuropeWave ACHIEVE Project



EUROPEWAVE

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CETO
Wave Energy Ireland

saitec offshore technologies

JULIA F. CHOZAS
CONSULTING ENGINEER

HUTCHINSON

Hewlett Packard Enterprise

VGA

07 MoorPower®

As the aquaculture sector moves operations further offshore, new challenges are encountered to access clean and reliable energy. Without shore-based power, energy intensive offshore aquaculture operations such as feeding barges are reliant on diesel generators with many associated costs, risks and carbon emissions. This is also true of many moored vessels across the blue economy.

Carnegie's solution to address this challenge is MoorPower, a spin-off that incorporates core aspects of Carnegie's CETO technology and know-how into a novel wave energy converter system for use in offshore energy demand applications. The first market for this product would be aquaculture barges and vessels that require energy for electrical loads operating offshore. Carnegie's new wave power product addresses the challenge of securing clean and reliable energy and replaces the diesel generation that would otherwise be required.

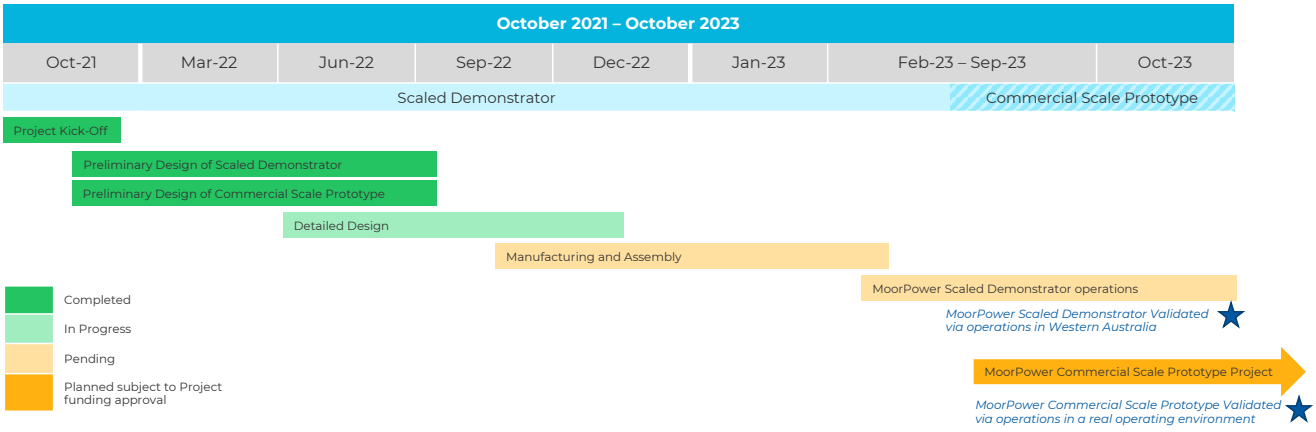
The concept and vision for MoorPower grew out of engagement with stakeholders in the Blue Economy CRC (BE CRC) including key aquaculture companies and their technology providers, ensuring that Carnegie understood their requirements, constraints and challenges.

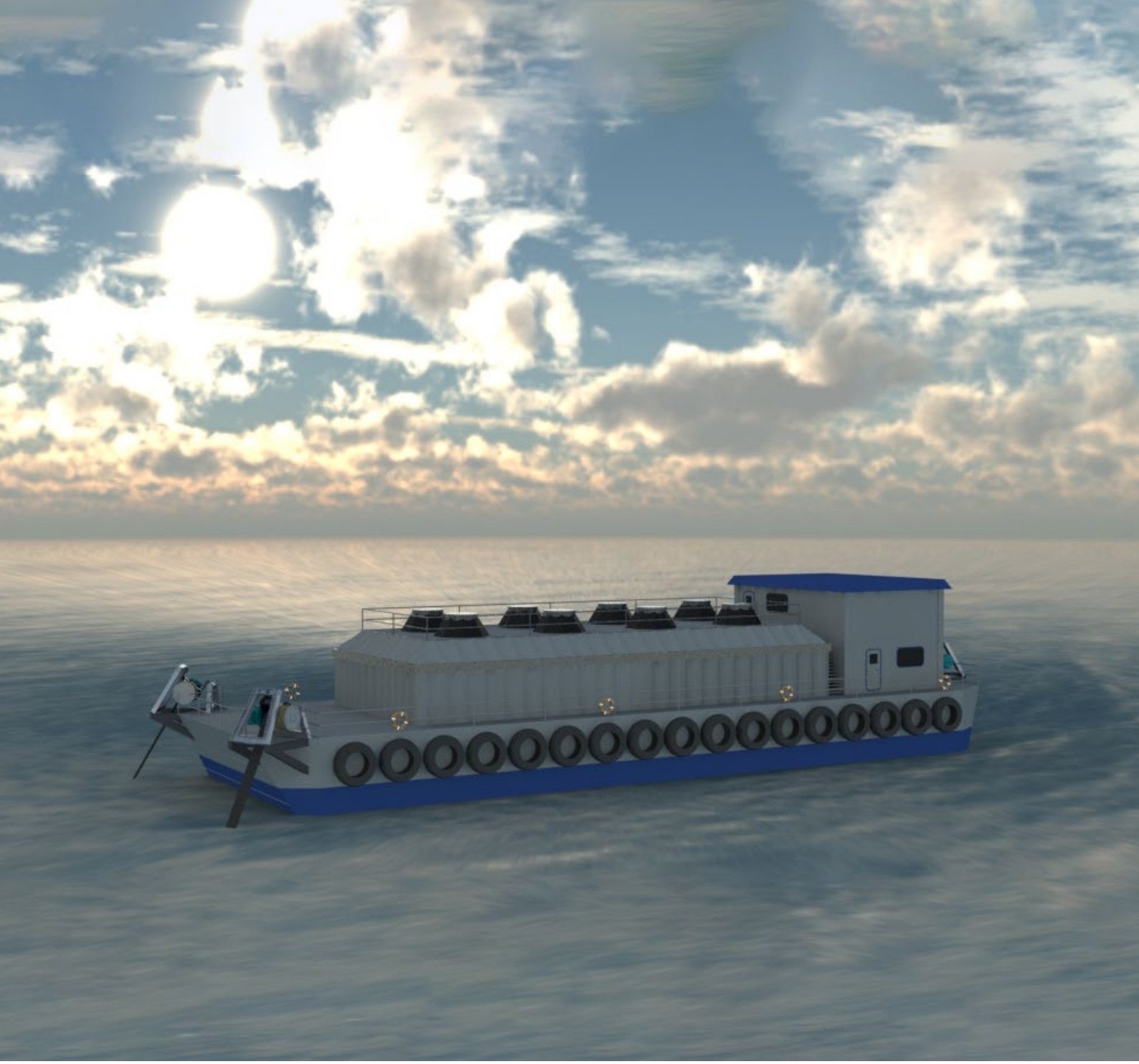
In October 2021, Carnegie launched the $3.4m MoorPower Scaled Demonstrator Project with support from the BE CRC and a consortium of partners. This important project will take MoorPower from concept to an operating prototype and allow future users to see the technology in action.

As part of the MoorPower Scaled Demonstrator Project currently underway, Carnegie will design, develop, build and operate a scaled demonstrator of the MoorPower technology in collaboration with Blue Economy CRC and leading partners, including Huon Aquaculture and Tassal. The scaled demonstrator will be deployed and operated just offshore from Carnegie's office and research facility in North Fremantle, Western Australia. Operations will commence in early 2023.

Following the scaled demonstrator, the next step in the product roadmap will be the integration of MoorPower into an operating environment in a Commercial Scale Prototype, likely to be in Tasmania with our Blue Economy partners.

MoorPower Development Activities
Validated via Scaled Demonstrator & Commercial Scale Prototype Projects





08 Wave Predictor

Carnegie's Wave Predictor is a locally developed but globally marketable product that can predict ocean waves up to minutes into the future, before they impact the shore, a structure, or a wave energy converter. From increasing the safety of rock fishing and critical offshore operations, through to increasing the efficiency of wave energy converters, wave prediction has a huge potential across a number of ocean industry sectors.

The Wave Predictor leverages the power of artificial intelligence to make accurate second-by-second predictions of the precise shape and timing of waves. It is based on deep learning, a branch of Artificial Intelligence which uses artificial neural networks, the architecture of which is inspired by that of the human brain, to learn relationships between complex phenomena.

The team has developed and validated the Wave Predictor via a previous tank testing campaign. This original Wave Predictor utilised wave buoys to provide the data input (knowledge) used by the Wave Predictor. To further improve the product, the next key development activity is expanding the possible input into the Wave Predictor to include image-based data input such as stereoscopic imagery or radar. This will enable the product to be more adaptable to a wide range of applications and reduce the cost associated with the data input required.

Over the coming months, Carnegie will work to deliver this expanded potential while also increasing data acquisition via direct and indirect methods. The company is in discussions with multiple possible end users and intends to test and validate the expanded Wave Predictor as a demonstration project with a future client. Therefore, the timeframe and specifics of that testing campaign and the next key validation milestone are subject to project funding agreements.

Complimentary Products - Wave Predictor
Development Activities

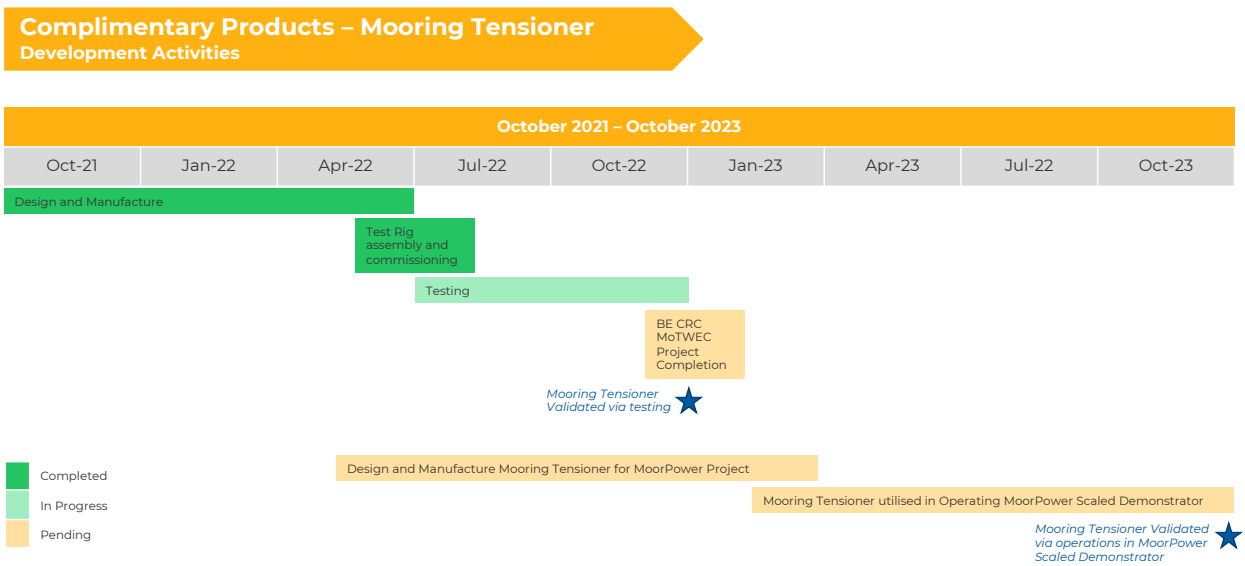

Carnegie

09 Mooring Tensioner

Carnegie's Mooring Tensioner product provides passive tension required for rotary electric power take-off systems, such as is required for CETO and MoorPower. In addition, there is potential for the Mooring Tensioner to be a standalone offering that delivers other services such as improving station-keeping for vessels.

The Mooring Tensioner testing campaign received funding from the Blue Economy CRC and benefits from the support of a consortium of expert partners. Project partner Advanced Composite Structures Australia (ACS-A) and Carnegie have designed a Mooring Tensioner prototype that has now been manufactured by ACS-A. Carnegie has also designed and constructed a test rig that is capable of undertaking functional and fatigue testing on the prototype. During the rest of 2022, the Carnegie team will be undertaking the planned testing campaign at its private research facility in Western Australia. This will lead to dry test validation of the Mooring Tensioner.

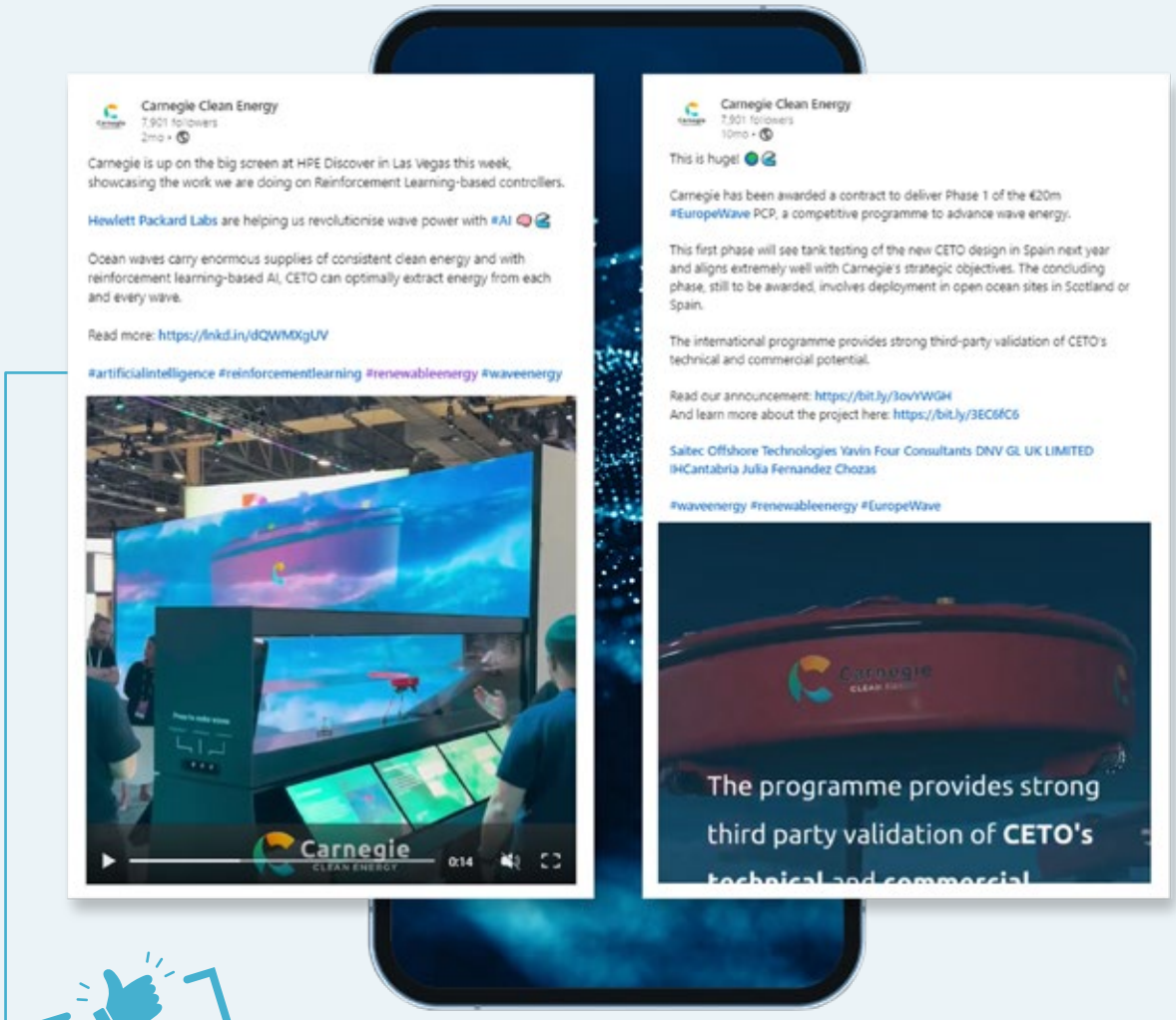
The next key stage in the Mooring Tensioner Roadmap is the design and integration of a Mooring Tensioner prototype into the power take-off of the MoorPower Scaled Demonstrator which will operate during 2023. These activities will deliver operational validation of the product in an operating MoorPower application. This would lead to the delivery of a Mooring Tensioner for the Commercial Scale MoorPower product to be deployed in a real aquaculture operating environment offshore.



10 Engagement

Carnegie provides regular updates on the company website as well as our LinkedIn and Twitter channels about partner engagements, project delivery progress and company news. The team provides a behind the scenes view of our activity and frequently responds to questions and industry dialogue.

Join the conversation with Carnegie on its LinkedIn (7.9K+ followers) and Twitter (3K+ followers) social media channels and follow to stay up to date.



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Watch our year in review here!

11 Partnerships and Collaborations

Carnegie collaborates with world-class academic and industrial partners around the world to enhance and improve CETO subsystems with impacts being delivered rapidly. These collaborations also explore longer term opportunities intended to deliver future cost reduction improvements along the technology commercialisation pathway. Direct collaborations are undertaken with key partners individually or in consortium projects, a selection of which are described below.

Hewlett Packard Enterprise

Carnegie and Hewlett Packard Enterprise Company (HPE), the multinational enterprise information technology company, are working collaboratively to develop a reinforcement learning based controller for the CETO wave energy technology. The work complements the artificial intelligence development underway at Carnegie and supports Carnegie's efforts to develop controllers that maximise the performance and cost of the CETO technology.

Hewlett Packard Labs is contributing its reinforcement learning (RL) expertise and computational resources to the project, working alongside Carnegie's team, which is already developing a number of intelligent controllers for the CETO technology.

Reinforcement learning is an area of artificial intelligence in which a machine learning model is built with the ability to self-learn. While the intelligent controller currently under development has to optimise the device's response for every wave (using ML models within the optimisation), the RL controller has the ability to directly learn and apply the optimum response to predicted waves, during operation. The RL controller, which comes pre-loaded with a simple control scheme, explores away from this reference using the concept of reward to identify and learn improved control actions.

Blue Economy Cooperative Research Centre (BE CRC)

The BE CRC is coordinating a more than $300m programme to advance Australia's blue economy in the areas of seafood production, marine renewable energy and offshore engineering.

Carnegie is leading the Mooring Tensioner for Wave Energy Converters (MoTWEC) Project, a $1.6 million project with awarded $850,000 of grant support from the BE CRC. This ongoing Project to design and test the Mooring Tensioner including coupon/material testing and scale prototype testing is currently underway at Carnegie's research facility. The Mooring Tensioner is a novel component which helps to unlock the potential of rotary power take off systems for wave energy converters. It also may have broader applications in the marine sector.

Carnegie and the BE CRC launched the MoorPower Scaled Demonstrator Project in October 2021. This project will design, install and operate a scaled prototype in waters off Carnegie's research facility in North Fremantle, Western Australia. This $3.4m project will be delivered by a strong team including Carnegie, Huon, Tassal, DNV, Advanced Composite Structures Australia, AMC Search, University of Tasmania, University of Queensland and ClimateKIC/Australian Ocean Energy Group. The project will receive $1.3m of cash support from the BE CRC, $265,000 of cash support from Carnegie with the balance ($1.8m) provided in-kind by the project partners.

Academic and Research Institution Partners

Carnegie has several productive collaborations with valued research partners across Australia and internationally including the University of Adelaide, CSIRO, University of Western Australia, University of Queensland, University of Tasmania and Wave Energy Scotland. In collaboration with Australian academic partners, Carnegie accesses the world class supercomputing resources and know-how at the Pawsey Supercomputing Centre in Western Australia.

12 Industry Association Memberships and Representation

In addition to direct collaborations with partners, Carnegie also engages with the broader offshore energy industry through industry groups. This allows the company to benefit from sector advancements and lessons learned without having to fund all the research individually. For instance, the foundation, dynamic and export electrical cables, biofouling and grid connection subsystems are examples that are undergoing well-funded development and cost reduction thanks to demands from other industries such as offshore wind and tidal energy.

Australian Ocean Energy Group

The Australian Ocean Energy Group (AOEG) is an industry led cluster formed to facilitate collaboration throughout the wave and tidal energy industry. Carnegie is a founding member and active participant in this cluster. AOEG's mission is to accelerate the commercialisation of Australia's ocean energy as the next frontier in low carbon generating capacity and add ocean energy to Australia's energy resource mix.

UK Marine Energy Council

UK MEC is the representative body for the UK marine renewable energy industry. UK MEC aims to inform, engage and champion the UK marine renewable energy industry as part of a clean, green and diverse energy mix, which can also provide substantial economic, supply chain and export benefits. Their aim is to be the leading voice in the renewable energy industry and one committed to making the UK an internationally attractive place to do business.

Ocean Energy Europe

Ocean Energy Europe (OEE) is the largest network of ocean energy professionals in the world and very actively represents the interests of Europe's ocean energy sector. Carnegie is one of over 120 member organisations which includes Europe's leading utilities, industrialists and research institutes. Ocean Energy Europe's mission is to create a strong environment for the development of ocean energy, improve access to funding, and enhance business opportunities for its members. To achieve this, OEE engages with the European Institutions (Commission, Parliament, Council, EIB, etc), and national ministries on policy issues affecting the sector.

IEC

Australia is a full member of the IEC TC 114 – the International Electrotechnical Commission's Technical Committee on marine energy. This international committee is developing international standards for marine energy covering wave, tidal and other water current converters.

Carnegie's Chief Technology Officer, Alexandre Pichard, is an industry representative for the Australian mirror committee. Carnegie is pleased to support Australia's voice in the development of standards for wave energy converters worldwide.

13 Garden Island Microgrid

One of Carnegie's unique assets is its 100% ownership of the Garden Island Microgrid (GIMG), located on HMAS Stirling in Western Australia. Through this asset, Carnegie sells clean renewable energy to the Department of Defence under an Electricity Supply Agreement.

The asset also offers a unique opportunity for future wave energy projects through its available electrical connection point, existing offshore infrastructure and ability to sell power through the existing Electricity Supply Agreement.

The offshore wave lease area was the site of Carnegie's previous Perth Wave Energy Project and any future projects could benefit from the previous site data and infrastructure investments made at the site.

The GIMG system is comprised of:

- 2MW Solar PV array
- 2MW/0.5MWh Battery Energy Storage System
- Containerised desalination plant (currently in care and maintenance)
- Offshore lease area
- A connection point available for future connections of wave energy technologies deployed in Carnegie's offshore lease area

The system has produced over 4 GWh, avoiding over 3,000 tonnes of CO_2 equivalent.

14 Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 18 October 2022.

Spread of Holdings	Number of holders of ordinary shares
1 - 1,000	254
1,001 - 5,000	496
5,001 - 10,000	766
10,001 - 100,000	4,045
100,001 and over	7,252

Number of Holders: 12,813
Number of Shareholders holding less than a marketable parcel: 7,535

Substantial Shareholders		
Shareholder Name	**Number of Shares**	**%**
Log Creek Pty Ltd	1,021,535,417	6.76%

Voting Rights: All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

Statement of Quoted Securities: Listed on the Australian Stock Exchange are 15,102,573,710 fully paid shares. All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

Company Secretary: The name of the Company Secretary is Grant Jonathan Mooney.

Registered Office: The registered office is at 21 North Mole Drive, North Fremantle WA 6169. The telephone number is (08) 6168 8400.

Twenty Largest Holders Of Each Class Of Quoted Equity Securities		
Ordinary Fully Paid Shares		
Shareholder Name	**Number of Shares**	**Percentage of Capital**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,091,319,724	7.23%
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,003,713,040	6.65%
CITICORP NOMINEES PTY LIMITED	768,777,665	5.09%
ASYMMETRIC CREDIT PARTNERS PTY LTD	636,985,492	4.22%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	551,178,279	3.65%
BNP PARIBAS NOMS PTY LTD <DRP>	542,666,778	3.59%
MR GRANT JONATHAN MOONEY	350,000,000	2.32%
DAWNRAY PTY LTD <HWBL SUPERANNUATION FUND A/C>	292,863,636	1.94%
RICHCAB PTY LIMITED	202,863,636	1.34%
DAWS & SON PTY LTD	178,572,000	1.18%
MR BARRY LESLIE RAMSAY	100,000,000	0.66%
FRASER INVESTMENT HOLDINGS PTY LTD <FRASER INVESTMENT A/C>	96,325,162	0.64%
GFSF SUPER PTY LTD <GROGAN FAM SF A/C>	70,000,000	0.46%
MR CARL GIANATTI & MRS MARGARET R GIANATTI <THE GIANATTI SUPER FUND A/C>	64,641,940	0.43%
HUROSE PTY LTD	60,679,264	0.40%
JOHN JOHN'S UNIVERSE PTY LTD	60,261,892	0.40%
MISS LYNN CLARE MURRAY	56,362,824	0.37%
ATUA PTY LTD <ATUA A/C>	53,000,000	0.35%
N & C WATTS SUPER PTY LTD <N & C WATTS SF A/C>	52,500,000	0.35%
DOWLING PROPERTIES PTY LTD	52,152,688	0.35%
TOTAL	**6,284,864,020**	**41.61%**

Holders Of Securities In An Unlisted Class				
Options Issued Under Employee Incentive Plan (Management And Staff)				
Optionholder Name	**Option Code**	**No. Options**	**Exercise Price $**	**Exercise Date**
MANAGEMENT & STAFF	CCEOPT10	16,000,000	$ 0.00360	15/09/2023
TERRY DEWAYNE STINSON <STINSON FAMILY A/C>	CCEOPT05C	85,000,000	$ 0.00300	25/11/2023
MR JONATHAN FIEVEZ	CCEOPT11	150,000,000	$ 0.00360	13/10/2024
MR GRANT MOONEY	CCEOPT12	100,000,000	$ 0.00360	22/11/2024
TERRY DEWAYNE STINSON <STINSON FAMILY A/C>	CCEOPT12	100,000,000	$ 0.00360	22/11/2024
A&J SHIELDS CO PTY LTD <A&J SHIELDS FAM INVEST A/C>	CCEOPT12	100,000,000	$ 0.00360	22/11/2024
MANAGEMENT & STAFF	CCEOPT12	280,000,000	$0.00300	28/09/2024
MR JONATHAN FIEVEZ	CCEOPT12	150,000,000	$0.00300	28/09/2024

Holders Of Securities In An Unlisted Class				
Options				
Optionholder Name	**Option Code**	**No. Options**	**Exercise Price $**	**Exercise Date**
HFM INVESTMENTS PTY LTD	CCEOPT03	460,000,000	$ 0.0015	28/10/2022
LOG CREEK PTY LTD <LOG CREEK VINEYARD A/C>	CCEOPT03	400,000,000	$ 0.0015	28/10/2022
RICHCAB PTY LIMITED	CCEOPT03	200,000,000	$ 0.0015	28/10/2022
DAWNRAY PTY LTD <HWBL SUPERANNUATION FUND A/C>	CCEOPT03	200,000,000	$ 0.0015	28/10/2022
ASYMMETRIC CREDIT PARTNERS PTY LTD	CCEOPT03	140,000,000	$ 0.0015	28/10/2022
CITICORP NOMINESS PTY LIMITED	CCEOPT01	25,000,000	$ 0.0600	8/02/2023
WOLF CAPITAL PTY LTD <WOLF CAPITAL UNIT NO 2 A/C>	CCEOPT01	6,250,000	$ 0.0600	8/02/2023
MR CHRISTOPHER D DALE	CCEOPT01	3,750,000	$ 0.0600	8/02/2023
ASYMMETRIC CREDIT PARTNERS PTY LTD	CCEOPT07	520,000,000	$ 0.0015	3/02/2024
ASYMMETRIC CREDIT PARTNERS PTY LTD	CCEOPT08	200,000,000	$ 0.0015	24/02/2024
DAWNRAY PTY LTD <HWBL SUPERANNUATION FUND A/C>	CCEOPT08	200,000,000	$ 0.0015	24/02/2024
RICHCAB PTY LIMITED	CCEOPT08	200,000,000	$ 0.0015	24/02/2024
HFM INVESTMENTS PTY LTD	CCEOPT09	460,000,000	$ 0.0015	23/03/2024
LOG CREEK PTY LTD <LOG CREEK VINEYARD A/C>	CCEOPT09	400,000,000	$ 0.0015	23/03/2024
ASYMMETRIC CREDIT PARTNERS PTY LTD	CCEOPT04	250,000,000	$ 0.00125	28/10/2024
CAMERON CHARLES GRIFFIN	CCEOPT12	80,000,000	$ 0.0036	22/11/2024
VICKI WENDY GROAT	CCEOPT12	20,000,000	$ 0.0036	22/11/2024

15 Financial Report

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

DIRECTORS' REPORT
30 JUNE 2022

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 2022.

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

Committed to sustainability Mr Fitzpatrick is a pioneer in renewable investments, including investing in Pacific Hydro, developer of the first commercial windfarm in Australia in the 1990s and the Ord Hydro-Electric Scheme.

He founded the infrastructure investment firm, Hastings Funds Management Limited, managing investments of $3.8 + billion.

Mr Fitzpatrick is a Non-Executive Director of Infrastructure Capital Group, manager of ARIF, a billion dollar renewables fund owning wind, solar and hydro assets.

He was a former Director of Rio Tinto Limited and Chairman of the Australian Football League.

Mr Fitzpatrick is a Director of LATAM Autos Limited which was a listed company until in 8 May 2020.

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, Accelerate Resources Limited, appointed 1 July 2017, Talga Group Limited, appointed 20 February 2014, Aurora Labs Limited appointed 25 March 2020, SRJ Technologies Limited appointed June 2020 and Riedel Resources Limited appointed 31 October 2018. He was a previous Director of Greenstone Resources Limited (formally Barra Resources Limited), until his resignation on 18 August 2021. Mr Mooney is also a member of Chartered Accountants Australia and New Zealand.

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.

Mr Shields has not been a director of any other listed Company in the last three years.

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

	ORDINARY SHARES	OPTIONS
Terry Stinson (i)	19,700,000	185,000,000
Michael Fitzpatrick (ii)	1,021,535,417	1,820,000,000
Grant Mooney	350,000,000	100,000,000
Anthony Shields (iii)	636,985,492	1,235,000,000

i. Mr Stinson has an interest in 19,700,000 ordinary shares and 185,000,000 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 1,235,000,000 options held by Asymmetric Credit Partners Pty Ltd and 100,000,000 options are held by A&J Shields Pty < A&J Shields Family account>. 520,000,000 of the options held by Asymmetric Credit Partners Pty Ltd were purchased in July 2022.

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 2022 was $1,924,680 which included a gain from discontinued operations of $369,337 (2021: loss of $931,845 which included a loss from discontinued operations of $99,420).

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2022. No dividends were paid during the financial year.

REVIEW OF OPERATIONS

During the year to 30 June 2022, the Group's activities included the following:

Completion of Digital Development Pathway

- The Carnegie team completed the CETO Digital Development Pathway, advancing key innovations 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 advanced controllers, wave predictor, power take-off (PTO) system optimisation and hydrodynamic simulations. Notably, the team has delivered up to a 30% increase in simulated energy capture performance, alongside projected improvements in reliability and efficiency.

- The Digital Development Pathway achieved its internal commercial target of reducing CETO's cost of energy to a level that puts it on the established industry trajectory. Reaching this target signalled completion of the Digital Development Pathway and escalation of commercialisation activities. The work has delivered a step change improvement in cost and performance and places CETO in a strong position on the industry pathway to provide commercially attractive offerings to customers.

- Carnegie's economic modelling of its CETO technology was subjected to an independent review by Advisory Services firm, BDO Corporate Finance (WA) Pty Ltd. BDO considered the mathematical integrity of the model and the logic of the calculations, and as a result of the work conducted nothing came to BDO's attention which would lead them to believe the model was materially incorrect. BDO has not undertaken procedures on the underlying data sources obtained by the Company that support the model or the sub models that calculate inputs into the economic model. The results of the economic modelling reinforce Carnegie's business plan in further advancing the CETO technology and demonstrate the value delivered by the Digital Development Pathway.

Product Validation Roadmap

- In June, Carnegie released a new Product Validation Roadmap for core CETO and MoorPower product development, alongside complementary product streams. The latest Roadmap outlines activities to be progressed over the next 18+ months in order to validate Carnegie's products. This validation process is an important stage in the commercialisation pathways of our products.

- Carnegie is in a strong position to validate its core CETO and MoorPower™ technologies through delivery of projects that have support from key partners and funding bodies. CETO Wave Energy Ireland's continued participation in the EuropeWave PCP Programme and Carnegie's MoorPower™ Projects are key mechanisms to validate the technologies in this Roadmap. These activities are supported by the Company's strong partner ecosystem, which includes Hewlett Packard Enterprise and Blue Economy Cooperative Research Centre (CRC).

CETO Wave Energy Technology

- CETO is Carnegie's core technology, a submerged point absorber type wave energy converter which converts ocean waves into zero-emission electricity. The CETO technology was progressed as intended via the Digital Development Pathway and Product Validation Roadmap during the year.

- Following the Digital Development Pathway's advancements (described above), the technical and commercial promise of the CETO technology was reaffirmed by the successful selection as 1 of 7 contractors into Phase 1 of the competitive €22.5m EuropeWave PCP Programme for the advancement of wave energy technologies. Carnegie's wholly owned subsidiary CETO Wave Energy Ireland, along with a strong consortium of partners, was selected, and under the contract, the Company is being paid €291k (A$463k) to deliver the required Phase 1 activities.

CETO Wave Energy Technology (continued)

- As part of the EuropeWave Phase 1 Project, completed in July 2022, the team:
  - Advanced the design of a CETO prototype that, if awarded future phases, will lead to the full design, manufacture, deployment and operations of a CETO prototype at a European site. This provides a clear validation pathway for the CETO technology.
  - Completed tank testing of a CETO model and equipment at the Cantabria Coastal Ocean Basin in Spain. The project team conducted over 200 tests during the campaign and was pleased with CETO's performance in the simulated wave conditions. The testing was independently evaluated to validate CETO's energy capture efficiency in European wave conditions.
- The team has progressed development of a novel Mooring Tensioner, a component which provides passive tension required for rotary electric power take-off systems, such as is required for CETO and MoorPower™. The MoTWEC (Mooring Tensioner for the Wave Energy Converters) Project is supported by the Blue Economy CRC who awarded $850,000 in funding to this project in FY21.

Project partner Advanced Composite Structures Australia (ACS-A) and Carnegie have designed a Mooring Tensioner prototype that has now been manufactured by ACS-A. Carnegie has also designed and constructed a test rig that capable of undertaking functional and fatigue testing on the prototype. The Mooring Tensioner test rig is set to be commissioned shortly. The planned testing will be undertaken during FY23 at Carnegie's private research facility in Western Australia.

- Key activities for the CETO technology and associated products (Wave Predictor and Mooring Tensioner) are outlined in the Product Validation Roadmap.

MoorPower Wave Energy Technology

- MoorPower™ is a CETO derived wave energy product designed to deliver a sustainable energy supply for marine industries operating at a fixed moored location, reducing the reliance on diesel. Major aquaculture project industry partners are to be the first adopters of the technology.
- In October 2021, Carnegie launched the $3.4m MoorPower™ Scaled Demonstrator Project with support from the Blue Economy CRC and in collaboration with a strong consortium of partners. As part of the MoorPower™ Scaled Demonstrator Project, Carnegie will design, develop, build and operate a scaled demonstrator of the MoorPower™ technology in collaboration with Blue Economy CRC and leading partners, including Huon Aquaculture and Tassal. The scaled demonstrator will be deployed and operated just offshore from Carnegie's research facility in Western Australia.
- Key activities for the MoorPower technology are outlined in the Product Validation Roadmap.

Corporate

- Under Carnegie's Power Supply Agreement, the Department of Defence continues to purchase all of the power produced by the Garden Island Microgrid. The team continues to work through some equipment and operational issues which have constrained the output of the system during the year.
- Carnegie received a research and development tax incentive cash rebate from the Australian Tax Office of $485,529 for the year ended 2021 and $123,307 for the year ended 30 June 2020 during the year in relation to eligible research and development expenditure incurred.
- During the year, the exercise of unlisted options to the value of $0.6 million added to the Company's cash reserves, providing additional funding to deliver on the technology pathway.
- The Annual General Meeting was held on November 23, 2021. All resolutions were passed.
- Carnegie sold the gold royalty rights held by the Company over part of the Higginsville Gold Project in Western Australia in the prior year. The rights were sold to Karora Resources Limited for $1 million cash, which was received at the start of the financial year.

FINANCIAL POSITION

The net assets of the Group decreased by $0.72 million from $21.45 million to $20.73 million as at 30 June 2022. This is predominantly the result of net expenditure during the period.

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

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

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:

- 35,000,000 options outstanding in respect of unissued ordinary shares exercisable at 6 cents per share on or before 8 February 2023,
- 1,400,000,000 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,
- 85,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.3 cent per share on or before 25 November 2023,
- 150,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.36 cent per share on or before 13 October 2024,
- 16,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.36 cent per share on or before 15 September 2023, and
- 400,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.36 cent per share on or before 22 November 2024.

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.

DIRECTORS' REPORT
30 JUNE 2022

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.

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.

REMUNERATION REPORT – AUDITED (CONTINUED)
Company Performance, Shareholder Wealth and KMP Remuneration

	2018 $	2019* $	2020 $	2021 $	2022 $
Revenue	10,045,707	534,034	117,668	60,955	321,938
Net loss after tax	(63,349,694)	(51,930,513)	(275,522)	(931,845)	(1,924,680)
Share price at year end	0.024	n/a*	0.001	0.002	0.001

* 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 2022

	Actual rewards received in the period Short-term benefits				
	Cash salary, leave paid and fees	Post Employment Benefits - Super	Share based payments**	Total	% of Remuneration Performance Based
Terry Stinson	$ 64,615	$ 6,462	$ 130,000	$ 201,077	64.65%
Anthony Shields	$ 44,615	$ 4,462	$ 130,000	$ 179,077	72.59%
Michael Fitzpatrick	$ 44,615	$ 4,462	$ 130,000	$ 179,077	72.59%
Grant Mooney*	$ 98,615	$ 4,462	$ 130,000	$ 233,077	55.78%
Jonathan Fievez	$ 285,096	$ 28,510	$ 105,000	$ 418,606	25.08%
Total	**$ 537,556**	**$ 48,358**	**$ 625,000**	**$ 1,210,914**	**51.61%**

* Fees include $54,000 paid to Mooney & Partners Pty Ltd, a company associated with Grant Mooney, for company secretarial services.

**Share Based Payments relate to options issued to directors and are non-cash. The value is determined by way of calculation using a Black & Scholes formula determined at the time of issue of the options following approval by shareholders at the Annual General Meeting.

Details of Remuneration for Year Ended 30 June 2021

	Actual rewards received in the period Short-term benefits				
	Cash salary, leave paid and fees	Post Employment Benefits - Super	Share based payments	Total	% of Remuneration Performance Based
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*	$ 156,905	$ 3,800	$ -	$ 160,705	-
Jonathan Fievez**	$ 318,905	$ 23,750	$ 37,750	$ 380,405	9.92%
Total	**$ 615,810**	**$ 40,850**	**$ 46,250**	**$ 702,910**	**6.58%**

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

REMUNERATION REPORT – AUDITED (CONTINUED)

Performance Rights and Options Issued as Part of Remuneration for the Year Ended 30 June 2022

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 2022 $
Anthony Shields	100,000,000	22 Nov 21	22 Nov 24	0.36 cents	130,000	-	-	130,000
Grant Mooney	100,000,000	22 Nov 21	22 Nov 24	0.36 cents	130,000	-	-	130,000
Terry Stinson	100,000,000	22 Nov 21	22 Nov 24	0.36 cents	130,000	-	-	130,000
Mike Fitzpatrick	100,000,000	22 Nov 21	22 Nov 24	0.36 cents	130,000	-	-	130,000
Jonathan Fievez	150,000,000	13 Oct 21	13 Oct 24	0.36 cents	105,000	-	-	130,000

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 $262,500 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 $50,000 (exclusive of mandatory superannuation contributions and GST) while Mr Stinson (Chairman) receives $70,000 per annum (exclusive of mandatory superannuation contributions and GST). These salaries took effect from 1 January 2022.

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.

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 $60,000 per annum plus GST. 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.

Other transactions with KMP and/or their related parties.

The Company has entered into an agreement for the provision of operation and maintenance services by EMC Asset Management Pty Ltd (EMCAM), a jointly owned solar energy microgrid operation and maintenance company. EMCAM provides services to maintain the Garden Island Solar Battery System. EMCAM is a company jointly owned by director Mr Grant Mooney and CEO Jonathan Fievez. EMCAM also sub leases office space from Carnegie at Rous Head Facility in Fremantle. Full details of amounts paid to EMCAM are outlined in Note 23.

REMUNERATION REPORT – AUDITED (CONTINUED)

Options and Rights Holdings

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

	Balance 30 June 2021	Granted as Compensation	Rights & Options exercised	Net Change Other	Balance 30 June 2022
Michael Fitzpatrick	1,720,000,000	100,000,000	-	(100,000,000)	1,720,000,000
Grant Mooney	-	100,000,000	-	-	100,000,000
Anthony Shields	615,000,000	100,000,000	-	-	715,000,000
Terry Stinson	85,000,000	100,000,000	-	-	185,000,000
Jonathan Fievez	110,000,000	150,000,000	-	(10,000,000)	250,000,000
Total	2,530,000,000	550,000,000	-	(110,000,000)	2,970,000,000

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

Terms & Conditions for Each Instrument

KMP	Vested & Granted Number	Grant Date	Value per Instrument at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Asymmetric Credit Partners	25,000,000	08 Feb18	0.024 cent	6.0 cents	08 Feb 2018	24 Jan 2024
Terry Stinson	15,000,000	25 Nov 20	0.01 cent	0.3 cent	25 Nov 2020	25 Nov 2022
Jonathan Fievez[1]	100,000,000	21 Jul 20	0.08 cent	0.2 cent	20 Jul 2022	20 Jul 2022
Jonathan Fievez	150,000,000	13 Oct 21	0.0007 cent	0.36 cent	13 Oct 2021	13 Oct 2024
Anthony Shields	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024
Grant Mooney	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024
Anthony Shields	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024
Terry Stinson	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024

[1]Expired unexercised post year end

Shareholdings

Number of Shares held by KMP

	Balance 30 June 2021	Received as Compensation	Rights & Options Exercised	Net Change Other	Balance 30 June 2022
Terry Stinson	19,700,000	-	-	-	19,700,000
Michael Fitzpatrick	1,021,535,417	-	-	-	1,021,535,417
Grant Mooney	350,000,000	-	-	-	350,000,000
Anthony Shields	636,985,492	-	-	-	636,985,492
Jonathan Fievez	30,000,000	-	-	-	30,000,000
Total	2,058,220,909	-	-	-	2,058,220,909

END OF REMUNERATION REPORT

DIRECTORS' REPORT
30 JUNE 2022

DIRECTORS' MEETINGS

There were 6 Directors' meetings held during the financial year ended 30 June 2022. 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.

NON-AUDIT SERVICES

The auditors were not engaged for any non-audit services during the financial year ended 30 June 2022.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 38.

Signed on 25 August 2022 in accordance with a resolution of the Board of Directors.

GRANT MOONEY
Director

TERRY STINSON
Director

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2022, 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 2022

N G Neill
Partner

hlb.com.au

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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 2022

	Note	Group 2022 $	2021 $
Continuing Operations:			
Revenue	2	321,938	60,955
Gross Profit		321,938	60,955
Other income:			
Gain on disposal of fixed assets		-	40,866
Government grants and subsidies		-	50,000
Other income	2	34,993	1,102,059
		356,931	1,192,925
Expenses			
Professional fees		(244,090)	(120,027)
Depreciation and amortisation expense	3	(283,528)	(488,379)
Employee and Directors expenses		(653,950)	(545,513)
Employee share-based payments		(621,017)	(108,239)
Finance costs		(5,875)	(144,629)
Impairment of non-financial assets	13	-	(366,443)
Occupancy and administration		(834,874)	(312,362)
Net loss on disposal of fixed assets		(2,343)	-
Other expenses from ordinary activities		(5,271)	(713)
Loss before income tax		(2,650,948)	(2,086,305)
Income tax benefit/(expense)		-	-
Loss after tax from continuing operations		(2,294,017)	(832,425)
Profit/(Loss) from discontinued operations	27	369,337	(99,420)
Loss after tax from continuing and discontinued operations		(1,924,680)	(931,845)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange gains on translating overseas controlled entities and foreign currencies		(8,997)	(674)
Total comprehensive loss for the year		(1,933,677)	(932,519)
Earnings per share from continuing operations			
Basic loss per share (cents per share)	7	(0.015)	(0.008)
Diluted loss per share (cents per share)	7	(0.015)	(0.008)
Earnings per share from discontinued operations			
Basic earnings (loss) per share (cents per share)	7	0.002	(0.001)
Diluted earnings (loss) per share (cents per share)	7	0.002	(0.001)

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 2022

	Note	Group	
		2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	8	4,095,035	3,633,171
Trade and other receivables	9	138,692	1,398,847
TOTAL CURRENT ASSETS		4,233,727	5,032,018
NON-CURRENT ASSETS			
Trade and other receivables	9	539,729	539,336
Other financial assets	10	12,414	12,414
Property, plant, and equipment	11	2,084,953	2,092,948
Leased assets – right of use	12	173,395	39,940
Intangibles assets	13	14,475,353	14,274,621
TOTAL NON-CURRENT ASSETS		17,285,844	16,959,259
TOTAL ASSETS		21,519,571	21,991,277
CURRENT LIABILITIES			
Trade and other payables	14	406,777	333,762
Short-term provisions	15	153,765	95,785
Lease liability	16	69,358	47,162
TOTAL CURRENT LIABILITIES		629,900	476,709
NON-CURRENT LIABILITIES			
Long-term provisions	15	57,739	68,233
Lease liability	16	98,257	-
TOTAL NON-CURRENT LIABILITIES		155,996	68,233
TOTAL LIABILITIES		785,896	544,942
NET ASSETS		20,733,675	21,446,335
EQUITY			
Share capital	17	208,261,175	207,661,175
Reserves	18	1,564,990	962,970
Accumulated losses		(189,092,490)	(187,177,810)
TOTAL EQUITY		20,733,675	21,446,335

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 2022

Group	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Convertible Note/Option Reserve	Total
Balance at 1 July 2020					
Comprehensive loss	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)
Total comprehensive loss for the year	-	(931,845)	(674)	-	(932,519)
Transactions with owners					
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
Total transactions with owners	4,440,040	-	-	75,883	4,515,923
Balance at 30 June 2021	**207,661,175**	**(187,177,810)**	**37,087**	**925,883**	**21,446,335**
Balance at 1 July 2021	**207,661,175**	**(187,177,810)**	**37,087**	**925,883**	**21,446,335**
Comprehensive loss					
Loss for the year	-	(1,924,680)	-	-	(1,924,680)
Other comprehensive loss	-	-	(8,997)	-	(8,997)
Total comprehensive loss for the year	-	(1,924,680)	(8,997)	-	(1,933,677)
Transactions with owners					
Expired options transferred	-	10,000	-	(10,000)	-
Shares issued from exercise of options	600,000	-	-	-	600,000
Share-based payment expense	-	-	-	621,017	621,017
Total transactions with owners	600,000	10,000	-	611,017	1,221,017
Balance at 30 June 2022	**208,261,175**	**(189,092,490)**	**28,090**	**1,536,900**	**20,733,675**

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 2022

	Note	Group 2022 $	Group 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		354,133	153,123
Interest received		7,596	13,552
Payments to suppliers and employees		(1,110,027)	(924,841)
Receipts from sale of gold royalty rights		1,100,000	-
Receipts from R&D Tax Rebate		608,836	749,938
Receipts from Government grant funding		-	175,141
Net cash provided by operating activities	21	960,538	166,913
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development of asset		(809,567)	(1,148,537)
Purchase of property, plant and equipment		(201,833)	(160,020)
Proceeds from sale of property, plant and equipment		349	1,969
Net cash (used in) investing activities		(1,011,051)	(1,306,588)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		600,000	1,469,500
Share issue costs		-	(31,444)
Payments for lease liabilities		(87,623)	(79,881)
Net cash provided by financing activities		512,377	1,358,175
Net increase in cash held		461,864	218,500
Cash and cash equivalents at beginning of financial year		3,633,171	3,414,671
Cash and cash equivalents at end of financial year	8	4,095,035	3,633,171

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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 2022 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 2022.

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 2022, 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.

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.

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:

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	10.0% - 33.33%
Microgrid/Battery asset	15 years

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

Leasehold 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.

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.

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.

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.

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.

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.

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, not 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.

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 2022. 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Useful live re-assessment of Microgrid/Battery asset

During the year the useful life of the Microgrid/Battery asset was re-assessed as the useful life that was previously assessed (7 years) was found to be inappropriate. A re-assessed useful life of 15 years from 1 July 2021 based typical life of solar assets, which resulted in reduced depreciation for the year of $200,722 (2021: $369,909).

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 25).

NOTE 2. REVENUE AND OTHER INCOME

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

	Group	
	2022 $	**2021 $**
Sales revenue		
Garden Island Microgrid (point in time)	321,938	60,955
Other income		
Interest income	14,919	15,088
Sale of gold royalty rights	-	1,000,000
Other income	4,487	9,452
Returned bank guarantee	-	58,899
Rental income	15,587	18,620
	34,993	1,102,059

NOTE 3. DEPRECIATION AND AMORTISATION EXPENSE

		Group	
	Notes	**2022 $**	**2021 $**
Depreciation – property, plant, and equipment	11	8,187	11,589
Amortisation - property, plant, and equipment	11	200,722	396,909
Amortisation– right of use asset	12	74,619	79,881
		283,528	488,379

NOTE 4. INCOME TAX EXPENSE

a. The components of tax expense comprise:

	Group 2022 $	Group 2021 $
Current tax expense		
Current period	-	-
	-	-

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

	Group 2022 $	Group 2021 $
— (Loss) from continuing operations	(2,294,017)	(832,425)
— Profit/(Loss) from discontinued operations	369,337	(99,420)
— Total (Loss) for the year	(1,924,680)	(931,845)
— Income tax at 25% (2020: 27.5%)	(481,170)	(279,553)
Add/(Deduct): Tax effect of:		
— Other non-allowable items	535	(9,863)
— Non-deductible R&D costs	2,390	1,827
— Share options expenses during the year	155,254	32,472
— Movement in deferred tax balances not recognised	318,637	(206,766)
— Effect of lower foreign tax rates	4,353	48,350
	-	-

The Group has tax revenue losses carried forward of $50,954,081 (2021: $49,374,504) and capital tax losses carried forward of $1,239,028 (2021: $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.

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 2022.

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

Key Management Person	*Position*
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

NOTE 5. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (CONTINUED)

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

	Group 2022 $	Group 2021 $
Short term employee benefits	537,556	615,810
Share based payments	625,000	46,250
Post-employment benefits	48,358	40,850
	1,210,914	702,910

NOTE 6. AUDITORS' REMUNERATION

	Group 2022 $	Group 2021 $
• Remuneration of the current auditor of the Group for auditing or reviewing the financial report	59,525	61,210
	59,525	61,210

NOTE 7. EARNINGS/(LOSS) PER SHARE

	Group 2022 $	Group 2021 $
Basic loss per share (cents per share) from continuing operations	(0.015)	(0.008)
Diluted loss per share (cents per share) from continuing operations	(0.015)	(0.008)
Basic earnings (loss) per share (cents per share) from discontinued operations	0.002	(0.001)
Diluted earnings (loss) per share (cents per share) from discontinued operations	0.002	(0.001)

	Group 2022 $	Group 2021 $
(a) Loss used in the calculation of basic and diluted EPS – continuing operations	(2,294,017)	(832,425)
Profit/(loss) used in the calculation of basic and diluted EPS – discontinuing operations	369,337	(99,420)
(b) Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	15,008,327,135	12,330,363,393

As at 30 June 2021 and 30 June 2022, the outstanding options were not dilutive as the Group made net losses in both years.

NOTE 8. CASH AND CASH EQUIVALENTS

	Group 2022 $	2021 $
Cash on hand	273	245
Cash at bank	1,094,762	1,632,926
Term deposits	3,000,000	2,000,000
	4,095,035	3,633,171

NOTE 9. TRADE AND OTHER RECEIVABLES

Group 2022	Gross Amount $	Past due but not impaired (days overdue) 1-30 $	31-60 $	61+ $	Within trade terms $
CURRENT					
Trade receivables	108,187	-	-	-	108,187
Net trade receivables	108,187	-	-	-	108,187
Prepayments	791	-	-	-	791
Other receivables*	29,714		-	-	29,714
	138,692	-	-	-	138,692
NON-CURRENT					
Security deposits	539,729	-	-	-	539,729
	539,729	-	-	-	539,729

* Other receivables are mainly represented by GST receivable and accrued income.

Group 2021	Gross Amount $	Past due but not impaired (days overdue) 1-30 $	31-60 $	61+ $	Within trade terms $
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
	1,398,847	-	-	-	1,398,847
NON-CURRENT					
Security deposits	539,336	-	-	-	539,336
	539,336	-	-	-	539,336

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

NOTE 10. OTHER FINANCIAL ASSETS

	Group 2022 $	Group 2021 $
Non-current financial assets	12,414	12,414
Non-current financial assets comprise:		
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.

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment:	Group 2022 $	Group 2021 $
At cost	3,178,818	2,977,194
Accumulated depreciation	(1,093,865)	(884,246)
Total plant and equipment	2,084,953	2,092,948

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.

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	Group Microgrid/ Battery asset 2022 $	Group Plant and Equipment 2022 $	Group Microgrid/ Battery asset 2021 $	Group Plant and Equipment 2021 $
Balance at the beginning of year	2,075,648	17,300	2,327,084	30,858
Additions	195,566	5,697	145,473	-
Sales	-	(349)	-	(1,969)
Depreciation expense	(200,722)	(8,187)	(396,909)	(11,589)
Carrying amount at the end of year	2,070,492	14,461	2,075,648	17,300

NOTE 12. RIGHT-OF-USE ASSETS

	Group 2022 $	Group 2021 $
Cost	208,074	159,761
Accumulated amortisation	(34,679)	(119,821)
Closing balance at end of the period	173,395	39,940

Reconciliation - Premises	Group 2022 $	Group 2021 $
Balance at the beginning of period	39,940	119,821
Additions	208,074	-
Amortisation expense	(74,619)	(79,881)
Closing Balance at end of the period	173,395	39,940

NOTE 13. INTANGIBLE ASSETS

Intangibles – CETO technology development asset

	Group 2022 $	2021 $
Movements for year ended 30 June		
Opening Balance	14,274,621	14,590,973
Subsequent development expenditure – CETO Technology	1,213,793	1,181,316
Other grants received	(626,131)	(159,218)
R&D tax incentives 2020 and 2021	(608,836)	(971,843)
Reversal of accrual for R&D prior year	221,906	-
Impairment (i)	-	(366,607)
Balance as at 30 June	14,475,353	14,274,621

(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;

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 impairment is required.

NOTE 14. TRADE AND OTHER PAYABLES

	Group	
	2022 $	2021 $
Trade creditors	221,096	162,785
Accruals	185,681	170,977
	406,777	333,762

NOTE 15. PROVISIONS

Current	Group	
	2022 $	2021 $
Annual, Long Service Leave and Other Employee Provisions	153,765	95,785
	153,765	95,785
Non-current		
Long Service Leave and Other Employee Provisions	57,739	68,233
	57,739	68,233

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 criterial relating to employee benefits have been included in Note 1 of this report.

NOTE 16. LEASE LIABILITY

Premises	Group	
	2022 $	2021 $
Current liabilities	69,358	47,162
Non-current liabilities	98,257	-
Total lease liability	167,615	47,162

Reconciliation	Group	
	2022 $	2021 $
Opening balance at beginning of period	47,162	128,484
Liabilities incurred during the year (i)	208,074	-
Principal repayments	(87,621)	(81,322)
Closing Balance 30 June	167,615	47,162

(i) Extension of Fremantle office lease to 31 December 2024.

NOTE 17. SHARE CAPITAL

	Group 2022 $	2021 $
15,102,573,710 (2021: 14,702,573,710) fully paid ordinary shares	208,261,175	207,661,175

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

a. Ordinary shares (number)	2022 No.	2021 No.
At the beginning of reporting period	14,702,573,710	11,141,452,450
Shares issued during the year		
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
Exercise of options 26 July 2021	200,000,000	-
Exercise of options 25 November 2021	200,000,000	-
At reporting date	15,102,573,710	14,702,573,710

NOTE 17. SHARE CAPITAL (CONTINUED)

b. Ordinary shares ($)	2022 $	2021 $
At the beginning of reporting period	207,661,177	203,221,135
Shares issued during the year		
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)
Exercise of options 26 July 2021	300,000	-
Exercise of options 25 November 2021	300,000	-
Share issue costs	-	(31,446)
At reporting date	208,261,175	207,661,177

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 previous year, convertible notes were 100% converted to equity, in addition, options were exercised during the year.

NOTE 18. RESERVES

		Group 2022 $	Group 2021 $
a.	**Foreign Currency Translation Reserve**		
	The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and foreign currencies.	28,090	37,087
b.	**Convertible Note/Option Reserve**		
	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.	1,536,900	925,883
	Total	1,564,990	962,970

NOTE 19. BUSINESS RISK

The net loss of the Group for the financial year ended 30 June 2022 was $1,924,680, which included a profit on discontinued operations of $369,337 (2021: net loss $931,845, which included a loss on discontinued operations of $99,420). As at 30 June 2022, the Group had net assets of $20,733,675 (2021: $21,446,335).

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 commercialising 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 commercialisation efforts which could adversely affect its financial position and operating results.

NOTE 20. 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.

NOTE 20. OPERATING SEGMENTS (CONTINUED)

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

2022	Continuing Operations	Discontinued Operations	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	321,938	-	321,938	-	321,938
	321,938	-	321,938	-	321,938
Segment profit/(loss)	(2,294,017)	369,337	(1,924,680)	-	(1,924,680)
Total assets	21,519,571	-	21,519,571	-	21,519,571
Total liabilities	(785,896)	-	(785,896)	-	(785,896)

2021	Continuing Operations	Discontinued Operations	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	60,955	-	60,955	-	60,955
	60,955	-	60,955	-	60,955
Segment loss	(832,425)	(99,420)	(931,845)	-	(931,845)
Total assets	21,911,277	-	21,911,277	-	21,911,277
Total liabilities	(544,942)	-	(544,942)	-	(544,942)

NOTE 21. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX

	Group 2022 $	2021 $
Loss after income tax	**(2,294,017)**	**(931,845)**
Less Non-cash flows in loss		
Impairment	-	366,443
Depreciation and amortisation	283,528	488,379
Effect of discontinued operations	369,337	(99,420)
Government funding capitalised	608,836	1,122,812
Loss on disposal of asset	2,343	-
Share based payments	621,017	108,239
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	1,260,021	(1,229,030)
(Increase)/decrease in development assets	-	251,436
Increase/(decrease) in trade payables and accruals	73,151	76,977
Increase/(decrease) in provisions	36,322	12,922
Net cashflow from operations	960,538	166,913

NOTE 22. EVENTS AFTER THE REPORTING PERIOD

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

NOTE 23. RELATED PARTY TRANSACTIONS

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 and the remuneration report. 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 $215,501 (2021: $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 $25,793 (2021:$36,396) including GST.

NOTE 23. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances outstanding with Director and Director related entities:

	2022 $	2021 $
Mooney & Partners Pty Ltd	5,500	4,400
EMC Asset Management Pty Ltd	11,494	12,566

Balances receivable with Director and Director related entities:

	2022 $	2021 $
EMC Asset Management Pty Ltd	4,786	2,030

NOTE 24. 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:

Group 30 June 2022:	Weighted Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing Within year $	Fixed Interest Rate Maturing 1 to 5 years $	Non-interest Bearing $	Total $
Financial assets:						
Cash and equivalents	0.87	501,011	3,000,000	-	594,024	4,095,035
Receivables	-	-	-	-	108,187	108,187
Financial assets	-	-	-	-	12,414	12,414
Non-current security deposits	0.05	539,728	-	-	-	539,728
		1,040,739	3,000,000	-	714,625	4,755,364
Financial liabilities:						
Accounts payable		-	-	-	406,777	406,777
		-	-	-	406,777	406,777

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Group 30 June 2021	Weighted Average Effective Interest Rate %	Floating Interest Rate $	Fixed Interest Rate Maturing Within year $	 1 to 5 years $	Non-interest Bearing $	Total $
Financial assets:						
Cash and cash equivalents	0.37	1,000,386	2,000,000	-	632,785	3,633,171
Receivables	-	-	-	-	1,108,977	1,108,877
Financial assets	-	-	-	-	12,414	12,414
Non-current security deposits	0.02	539,335	-	-	-	539,355
		1,539,721	2,000,000	-	1,754,176	5,293,817
Financial liabilities:						
Accounts payable		-	-	-	333,762	333,762
		-	-	-	333,762	333,762

(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 Financial Statements.

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.

(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 Financial Statements.

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).

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

2022	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets:				
Financial assets:				
— Unlisted investments	-	-	12,414	12,414
	-	-	12,414	12,414
2021				
Financial assets:				
Financial assets:				
— 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 form 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.

NOTE 25. 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.

Consultants 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 shares

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

NOTE 25. SHARE BASED PAYMENTS (CONTINUED)

Total options and rights outstanding and exercisable are as follows;

2022

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
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	1,600,000,000	-	(200,000,000)	-	1,400,000,000
28 Oct 2019	28 Oct 2024	$0.00125	250,000,000	-	-	-	250,000,000
21 Jul 2020	20 Jul 2022	$0.00200	100,000,000	-	-	-	100,000,000[1]
21 Jul 2020	20 Jul 2022	$0.00200	79,500,000	-	-	(4,000,000)	75,500,000[1]
12 Jan 2021	12 Jan 2024	$0.00150	200,000,000	-	(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	600,000,000	-	-	-	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	85,000,000	-	-	-	85,000,000
15 Sep 2021	15 Sep 2023	$0.00360	-	16,000,000	-	-	16,000,000
13 Oct 2021	13 Oct 2024	$0.00360	-	150,000,000	-	-	150,000,000
23 Nov 2021	22 Nov 2024	$0.00360	-	400,000,000	-	-	400,000,000
			4,339,500,000	566,000,000	(400,000,000)	(14,000,000)	4,691,500,000
Weighted average exercise price			**0.00204**	**0.00360**	**0.0014**	**0.01200**	**0.00226**

[1] Options expired unexercised post year-end

2021

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
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
			2,805,000,000	2,660,000,000	(201,326,666)	(39,833,334)	4,339,500,000
Weighted average exercise price			**0.00143**	**0.00161**	**0.00186**	**0.00200**	**0.00204**

The options outstanding as at 30 June 2022 had a weighted average exercise price of $0.00226 and a weighted average remaining contractual life of 1.92 years. Exercise prices range from $0.00125 to $0.06 in respect to options outstanding as at 30 June 2022.

NOTE 25. SHARE BASED PAYMENTS (CONTINUED)

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.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15 Sept 2021	15 Sep 2024	$0.003	$0.0036	75%	0%	0.10%	$0.0010
13 Oct 2021	13 Oct 2024	$0.002	$0.0036	75%	0%	0.10%	$0.0007
23 Nov 2021	22 Nov 2024	$0.003	$0.0036	75%	0%	0.10%	$0.0013

NOTE 26. 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.

	2022 $	2021 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	3,958,856	5,026,790
Non-current assets	11,713,558	11,237,159
TOTAL ASSETS	15,672,414	16,263,950
LIABILITIES		
Current liabilities	457,595	476,258
Non-current liabilities	155,997	68,233
TOTAL LIABILITIES	613,592	535,492
TOTAL NET ASSETS	15,058,822	15,728,458
EQUITY		
Issued capital	208,261,177	207,661,177
Reserves	1,536,900	925,883
Accumulated losses	(194,739,255)	(192,858,602)
TOTAL EQUITY	15,058,822	15,728,458
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(1,890,653)	(511,342)
Total comprehensive loss	(1,890,653)	(511,342)

NOTE 27. 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. During the year, both the Carnegie Creditors trust and EMC creditors trusts made final distributions to Carnegie.

	2022 $	2021 $
KordaMentha administration fee	-	(50,000)
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	14,950	2,982
Distribution from Carnegie creditors trust	141,000	-
Distribution from EMC Pty Ltd	213,387	-
Profit/(Loss) from discontinued operations	369,337	(99,420)

NOTE 28. INTERESTS IN SUBSIDIARIES

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

	Country of Incorporation	Percentage Owned (%)	
		2022	2021
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 29. 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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 39 to 68, 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 2022 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 2022

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2022, 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 2022 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.

Key Audit Matter	How our audit addressed the key audit matter
Carrying value of intangible assets Refer to Note 13	
As at 30 June 2022, the Group has recorded intangible assets with a value of $14,475,353 which relate to capitalised development costs and intellectual property associated with the CETO technology development asset. This asset is in the development phase and is not yet available for use. Under AASB 136 *Impairment of Assets*, 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.	Our procedures included but were not limited to the following: • Discussed with management the appropriateness of the methodology and assumptions used in determining the recoverable amount; • Considered the determination of the cash-generating unit; • Considered the basis for the cash flow forecasts in the value-in-use modelling. This included consideration of the historical accuracy of previous estimates; • Compared the discount rate, growth rates and other economic assumptions to available internal and external data; • Determined if the valuation supported the carrying value of the intangible assets. This process included sensitivity analysis performed over key variables; • Performed our own assessment of impairment indicators based on the provisions of AASB 136 *Impairment of Assets;* and • Assessed the adequacy of financial statement disclosures.
Valuation of share-based payments Refer to Note 25	
During the year ended 30 June 2022, the Group recorded share-based payments of $621,017 regarding director and employee options. Share-based payments are considered to be a key audit matter due to the value of the transactions, the complexities involved in the recognition and measurement of these instruments, and the judgement involved in determining the inputs used in the valuations.	Our procedures included but were not limited to the following: • Analysed agreements to identify the key terms and conditions of share-based payment arrangements including relevant vesting conditions in accordance with AASB 2 *Share-based Payments*; • Assessed the appropriateness of management's assumptions used in their calculations; • Performed our own valuations and comparing to management's to identify material differences; • Assessed the amount recognised during the year in accordance with vesting conditions; and • Assessed the adequacy of the disclosures included in the financial report.

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 2022, 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 the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Carnegie Clean Energy Limited for the year ended 30 June 2022 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

N G Neill
Partner

Perth, Western Australia
25 August 2022


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