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2015

# Annual Report

Carnegie Wave Energy Limited ABN 69 009 237 736





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## 12 Months of Achievements

- » Full 3 x CETO 5 unit array installed and operating for over 13,500 cumulative hours.
- » Desalination Pilot Plant commissioned as part of the Perth Wave Energy Project.
- » Perth Wave Energy Project connected to electricity grid at HMAS Stirling. Project officially launched by Australian Federal Minister for Industry and Science.
- » Final Perth Project milestone payments received from WA State Government.
- » Awarded with four innovation awards – the Australian Institute of Management’s Pinnacle Award, the Australian Water Association, the Clean Energy Council and BRW’s 50 Most Innovative Companies.
- » Collaboration agreement signed with MAK Water to act as exclusive South American Agent.
- » Memorandum of Understanding signed with the Governments of Mauritius and Seychelles.
- » CETO 6 - Garden Island Project design progressed.
- » Offshore geophysical survey complete for CETO 6 – Garden Island Project.
- » Australian Research Council Linkage Project awarded in conjunction with the University of Western Australia on future CETO foundation concepts.
- » Received \$4.3m in cash grant payments from Australian Federal and WA State Governments for the Perth Wave Energy Project and CETO 6 Garden Island Project.
- » Received \$1.3m cash Royalty Payments from a legacy gold royalty.
- » Appointed UK based CEO to CWE UK.
- » AU\$4m awarded to Carnegie from the Scottish Government for the development of a wave energy power conversion system “WavePOD”.



# Chairman & Managing Director's Report

Dear Shareholder,  
On behalf of the Board of Directors, it gives us great pleasure to present to you Carnegie Wave Energy's 2015 Annual Report.

The past 12 months has been a year of significant achievement for your Company. Our proprietary CETO wave energy technology has further progressed through the commercialisation pathway, with the successful operation of a world first CETO grid-connected array, the Perth Wave Energy Project at Garden Island in Western Australia.

The successful, ongoing operation of the Perth Wave Energy Project has seen Carnegie achieve a milestone of 10,000 cumulative operating hours in June this year, setting a record in the wave energy industry and demonstrating the survivability and reliability of the CETO technology, issues which have been highlighted by the wave energy industry as some of its greatest challenges to overcome. The continued operation of the Perth Wave Energy Project has allowed Carnegie to take great steps forward towards commercialising its proprietary CETO technology.

The CETO 6 Project, also at Garden Island, has continued to progress concurrently with the Perth Wave Energy Project. This

Project has the support of the Clean Energy Finance Corporation (CEFC) through a \$20m debt facility, which reached financial close during 2015. The Project also has the continued support of the Australian Renewable Energy Agency (ARENA) through \$11m of funding.

The successful delivery of the Perth Project and the strong progress of the CETO 6 Garden Island Project now allows Carnegie to focus on the pathway to early commercial projects via our 100% owned subsidiaries in the UK, Ireland and Chile, as well as in the remote island markets of Mauritius and Seychelles, though the signing of Collaboration Agreements with the respective Governments.

We would like to thank the Carnegie team for their tireless efforts through what has been a momentous and ground breaking year. We would also like to thank you, our loyal shareholders for your ongoing support through project delivery as well as your continued support as we focus now on the final stages of the CETO commercialisation.



**Mr Jeffrey Harding**  
Chairman of Directors



**Dr. Michael Ottaviano**  
Managing Director & Chief  
Executive Officer

## Company Overview

In 2015, Carnegie Wave Energy Limited (ASX: CWE) commissioned its first CETO commercial demonstration project, the Perth Wave Energy Project.

Carnegie Wave Energy Limited is an ASX-listed (ASX: CWE) company and the owner and developer of the CETO wave energy technology. Carnegie is based in Fremantle, Western Australia, and has 100% owned subsidiaries in the United Kingdom, Chile and Ireland.

Carnegie's proprietary technology, CETO, is unique in the wave energy industry as it is fully submerged, with minimal visual impact, and can be adapted to operate in a variety of water depths, swell directions, and seafloor conditions. It is capable of producing both clean power and freshwater.

Carnegie has invested more than \$100m in progressing the technology using advanced computational simulations, wave tank testing, 1/3 scale testing, onshore testing and, most recently commercial scale deployment.

This year, Carnegie's flagship project, the Perth Wave Energy Project (Perth Project) became the only grid-connected wave energy array operating anywhere in the world.



*Deployment of CETO 5, Unit #2, Perth Wave Energy Project, Garden Island*

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# Perth Wave Energy Project

The Perth Project commenced operations in November 2014 and is currently the world's only operating grid-connected wave energy array.

## Overview

The Perth Project is Carnegie's first demonstration of a grid and mains water connected CETO array. The Project's onshore facility is located on Garden Island, south of Perth, Western Australia and home to HMAS Stirling, Australia's largest naval base.

The Project has been supported by \$13.1m in funding through the Australian Renewable Energy Agency's (ARENA) Emerging Renewables Program, \$7.3m from the Western Australian State Government's Low Emissions Energy Development (LEED) fund, with a further \$1.27m of support for the co-located desalination pilot plant from AusIndustry as part of its Clean Technology Innovation Program.

Operational since November 2014, the Perth Project reached a milestone of 10,000 hours of continuous and cumulative operation in June 2015, making it the longest continuous period of operation of any in-ocean wave energy project in the world. At the time of going to print, the Project had achieved over 13,500 continuous and cumulative operational hours.



*Carnegie CEO Michael Ottaviano and the Hon Ian Macfarlane, Federal Minister for Industry and Science formally switching on the Perth Project, at Garden Island*

## Objectives

The Perth Project's main objective was to demonstrate the technical and functional viability of a commercial scale CETO array. This was demonstrated through:

- » the production of utility-compliant electricity by generating and exporting power to the grid,
- » the production of mains water compliant desalinated freshwater,
- » verification of the accuracy of Carnegie's computational CETO system modelling against the measured Project performance,
- » confirmation of the feasibility of the deployment, operation and recovery of the Project's major elements including pipelines, CETO units and foundations,
- » recording of the environmental interactions of the Project, demonstrating and verifying that it has minimal impact; and
- » demonstration of Carnegie's ability to plan, finance and deliver a commercial scale CETO project.

The Project achieved its goal of being the first grid-connected demonstration of the CETO wave energy technology and confirming the rated power capacity of the CETO 5 system. The Project is providing utility-compliant electricity and freshwater to the Department of Defence, and Carnegie's design, installation, operation and maintenance methodologies have been verified. The performance of the technology has met all expectations and its survivability has been proven by its record continuous operation.

ARENA

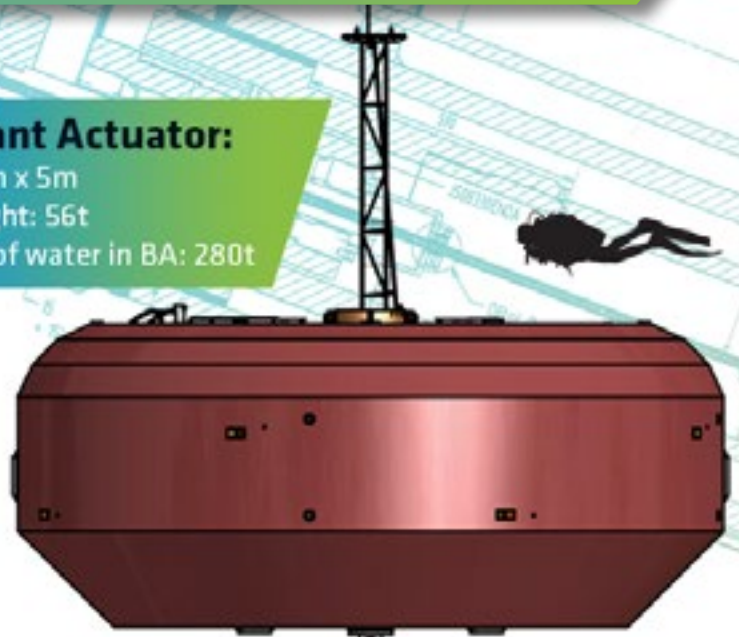


# CETO 5 - Facts & Figures



## Buoyant Actuator:

Size: 11m x 5m  
Dry weight: 56t  
Weight of water in BA: 280t



## Tether

Tether tension: average 75t  
Tether length: ~7.5m

Cumulative Operating Hours: 13,500 hours  
Largest Wave: 5.7metres

## CETO Pump

Weight: 10t  
Length: 6m

## Foundation Pile

Length: 14m  
Diameter: 1.7m  
Pump Stroke: 3m  
Water Depth: 25m

## POD

Size: 7m x 2.5m x 3.6m  
Weight in water: 21t



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# Perth Wave Energy Project - Concept to Delivery

2011



2012



2013

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**2011**

CETO 5 concept design underway



**May 2012**

Funding received for Perth Project under Australian Federal Government's Emerging Renewables Program



**February 2013**

Orders placed for Perth Project components



**February 2013**

Desalination Pilot Plant contract awarded



**June 2013**

Department of Defence formal site handover



**July 2012**

Announcement of power purchase agreement with Department of Defence

**September 2013**

Earthworks commenced



**June**

Assembly testing

**September 2012**

CETO 5 design for Perth Project unveiled



**December 2013**

Foundation installation vessel mobilised



**November**

First CETO 5 installed and



>>>

2014

>>>

2015

>>>

**January 2014**

Offshore foundations installed



**January 2015**

Onshore plant complete



**March 2014**

Delivery of Buoyant Actuators



**February 2015**

Perth Project connected to electricity grid at HMAS Stirling



**March 2015**

Full 3 unit CETO array installed and operating



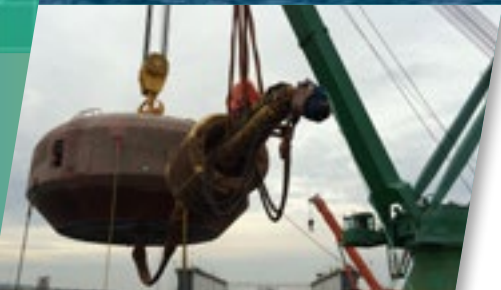
**March 2014**

Perth Project pipeline installed



**May 2015**

CETO 5 Unit #1 successfully retrieved



**2014**

Assembly and onshore operations commenced



**June 2015**

Milestone of 10,000 hours of cumulative operation achieved



**2014**

Unit #1 successfully redeployed and operating



**September 2015**

CETO 5 Unit #1 redeployed, CETO 5 Unit #2 successfully retrieved



# CETO 6 – Garden Island Project

The CETO 6 - Garden Island Project is the next step in the evolution of the CETO technology. The Project involves the installation of multiple CETO 6 units, which have a targeted power generation capacity of 1MW per unit.

## Project Details

The targeted 1MW power capacity represents some four times the capacity of the CETO 5 units from the Perth Project. The CETO 6 technology will be the most powerful, efficient and cheapest CETO generation yet. It will be the model used in future commercial projects.

The CETO 6 Project is located offshore of Garden Island, Western Australia, with onshore facilities and grid connection to be located on Garden Island, on the same site as the Perth Project. The Project will be financed by a five year, \$20m loan facility from the Clean Energy Finance Corporation (CEFC), an \$11m grant from the Australian Renewable Energy Agency (ARENA), and Carnegie equity.

Like the CETO 5 Perth Project, the power generated by the CETO 6 project will be sold to the Australian Department of Defence for use at HMAS Stirling on Garden Island.

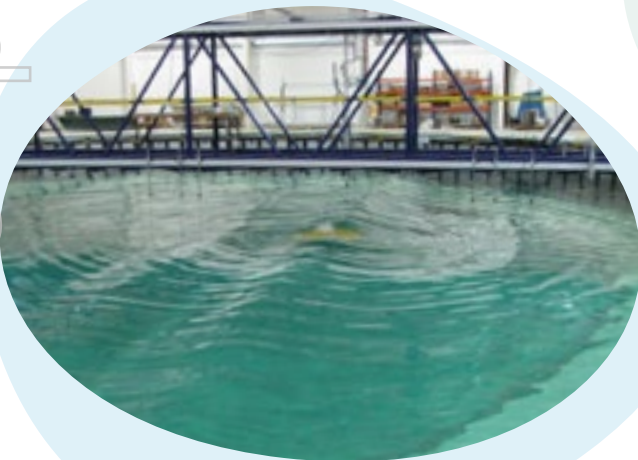
The offshore geophysical survey activities for the Project have been completed, the results of which will influence elements of the Project, including foundation selection, cable route and overall installation methodology. The offshore survey captured vital information about the geological characteristics of the exploration area as well as detailed site bathymetry using methods such as single and multi-beam echo sounding, and side scan sonar.

## CETO 6 Design

The next generation CETO 6 design delivers another step change in performance to the CETO system. CETO 6 incorporates power generation inside the buoyant actuator, with the power transmitted electrically back to shore.

The increased unit capacity combined with superior efficiency and reduced maintenance costs is capable of delivering a significant cost reduction on power. Carnegie's in-house modelling and analysis has confirmed for some time the relationship between buoy size, power output and cost.

The CETO 6 buoy will have an approximate diameter of 20 metres; by comparison the CETO 5 buoy used in the Perth Project has a diameter of 11 metres.



Scale model of CETO 6 undergoing wave tank testing at FloWave, Edinburgh, UK



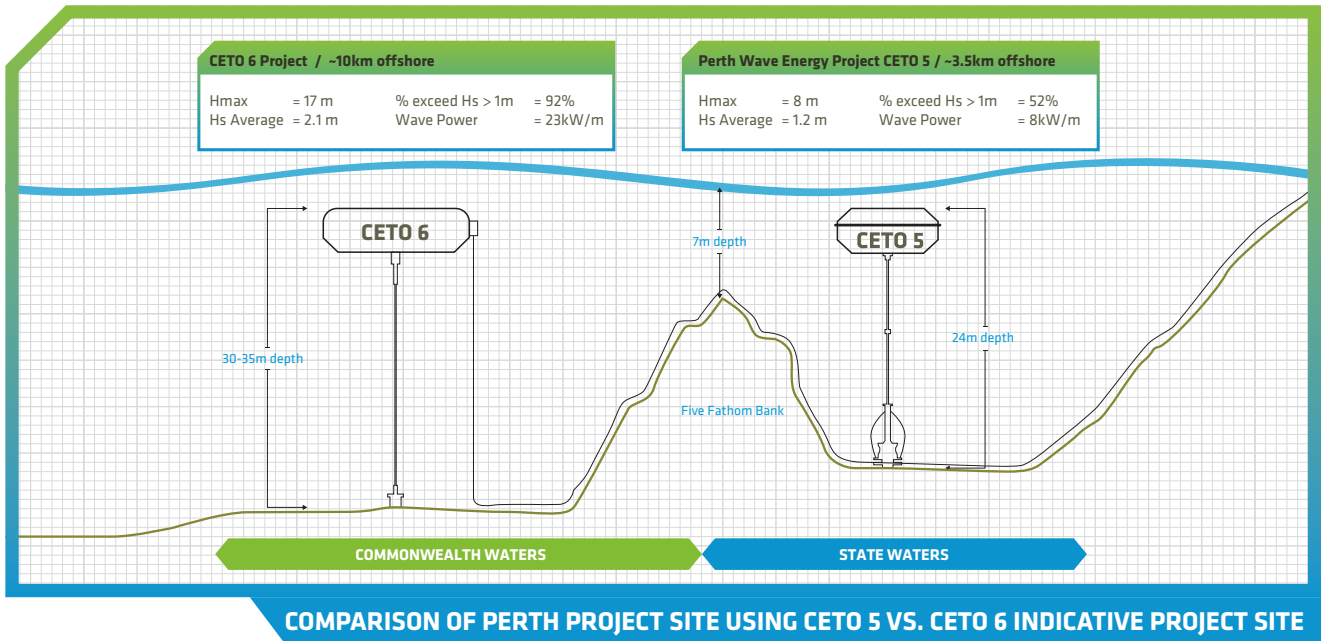
Geophysical survey vessel activity for the CETO 6 Project



# CETO 6 – Garden Island Project

## Site Comparison

The indicative CETO 6 Garden Island offshore site is located past Five Fathom Bank, with an approximate water depth of 30-35 metres. This site was chosen as it has consistently higher average wave energy and resource consistency when compared to the CETO 5 Perth Project site, inside of Five Fathom Bank. The site is also considered representative of future commercial sites in the CETO development pathway.

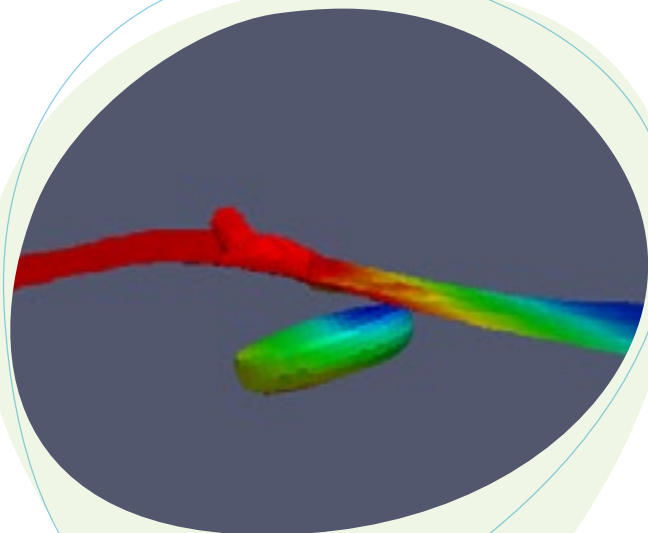


## Technology Advancements

The most significant evolutions being incorporated into the CETO 6 design are the scaling up of the CETO buoy to approximately twice the diameter of the CETO 5 buoy used in the Perth Project, and the incorporation of the power generation system inside the CETO buoy.

Carnegie's in-house design team have been undertaking significant hydrodynamic modelling analysis of different buoy sizes and shapes as part of the design phase of the CETO 6 Project. Using performance data and analysis from the Perth Project, Carnegie's hydrodynamics team have been able to run numerical simulations with confidence. This computation simulation work has then been further refined via wave tank testing of selected designs.

The incorporation of the power generation system inside the CETO buoy will result in a number of advantages including the removal of heavy offshore lifts (and associated costly heavy lift vessels), easier maintenance as all key equipment can be floated and towed to and from site with all unit maintenance activities occurring quayside, and more advanced control systems enacted to allow more energy to be extracted from each wave front. The use of an electrical export cable to deliver the power ashore compared with a pipe for high pressure fluid for CETO 5 also reduces transmission losses and increases the commercial market for the CETO technology as it can take advantage of deeper, more distant to shore wave resources and project sites.



*Carnegie's in-house simulation testing of the CETO 6 buoy*

# CETO 6 - The Next Generation

## Buoyant Actuator

- Provides the unit buoyancy
- Houses the Power Take Off (PTO) componentry
- Movement captures the energy of the waves



Electrical  
Elements



Hydraulic  
Elements

Pod  
Pump

## Power Take Off [PTO]

- Consists of the Pump, Pod and Hoses/Fluid Connection.
- The CETO Pump is the hydraulic cylinder that pumps fluid to and from the Pod.
- The CETO Pod is the system that will convert the hydraulic energy from the Pump into electricity.
- The Hoses connect the Pump to the Pod in order to transfer the fluid.

## Tether

- Connects the Pump to the Foundation Connector.
- Consists of a synthetic, marine-grade rope with terminations at either end.

## Quick Connect Fittings

- Adapted from existing offshore oil and gas fittings.
- Designed to lock into place, reducing the use of divers.
- Significantly speeds up installation.

## Subsea Electrical System

The subsea electrical system consists of multiple components:

- Export cable, transmits electricity back to Onshore Power House.
- Junction box.
- Umbilical.

Foundation

Quick Connect  
Fittings

Umbilical

Junction Box  
or Inline Connector

Export Cable

Onshore Power House  
& Control System

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# CETO Intellectual Property

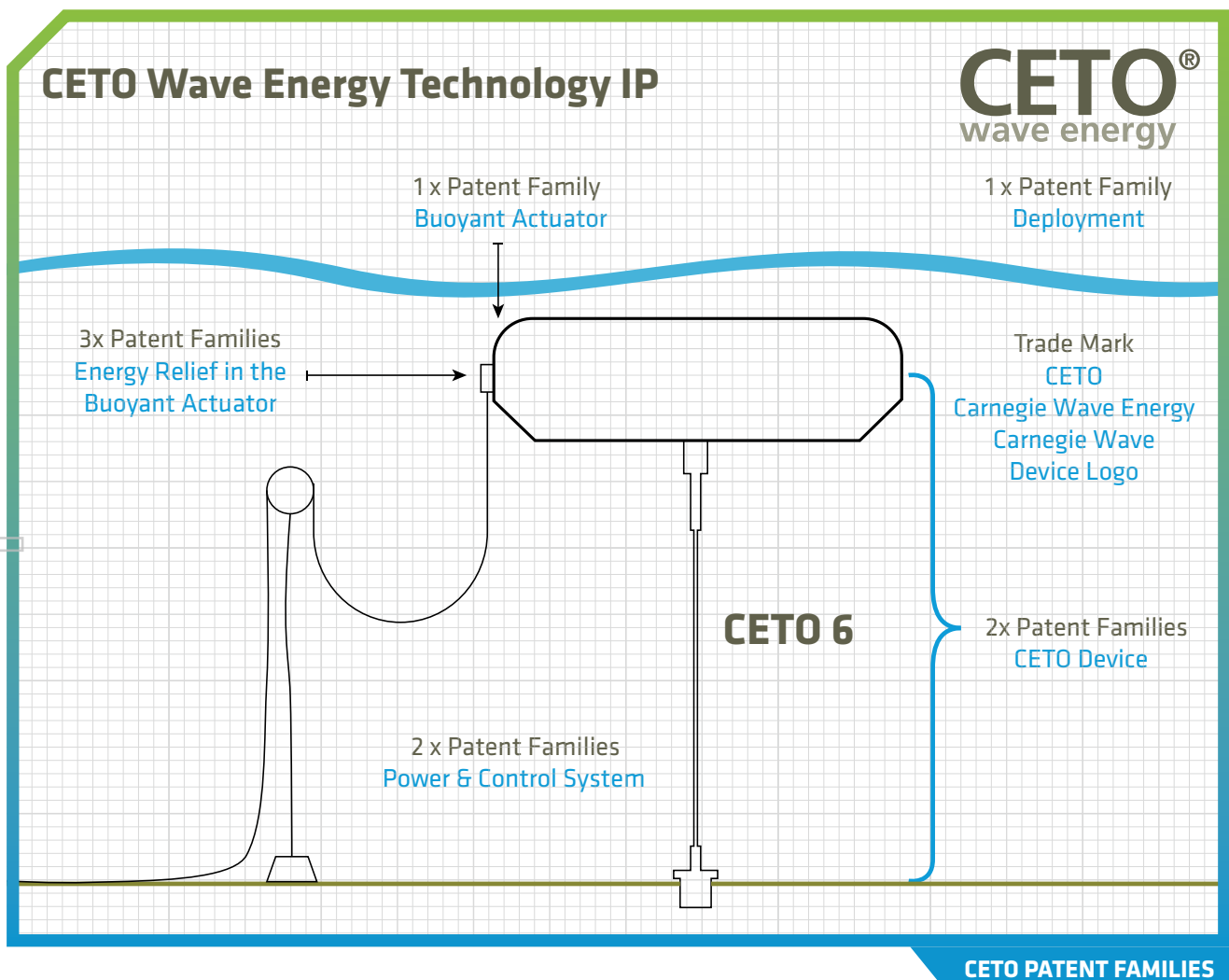
Carnegie views the creation, protection and maintenance of all aspects of intellectual property (IP) relating to the CETO technology as a core business competency.

Carnegie is the 100% owner of the Global Intellectual Property & Development Rights for the CETO technology, and invests a significant amount of time and resource into protecting the novel aspects of the CETO technology. Carnegie has a dedicated intellectual property team, committed to ensuring the CETO technology remains protected.

The active and continued generation of new IP throughout the development of the CETO technology is a key competency within Carnegie's technical team, and generation of new ideas is widely encouraged.

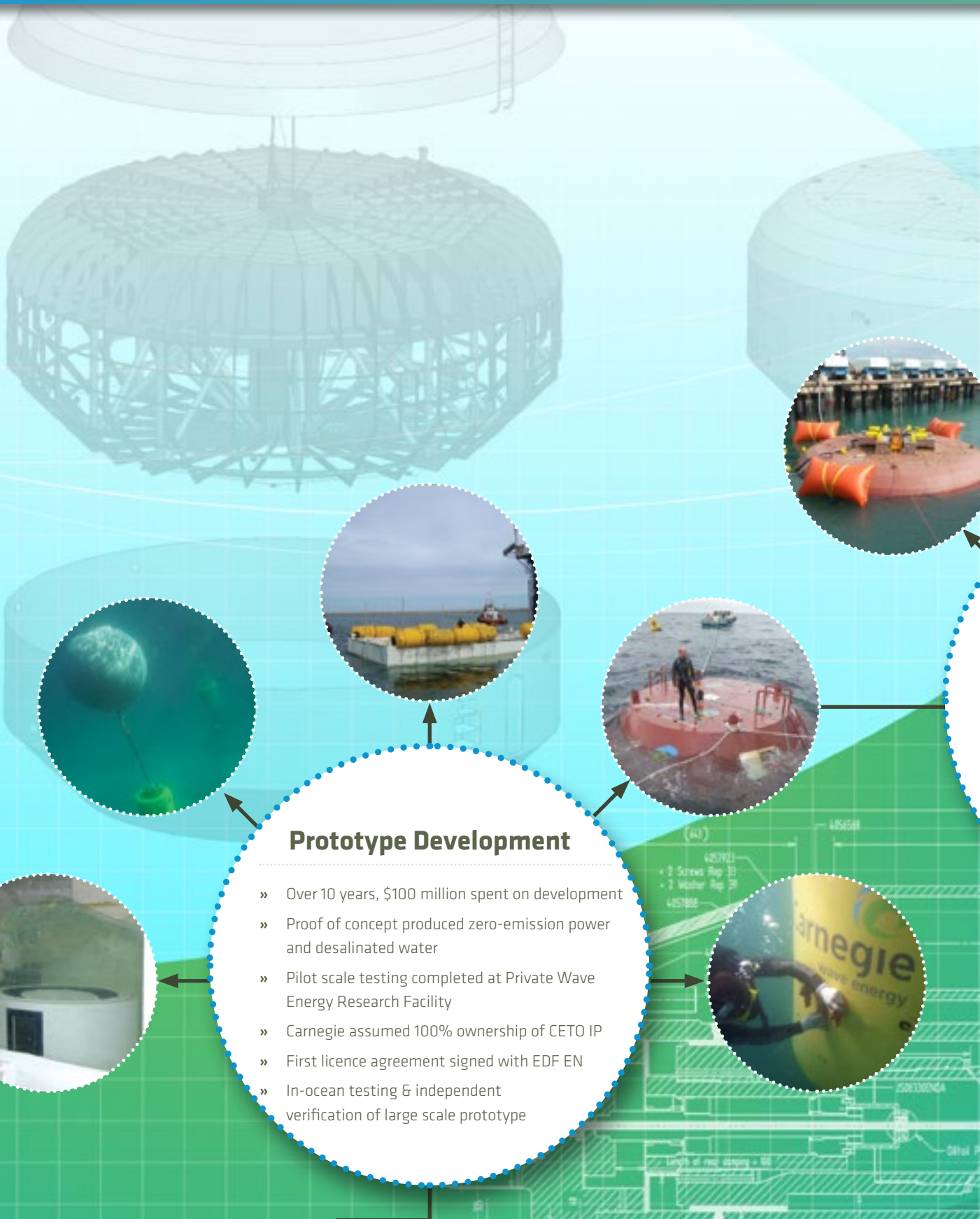
Carnegie's 100% ownership of the CETO technology allows flexibility in CWE's business models, including build, own, operate projects, joint ventures, OEM arrangements, technology licencing arrangements, as well as the provision of O&M services.

The CETO IP portfolio includes 9 patent families, ranging in maturity, with 35 currently granted patents and over a 100 patents pending. The Company constantly reviews the applicability of all patents to ensure that only the most relevant, competitive and high value IP is being protected and advanced.



# Development Pathway

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2004

2011



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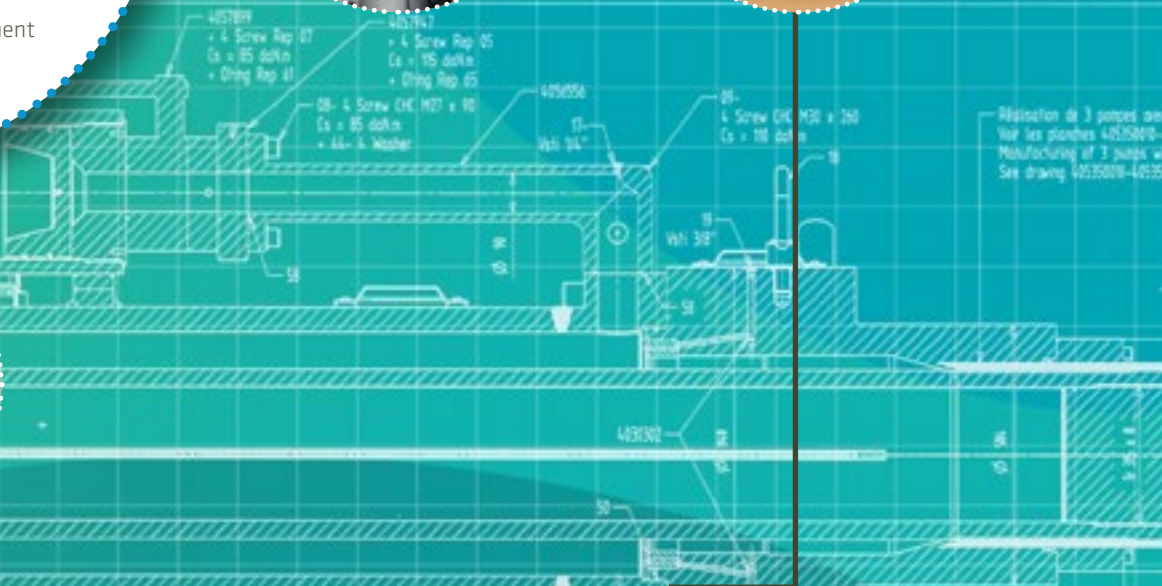
### Commercialisation Portfolio

- » Commercial power and desalination projects
- » First European project, CETO 6 at WaveHub, Cornwall
- » Identified markets in remote islands, e.g.: Mauritius, Seychelles and Bermuda
- » Targeted growth in North America, South America and Asia



### Grid Connection of Multi-unit Arrays CETO 5 & CETO 6

- » CETO 5 Array - Perth Wave Energy Project
- » Perth Project clocks over 14,000 cumulative operational hours
- » CETO 6 - Garden Island, Western Australia
  - Government funding secured
  - Involves the design, construction and operation of a CETO 6 array
  - Power to be purchased by Department of Defence



2015 >

2018 + >>>

# CETO Project Pipeline

Carnegie is working with its subsidiaries and development partners to capitalise on global opportunities in the wave energy industry.

## Bermuda

- » Identified as an attractive market for CETO
- » Remote islands heavily reliant on diesel
- » Abundant and accessible wave energy resource
- » Continued collaboration with Triton Renewable Energy Limited
- » Support from local power utility, Bermuda Electric Light Company Limited

## Chile

- » 100% owned subsidiary - CWE Chile
- » Collaboration agreement with Chilean Government development agency - Fondation Chile
- » Exclusive agent for MAK Water in South America
- » Local development partner - Renewable Energy Development Enterprises (REDE)

## Mauritius

- » Memorandum of Understanding with Government of Mauritius
- » Collaboration and investigation of wave energy & microgrid opportunities on the island



### Legend

-----  
Attractive Desalination Markets

●●●●●●●●●●  
Attractive Wave Energy Levels



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### UK

- » 100% owned subsidiary - CWE UK
- » Project berth secured at WaveHub
- » CETO 6 Wave Tank Testing at FloWave Ocean Energy Testing Facility, Edinburgh
- » Development of commercial CETO 6 UK project
- » \$4m funding for WavePOD project from Scottish Government

### Ireland

- » 100% owned subsidiary - CWE Ireland
- » Strong Government support for the marine energy sector
- » Licence for site investigation for potential County Clare project

### Seychelles

- » Memorandum of Understanding with Government of Seychelles
- » Collaboration and investigation of wave energy & microgrid opportunities on the island

### Australia

- » Corporate headquarters and private wave energy research facility
- » World's currently only operating grid-connected wave energy array, Perth Project using CETO 5, operational for over 13,500 hours
- » Government funding secured for CETO 6 Project on Garden Island
- » Partnership with University of Western Australia for a \$460k anchoring systems project

**PERTH WAVE ENERGY PROJECT**  
**CETO 6 - GARDEN ISLAND PROJECT**

**CARNEGIE CORPORATE HEAD QUARTERS & WAVE ENERGY RESEARCH FACILITY**

# Carnegie Team

Carnegie's team of passionate and innovative individuals are all striving towards the common goal of creating a commercial wave energy technology.

Carnegie's experienced team is critical to the success of the business. The team covers a range of disciplines and work areas including; technical and engineering (mechanical, hydraulic, electrical, structural, control, naval and hydrodynamic engineers); construction, operations and maintenance (onshore and offshore); supply chain and quality; project development; finance, commercial, legal and administration.

As a pioneering technology developer, Carnegie prides itself on having a culture which is supportive and progressive and stimulates innovation. Early in the recruitment process, Carnegie seeks to identify individuals who embody Carnegie's values and

are comfortable in an innovative, autonomous and ever changing environment.

The successful operation of the Perth Project has placed Carnegie at the forefront of the wave energy industry and has given the Carnegie team the opportunity to be a part of a world first project.

This has been recognised in the past 12 months by Carnegie winning four separate innovation awards from the Australian Institute of Management, the Australian Water Association, the Clean Energy Council and BRW.



*Carnegie Engineer and Plant Operator working onsite at Garden Island*



*Carnegie's engineering and operations team working together during Buoyant Actuator testing*



*Carnegie's Board of Directors receiving a briefing from Senior Hydraulics Engineer Stephane Dellac at the Perth Project onshore plant*



Clean Energy Council



*Awards received by Carnegie*

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# Health, Safety & Environment

Carnegie ensures a high standard of safety for its employees and stakeholders at all sites.

Carnegie is dedicated to providing a safe working environment, ensuring that all operations are carried out in a safe manner. Carnegie strives to achieve higher levels of health and safety excellence through their continuous improvement process.

Carnegie's commitment to Health, Safety and Environment (HSE) is formalised and implemented through its company-wide HSE Management Plan. This plan was developed to enable a uniform and effective standard of HSE management to be applied to all Carnegie activities. The Plan supports Carnegie's commitment to health and safety which is outlined through the company's Occupational Health and Safety, Injury Management, Drug and Alcohol and Training Policies.

Following the successful installation and operation of the first CETO 5 unit in November 2014, Carnegie has promoted an

increased awareness of health and safety within the company. Working with its offshore contractors, Carnegie has established safe work practices and procedures for the deployment, retrieval and redeployment of all units. Carnegie continues to implement its Perth Project HSE Management Plan (HSEMP) to refine the strategies that have been used to safely execute the Perth Project with minimal environmental impact.

Throughout the life of the Perth Project, Carnegie has placed an emphasis on ensuring that project activities, both onshore and offshore have no adverse effects on the environment of Garden Island. Environmental assessment and monitoring has been carried out before, during and after CETO deployments, and Carnegie will continue to monitor the site on an ongoing basis.

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Re-vegetation works along shoreline crossing



CETO 5 offshore installation (top);  
CETO 5 Unit #1 onshore at the AMC (bottom)

# Community Engagement & Knowledge Sharing

Carnegie aims to maintain an open dialogue with its stakeholders through engaging with the local community and undertaking knowledge sharing activities.

Carnegie acknowledges that engaging with the local community as well as undertaking knowledge sharing activities are imperative to delivering a successful project.

Throughout the planning phase of the Perth Project, Carnegie engaged with the local Rockingham community to acquire feedback on all aspects of the Project. This feedback process has

continued throughout all major stages of the Project, through a variety of mediums, including presentations to stakeholder groups, site tours and open-day style events.

Carnegie also engages with stakeholders in communities around its corporate headquarters in Fremantle and welcomes opportunities to inform community members about the Project and the CETO technology via open days at its Private Wave Energy Research Facility as well as tours of the facility for university groups and industry associations.

On the world stage, Carnegie is recognised as an industry leader and regularly participates in marine energy industry conferences and discussions.



*Carnegie Chief Technology Officer Jonathan Fiévez presenting to shareholders at Carnegie's Private Wave Energy Research Facility in Fremantle*



*Plant Operator Jamie Pickles providing a tour of the onshore plant to the Australian Water Association*



*Chief Operating Officer Greg Allen hosting HMAS Stirling Engineers on a tour of the onshore plant*



# Carnegie Board of Directors

Carnegie's Board of Directors has significant international experience in energy and capital markets.



Left to right : Kieran O'Brien, Mike Fitzpatrick, John Leggate, Jeff Harding, Dr. Michael Ottaviano and Grant Mooney.

**Jeffrey Harding** B. Eng, B. Comm, MBA, FAICD

## Chairman

Mr. Harding has been on the Carnegie board since 2009 as a non-executive director and became Chairman in 2015. Jeff has had extensive experience in the renewable energy sector as the Managing Director of Pacific Hydro from 1995 – 2005. Pacific Hydro was Australia's largest renewable energy developer with wind and hydro energy projects in Australia, Asia and Chile.

Jeff has Degrees in Civil Engineering, Economics, and a Master's Degree in Business Administration and is a Fellow of the Australian Institute of Company Directors.

**Dr Michael Edward Ottaviano** DBA, MSc, BEng

## Chief Executive Officer and Managing Director

Dr Ottaviano has been with Carnegie since 2006 and during his time as CEO, Dr Ottaviano has led the Company's development of

its CETO Wave Energy technology from Proof of Concept, through to operation of the only grid - connected wave project in the world. He has been responsible for raising \$77m in equity, \$35m in Government grant funding and \$20m in debt.

Dr Ottaviano's previous work has focused on research and development – both in industry and consulting. He has advised companies on new product development, intellectual property, innovation portfolio management and technology commercialisation across various industries and ranging from start-ups to publicly-listed companies with market capitalisations in excess of \$1 billion.

He has been a Board Member of the Clean Energy Council, Australia's clean energy peak industry group, a member of the Australian Government's Energy White Paper High Level Consultative Committee and was winner of the Western Region Ernst & Young Entrepreneur of the Year Award in the category of emerging technology.

**Kieran O'Brien** BEng, MEngSc, MBA (Hons)

## Executive Director - European Business Development

Kieran is a former Managing Director of ESB National Grid (Ireland's Electricity Supply Board) and served as a member of the Executive Management Group for more than 15 years.

He has been responsible for long term strategic planning in ESB and for relations with the Irish Government and European Union in the fuel and utility sector. Kieran was Acting Secretary General of the World Energy Council (WEC) from 2008-2009 and served two, three year terms as a member of the Officer's Council of the WEC.

His international power industry experience extends to Asia, Africa, the Middle East, Eastern Europe, and North America.

Kieran was appointed to the Board of Ocean Energy Europe in 2014.

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# Carnegie Board of Directors

**Mike Fitzpatrick** B.Eng (Hons), B.A (Hons)

## Non-Executive Director

Mike Fitzpatrick has over 33 years in the financial services sector. He is Chairman of Treasury Group Limited, an incubator of fund management companies, Chairman of Infrastructure Capital Group and also Chairman of the Australian Football League. He is also a director of the Walter & Eliza Hall Institute of Medical Research.

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

Prior to establishing Hastings, Mike was a director of CS First Boston. He also previously held positions with Merrill Lynch and First Boston in New York, the Victorian Treasury and Telecom Australia.

Mike is a former chairman of Victorian Funds Management Corporation, the Australian Sports Commission, a former member of the Melbourne Park Tennis Centre Trust, and a former director of the Carlton Football Club.

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

**John Leggate** CBE, FREng

## Non-Executive Director

Mr Leggate is a highly experienced oil and gas and venture capital industry executive. He worked for over twenty seven years for BP, most recently as the Group Chief Information Officer and member of the BP Group Senior Leadership Team.

At BP, Mr Leggate was closely involved in the development of corporate policy on technology foresight, and corporate venturing during the dotcom era. He has spent 20 years in the exploration

and production business; running various projects, construction, commissioning and production operations with a focus on the North Sea, Azerbaijan and the Caspian Region. Mr Leggate's early career was spent in marine consultancy at Yarrows Admiralty Research in Glasgow and after that he was engaged in the design and construction of coal, oil and nuclear power stations with South of Scotland Electricity Board (now Scottish Power).

In 2012 John began working with Quintal Partners a Hong Kong based advisory firm specialising in global technology arbitrage across the energy, cleantech and transportation sectors. Quintal Partners offers strategic advisory, financing and business development services. John has served as a director on the Main Board and Audit Committee of London listed Parkmead Group and Ogin (previously FloDesign Wind Turbines), a venture backed Boston based wind turbine company. He has also served on the UK DTI Far Eastern Trade Advisory Board for four years and was advisor to the US House Science Committee on the potential threat from cyber security on critical national infrastructure and global trade.

Mr Leggate was awarded Commander, The Most Excellent Order of the British Empire in the 2004 New Year's Honours List in recognition of outstanding contribution and leadership to the international digital technology agenda.

**Grant Jonathan Mooney** BBus (Accounting), CA

## Joint Company Secretary & Non-Executive Director

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 director of Phosphate Australia Limited, appointed 14 October 2008, Barra Resources Limited, appointed 29 November 2002, Wild Acre Metals Limited, appointed 1 May 2007 and Talga Resources Limited, appointed 20 February 2014.

He was a director of Attila Resources Limited from 15 March 2010 to 12 October 2012 and Carbine Resources Limited from 16 January 2012 to August 2014. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.



# Corporate Governance

Carnegie Wave Energy Limited is a clean energy technology development company. The Company has established procedures to encourage and maintain a culture of good corporate governance.

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out in this report. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The corporate governance statement set out in this report discloses the extent to which the Company is following the recommendations as at the date of this report. The Company follows each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation. Unless otherwise stated, the practices detailed in this statement have been in place for the entire reporting period ended 30 June 2015.

Governance-related documents can be found on the Company's website at [www.carnegiwave.com](http://www.carnegiwave.com), under the tab "About Us" and within the section marked "Corporate Information":

## Compliance with Corporate Governance Principles and Recommendations

### Principle 1: Lay solid foundations for management and oversight

#### Recommendation 1.1

The listing entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

The Company complies with this recommendation. A policy on matters reserved for the Board is outlined in the "Matters Reserved for Board Approval" document and is available on the Company's website. The Company has established clear details of the roles and responsibilities of each of its board management members.

#### Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company complies with this recommendation. The Company has a policy for the evaluation of the Board and Senior Executives in accordance with the Board and Senior Executives Evaluation Policy. The appointment of any director is subject to subsequent approval by shareholders at the next Annual General Meeting of the Company. Meeting materials for such meeting incorporates all relevant details to assist shareholders in deciding whether or not to elect or re-elect that director.

#### Recommendation 1.3

- A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company complies with this recommendation. Prior to the formal appointment of any director, a written agreement is entered into between the Company and the director setting out the terms and conditions of their appointment.

# Corporate Governance

## Recommendation 1.4

*The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company complies with this recommendation. The Company has two Company Secretaries, neither of which are the Chairman of the Company. While one Company Secretary also fills the role of Non-Executive Director of the Company, he has significant experience in financial and corporate governance matters enabling him to suitably advise the Board on these areas.

## Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

The Company does not comply with this recommendation. The Company has not yet set measurable objectives for achieving diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company. Due to the size of the Company, the Board does not consider it appropriate at this time to formally set objectives for gender diversity. The Company currently employs (including on a consulting basis) 49 staff (11 females and 38 males). The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's

success is the result of the quality and skills of our people. The company's policy on diversity is to employ the right person for the right job regardless of their gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability.

## Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluation the performance of the board, its committees and individual directors; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company complies with this recommendation. On an annual basis the Company undertakes a review of the Board, its committees and individual directors which is confirmed in the Annual Report.

## Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company complies with this recommendation. On an annual basis the Company undertakes a review of the senior executives which is confirmed in the Annual Report.

## Principle 2: Structure the board to add value

### Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
  - (1) has at least three members, a majority of whom are independent directors; and
  - (2) is chaired by an independent director; and disclose:
    - (3) the charter of the committee;
    - (4) the members of the committee; and



# Corporate Governance

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not comply with this recommendation. Given the Company's size, it is not considered necessary to have a separate Nomination Committee. In addition to the above, the following information is provided:

- (a) the skills, experience and expertise of each of the Company's directors are set out in this report;
- (b) the Board, in consultation with external advisers where required, undertakes this role; and
- (c) a separate policy and procedure for Selection and Appointment of New Directors has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.

## **Recommendation 2.2**

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company complies with this recommendation. The skills, experience and expertise of each of the Company's directors are set out in this report.

## **Recommendation 2.3**

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

The Company complies with this recommendation. Non-Executive Directors Jeff Harding, Grant Mooney and John Leggate are considered Independent Directors. The length of service of each Director is set out in this report.

## **Recommendation 2.4**

A majority of the board of a listed entity should be independent directors.

The Company currently has 3 independent directors and 3 non-independent directors, and so does not comply with this recommendation. Due to the size and stage of the Company an equal share of independent directors and non-independent directors is considered appropriate. Two of the non-independent directors have significant experience in financial and corporate governance matters enabling them to suitably discharge their duties as directors.

## **Recommendation 2.5**

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Company complies with this recommendation.

## **Recommendation 2.6**

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors efficiently.

The Company complies with this recommendation. The Company has established a process for induction of new directors and where possible, provides each director with opportunities for professional development such that they can improve their effectiveness as directors of the Company.

# Corporate Governance

## Principle 3: Act ethically and responsibly

### **Recommendation 3.1**

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Company complies with this recommendation. The Company has established a code of conduct for all directors, senior executives and employees which is available on the Company's website.

## Principle 4: Safeguard integrity in corporate reporting

### **Recommendation 4.1**

The board of a listed entity should:

- (a) have an audit committee which:
  - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - (2) is chaired by an independent director, who is not the chair of the board,and disclose:
  - (3) the charter of the committee;
  - (4) the relevant qualifications and experience of the members of the committee; and
  - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company complies with this recommendation. The Company has policies for Audit Committee Charter and the External Auditor Selection. A copy of these policies are provided on the Company's website. Details of the audit committee meetings are provided in this report.

### **Recommendation 4.2**

The board of the listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company complies with this recommendation. The Board receives assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration in relation to section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Company also has a separate policy in relation to Risk Management which is available on the Company's website.

### **Recommendation 4.3**

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company complies with this recommendation. The Company's auditor attends the annual general meeting of the Company and is available to answer any question in relation to the audit.

## Principle 5: Make timely and balanced disclosure

### **Recommendation 5.1**

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.



# Corporate Governance

The Company complies with this recommendation. The Company has a Continuous Disclosure policy which is set out on the Company's website.

## Principle 6: Respect the rights of security holders

### Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company complies with this recommendation. A summary of the Company's Corporate Governance policies is set on the Company's website.

### Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company complies with this recommendation. The Company has established an investor relations program to ensure effective communications between the Company and shareholders and investors. The Company has a Shareholder Communication Policy which is set out on the Company website.

### Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company complies with this recommendation. The Company has a Shareholder Communication Policy which is set out on the Company website.

### Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company complies with this recommendation. The Company provides the option to shareholders to receive communications electronically, notification of this option is provided by the Company registry.

## Principle 7: Recognise and manage risk

### Recommendation 7.1

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director;

And disclose:

- (3) the charter of the committee;
- (4) the members of the committee; and
- (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company does not comply with this recommendation. The Directors are of a view that given the size of the Company, it is not necessary to have a separate committee to oversee risk and this function is undertaken directly by the Board and senior management at regular intervals.

### Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company complies with this recommendation. As stated above, in the forum of board meetings the board regularly addresses certain risks that may affect the Company's business interests and confirmation of these risks being addressed are noted in the Corporate Governance Policies within the Annual Report.

# Corporate Governance

## Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control processes.

The Company does not comply with this recommendation. The Directors are of the view that given the size of the Company, it is not practical to have an internal audit function and that risk management is undertaken by the Board and senior management.

## Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company does not comply with this recommendation. The Directors are of the view that given the Company's size, risks are addressed directly by the Board and senior management and are not disclosed externally.

## Principle 8: Remunerate fairly and responsibly

### Recommendation 8.1

The board of a listed entity should:

- (a) have a remuneration committee which:
  - (1) has at least three members, a majority of whom are independent directors; and
  - (2) is chaired by an independent director;
- and disclose:
  - (3) the charter of the committee;
  - (4) the members of the committee; and
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company complies with this recommendation. The Company has a policies for the Remuneration Committee Charter, the Senior Executives Remuneration and Non-Executive Director remuneration. A copy of these policies are provided on the Company's website. Details of the remuneration committee meetings are provided in this report.

### Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company complies with this recommendation. The Company has separate policies relating to the remuneration of non-executive directors as opposed to senior executives. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.

### Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- (b) disclose that policy or a summary of it.

The Company complies with this recommendation. The Company has a Securities Trading Policy which, among other things, sets out the Company's policy on trading the Company's securities. A copy of this policy is on the Company's website.



# Directors' Report / 30 June 2015

The Directors present their report on Carnegie Wave Energy Limited ("the Company", or "Carnegie") and its controlled entities, ("the Consolidated Group") for the financial year ended 30 June 2015.

## DIRECTORS

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

**Jeffrey Harding** B.Eng, B.Com, MBA, FAICD

### Chairman

Mr Harding has extensive experience in the renewable energy sector. From 1995 to 2005 Mr Harding was Managing Director of Pacific Hydro Limited, Australia's largest renewable energy developer with wind and hydro energy projects in Australia, Asia and Chile. During his tenure, Mr Harding oversaw the international expansion of the business with growth in market capitalisation from AU\$5 million to over AU\$750 million and an increase in profit after tax each year from 1996 to 2005, when Pacific Hydro was sold to IFM Renewable Energy.

Mr Harding has degrees in Civil Engineering, Economics, and a Masters Degree in Business Administration and is a Fellow of the Australian Institute of Company Directors. He resides in both Europe and Australia.

Mr Harding was also Chairman of Ceramic Fuel Cells Ltd (AIM:CFU), was formerly General Manager of Brambles Industrial Services and Vice President of the Australian Business Council for Sustainable Development. Mr Harding regularly presents on issues associated with climate change and renewable energy and was the 2014 Hasley Visiting Professor at the University of Virginia.

Mr Harding was appointed to the board in 2009 and was appointed as Chairman on the 11th May 2015.

**Dr Michael Edward Ottaviano**

B.Eng, MSc, DBA, MAICD, M.I.EngAus

### Chief Executive Officer and Managing Director

Dr Ottaviano joined Carnegie in January 2006 and was made Managing Director in March 2007. Dr Ottaviano oversaw the acquisition of the CETO wave power intellectual property and focusing of the company's efforts onto its commercialisation. During his time as Managing Director, Dr Ottaviano has led the development of CETO Wave Energy technology from Proof of Concept, Pilot Plant and Commercial Demonstration stages and has been responsible for raising \$130m in equity, grants and debt.

Dr Ottaviano has previously worked in research and development and consulted in technology and innovation management. He has advised companies on new product development, intellectual property and technology commercialisation across various industries and ranging from start-ups to large multi-nationals. He is also a former Board Member of the Clean Energy Council, Australia's clean energy peak industry group, and a member of the Australian Government's Energy White Paper Consultative Committee.

Dr Ottaviano has a Bachelor of Engineering, a Masters of Science and a Doctorate in Business Administration.

**Kieran O'Brien**

B.Eng, MBA, MEngSc, FIEI, FIEE

### Executive Director

Mr O'Brien is a former Managing Director of ESB (Ireland's Electricity Supply Board) National Grid and served as a member of the Executive Management Group of ESB for more than 15 years. He has been responsible for long term strategic planning in ESB and for relations with the Irish Government and European Union in the fuel and utility sector. Mr O'Brien was Acting Secretary General of the World Energy Council (WEC) from 2008-2009 and served two three year terms as a member of the Officer's Council of the WEC. His international power industry experience extends to Asia, Africa, the Middle East, Eastern Europe and North America.

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# Directors' Report / 30 June 2015

## Michael Fitzpatrick

B.Eng (Hons), B.A (Hons)

### Non-Executive Director

Mr Fitzpatrick has over 34 years in the financial services sector. After a career in investment banking in Australia and New York with Merrill Lynch and CS First Boston, Mr Fitzpatrick founded Hastings Funds Management Ltd ('Hastings') in 1994. Hastings was the pioneering infrastructure asset management company where he was Managing Director until he sold his interest in 2005 to Westpac Banking Corporation. Hastings was then one of the largest managers of infrastructure and alternative assets in Australia, managing investments of approximately A\$3.8 billion. Mr Fitzpatrick was a Director of a number of Hastings' managed investments, including Pacific Hydro Limited, Global Renewables Limited, Utilities of Australia and Australian Infrastructure Fund.

Mr Fitzpatrick is currently Chairman of the Infrastructure Capital Group, a boutique manager of \$1.4 billion of energy and infrastructure assets, Chairman of Treasury Group Limited and also Chairman of the Australian Football League. He also holds a number of other non-executive directorships, and was a former director of Rio Tinto Limited and Rio Tinto plc. Mr Fitzpatrick holds a B.Eng. (Hons) degree in Electrical Engineering from the University of Western Australia and in B.A. (Honours) from Oxford University in 1975, where he was a Rhodes Scholar.

## John Leggate

CBE, FREng

### Non-Executive Director

Mr Leggate is a highly experienced oil and gas and venture capital industry executive. He worked for over twenty seven years for BP. His key leadership roles were as President of the Azerbaijan International Oil Co, BP's Group Chief Information Officer and Group Vice President of BP's Global Supply Chain.

At BP Mr Leggate was closely involved in the development of corporate policy on technology foresight, and corporate venturing during the dotcom era. He has spent 20 years in the exploration and production business; running various projects, construction, commissioning and production operations with a focus on the North Sea and the Caspian Region. Mr Leggate's early career was spent in marine consultancy at Yarrows Admiralty Research in Glasgow and after that he was engaged in the design and construction of coal, oil and nuclear power stations with South of Scotland Electricity Board (now Scottish Power).

In 2012 John began working with Quintal Partners a Hong Kong based advisory firm specialising in global technology arbitrage across the energy, cleantech and transportation sectors. Quintal Partners offers strategic advisory, financing and business development services. John has served as a Director on the Main Board and Audit Committee of London AIM listed Parkmead Group and Ogin (previously FloDesign Wind Turbines), a venture backed Boston based wind turbine company. He has also served on the UK DTI Far Eastern Trade Advisory Board for four years and was advisor to the US House Science Committee on the potential threat from cyber security on critical national infrastructure and global trade.

Mr Leggate was awarded the CBE in recognition of his outstanding contribution and leadership to the international digital technology agenda. John is a graduate of Glasgow University and is a Fellow of the Institute of Electrical Engineering and Fellow of the Royal Academy of Engineering.

## Grant Jonathan Mooney

B.Bus, CA

### Non-Executive Director and Company Secretary

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 Phosphate Australia Limited, appointed 14 October 2008, Barra Resources Limited, appointed 29 November 2002, Wild Acre Metals Limited, appointed 1 May 2007, Carbine Resources Limited, appointed 16 January 2012 and Talga Resources Limited, appointed 20 February 2014. He was a Director of Attila Resources Limited from 15 March 2010 to 12 October 2012. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

Mr Mooney resigned as Chairman on the 11th May 2015.



# Directors' Report / 30 June 2015

During the year and 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
<b>Michael Fitzpatrick *</b>	125,365,359	5,000,000
<b>Dr Michael Edward Ottaviano</b>	39,790,000	-
<b>**</b>		
<b>Grant Jonathan Mooney ***</b>	2,553,651	15,000,000
<b>Jeffrey Harding ****</b>	958,750	5,000,000
<b>Kieran O'Brien</b>	170,000	10,000,000
<b>John Leggate</b>	100,000	5,000,000

\* Mr M Fitzpatrick is a Director of Log Creek Pty Ltd and therefore is deemed to have an interest in 125,365,359 ordinary shares and 5,000,000 options held by Log Creek Pty Ltd and 88 Green Ventures.

\*\* Dr M E Ottaviano is deemed to have an interest in 390,000 ordinary shares held by his spouse, Amanda Ottaviano. Dr Ottaviano also has an interest in 4,400,000 ordinary shares as trustee for the "Wanderlust Trust".

\*\*\* Mr G J Mooney is a Director of Mooney & Partners Pty Ltd and therefore is deemed to have an interest in 2,553,651 ordinary shares held by Mooney & Partners Pty Ltd.

\*\*\*\* Mr J Harding is deemed to have an interest in 958,750 ordinary shares as trustee for the "The Harding Super Fund Account".

## COMPANY SECRETARY

The following persons held the position of company secretary at the end of the financial year:

**Mr Grant Jonathan Mooney and Mr Aidan John Flynn**

## PRINCIPAL ACTIVITIES

The principal activity of the Company is in the development and commercialisation of the CETO wave energy technology.

## OPERATING RESULTS

The consolidated loss of the Consolidated Group for the financial year ended 30 June 2015 amounted to \$4,784,050 (2014: consolidated loss \$4,176,921).

## DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2015. No dividends were paid during the financial year.

## REVIEW OF OPERATIONS

During this financial year, the Consolidated Group maintained its focus on the development and commercialisation of the CETO wave energy technology, primarily via the construction, commissioning and operation of the Perth Wave Energy Project (PWEP) on Garden Island, Western Australia. During the financial year the PWEP was connected for the first time to the electricity grid on Garden Island, making it the world's only currently operating grid-connected wave energy array. At the date of this report, the Perth Wave Energy Project has been operating for over 12,500 cumulative hours across three CETO 5 units, setting a record for an 'in-ocean' technology. The continued operation of the Perth Wave Energy Project has allowed the Consolidated Group to take great steps forward towards commercialising its proprietary CETO technology. The Consolidated Group demonstrated that the CETO installation and retrieval methodology is sound through the successful planned offshore retrieval of CETO 5 Unit #1 and its subsequent redeployment. These activities are an important demonstration of Unit interchangeability which is a key aspect of CETO's 'hot swap' maintenance philosophy, which allows the plant to continue operation whereby any CETO Unit can be swapped for another.

Carnegie drew down milestone grant payments for the PWEP from the Western Australian Government Low Emissions Energy Development fund, the Federal Government's Emerging Renewables Program and the Federal Government's AusIndustry Clean Technology Innovation program.

- » Emerging Renewables Program - Carnegie drew down 4 milestone payments relating to the PWEP totalling \$3,015,421 for the construction of onshore plant, manufacture, Construction and deployment of CETO units, Commission and Practical completion of the project.
- » Low Emissions Energy Development Fund - Carnegie drew down the final 6 milestone payments totalling \$991,649 for the commissioning, practical completion and operations of the PWEP.
- » Clean Technology Innovation Program - Carnegie drew down 4 milestone payments totalling \$255,593 for the construction of the desalination pilot plant.

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# Directors' Report / 30 June 2015

The Company continued design and site investigation work for the CETO 6 Project which is the next stage in the CETO development and commercialisation. The Project comprises the design, construction, deployment and demonstration of three CETO 6 units in a grid-connected, up to 3MW peak installed capacity wave energy project at Garden Island, Western Australia. The Project remains supported by a \$13 million grant from the Federal Government's Emerging Renewables Program and by a five year \$20 million loan facility from the Australian Clean Energy Finance Corporation. During the year the first CETO 6 project milestone payment was successfully drawn down from the Australian Renewable Energy Agency.

During 2015, Carnegie made continued progress in attractive commercial markets, including building a stronger presence in the United Kingdom through the 100% owned subsidiary, CWE UK through its newly appointed UK based CEO, Tim Sawyer.

Further development was made on the CETO technology in the UK, with AU\$4m of funding being awarded from the Scottish Government for CWE UK to work alongside wave energy developer Aquamarine Power and Bosch Rexroth to develop a power take off system to be used in commercial CETO devices.

In addition to the above, during the financial year and to the date of this report, the Consolidated Group:

- » Received \$3.9 million cash payment under the Australian Federal Government's Research and Development Tax Incentive.
- » Received \$1.7 million cash payments from a legacy gold mining royalty payment from Higginsville gold mining operations operated by MetalsX Limited.
- » Maintained and expanded the CETO Intellectual Property portfolio globally.

## FINANCIAL POSITION

The net assets of the Consolidated Group have decreased by \$1,890,172 to \$92,239,147 as at 30 June 2015. This is largely the result of the consolidated loss caused by the expenditure associated with the development of CETO technology.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Group occurred during the financial year:

- i. On 24 June 2015, the Consolidated Group announced it had reached a ground-breaking milestone with the Perth Wave Energy Project, with the CETO 5 units reaching 10,000 hours of cumulative continuous operation. This was also a significant milestone for the wave energy industry as a whole, as it addresses issues around the reliability and survivability of wave energy devices.
- ii. On 18 June 2015, the Consolidated Group announced that it had received approval for its final milestone payment under the WA State Government's Low Emissions Energy Development (LEED) fund. The payments were in relation to operational milestones under the LEED agreement.
- iii. On 20 May 2015, the Consolidated Group announced that it had successfully retrieved CETO 5 Unit #1 as part of the overall operation and maintenance activities associated with the Perth Wave Energy Project. The Unit was successfully retrieved on its first attempt and validated the Consolidated Group's 'hot swap' maintenance philosophy.
- iv. On 14 May 2015 the Consolidated Group announced that offshore geophysical surveys were underway for the CETO 6 Project at Garden Island, with the results of these surveys influencing elements of the Project, such as foundation selection, cable route and overall installation methodology.
- v. On 11 May 2015, the Consolidated Group announced the appointment of Mr Jeffrey Harding to the role of Chairman of the Board of Directors, with former Chairman Mr Grant Mooney remaining as Non-Executive Director and joint Company Secretary.
- vi. On 25, February 2015 the Consolidated Group announced that the desalination pilot plant, co-located at the Perth Wave Energy Project's onshore site has been commissioned off the electricity grid. Subsequent to commissioning the desalination pilot plant, water supply commenced to HMAS Stirling.
- vii. On 20 February 2015, the Consolidated Group announced that financial close had been reached on the \$20 million Clean Energy Finance Council's debt facility for the CETO 6 Project at Garden Island.
- viii. On 18th February 2015 the Consolidated Group announced that the Perth Wave Energy Project became connected to the electricity grid at HMAS Stirling, making it the world's only currently operating grid-connected wave energy array. The Project was officially 'switched on' by Federal Minister for Industry and Science, the Hon. Ian Macfarlane.
- ix. On 27 January 2015, the Consolidated Group announced that the second CETO 5 unit was installed and operating. The first unit had also been operating for over 1,700 hours.



# Directors' Report / 30 June 2015

- x. On 25 November 2014, the Consolidated Group announced that the first CETO 5 unit had been installed and was operating off Garden Island.
- xi. On 11 August 2014, the Consolidated Group received its first milestone payment for the CETO 6 Project at Garden Island.
- xii. On 6 August 2014, the Consolidated Group announced that it had received \$671,462 in royalty payments for a mining royalty held in the Higginsville District.
- xiii. On 23 July 2014, the Consolidated Group announced it would be part of a CSIRO project, funded by \$1.3m from the Australian Renewable Energy Agency (ARENA). The Consolidated Group will be part of a national study to develop a wave energy atlas to improve the assessment of wave energy extraction on the marine environment.

## SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

The following events occurred subsequent to the end of the financial year:

- » On 19 August 2015 the Consolidated Group announced that the offshore geophysical and environmental surveys for its CETO 6 - Garden Island Project had been complete, with a preferred project site identified.
- » On 3 August 2015 the Consolidated Group was awarded a \$4m (£2m) grant by Wave Energy Scotland, in conjunction with its consortium partners Bosch Rexroth and Aquamarine Power, for a robust Power Take Off prototype system. The development of this work will feed into the Consolidated Group's first UK CETO project.
- » On 28 July 2015, the Consolidated Group, along with its partner the University of Western Australia was awarded a grant from the Australian Research Council for \$460,000 to research more efficient anchoring systems for the Consolidated Group's CETO technology.
- » On 10 July 2015 the Consolidated Group announced that it had issued 26,600,000 options under the Employee Incentive Option Scheme.

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

those operations or the state of affairs of the Consolidated Group in subsequent financial years.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

During the year, the Company successfully commissioned and operated for the first time the grid connected Perth Wave Energy Project (PWEF). The Company continued design work and site survey work on the next CETO project, the CETO 6 project at Garden Island Western Australia.

The Company's immediate focus is now on completing the operational phase of the PWEF including demonstrating the maintenance activities and undertaking the data analysis. In parallel, the design of the CETO 6 project will be completed and the company will continue to progress commercial opportunities for the CETO technology.

Carnegie expects that its business model will capture value from a combination of 'build-own-operate' projects as well as from site development and supplying and licensing the CETO technology. As the technology developer, Carnegie may aim to capture additional value by utilising its inherent knowledge and know-how of CETO by offering operations and maintenance services at commercial rates to CETO wave projects globally.

## ENVIRONMENTAL ISSUES

The Consolidated Group is required to carry out its activities in accordance with the laws and regulations in the areas in which it undertakes its activities.

## SHARE OPTIONS

At the date of this report, there were 40,000,000 options outstanding in respect of unissued ordinary shares to Directors and a further 121,200,000 options held by employees and third parties.

# Directors' Report / 30 June 2015

## INDEMNIFYING OFFICER OR AUDITOR

During or since the year end, the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- » the Company has paid premiums to insure the Directors against certain risks they are exposed to as Directors of the Company; and
- » the Company has agreed to grant Directors a right of access to certain Company Records.

The Company has paid premiums to insure each Director against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$25,674.

## REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for each Director of Carnegie Wave Energy Limited and for the specified executives.

### **Remuneration Policy**

The remuneration policy of Carnegie Wave Energy Limited has been designed to align Director and Executive 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 Consolidated Group's financial results. The Board of Carnegie Wave Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Consolidated Group, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Consolidated Group is as follows:

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Remuneration Committee after seeking professional advice from independent external consultants. During the year, the Company's Remuneration Committee benchmarked the Company's salaries payable to senior management by reference to independent industry data to ensure that the Company was 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 Remuneration Committee in consultation with the Board of Directors has chosen to adopt an equity based approach to remunerating executive staff and employees for the 2015 financial year and beyond. The Company utilised the Employee Share Option Plan as adopted by shareholders in November 2010 (re-affirmed by shareholders

on 1 November 2013) as the mechanism by which options may be issued to executive management and staff to adequately incentivise these individuals.

The Remuneration Committee reviews executive packages annually by reference to the Consolidated 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. The maximum aggregate amount of 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 Consolidated Group.



# Directors' Report / 30 June 2015

## Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

During the year, the Company focused its efforts on both the continuing development of the CETO wave energy technology and on developing commercial opportunities for the deployment of CETO wave energy projects.

Over the last 12 months the Company continued its spend on the Perth Wave Energy Project and CETO 6 project. This spend was partially offset by the Company drawing down six times (totalling \$991,649) on its LEED grant from the Western Australian Government, five times from the federal government grants (totalling \$3,065,421) from the Australian Renewable Energy Agency and four times from the Federal Government's AusIndustry Clean Technology Innovation program. The Company's share price has remained impacted by the continued policy uncertainty in relevant markets. In spite of this, the Company has maintained and increased its ability to continue the CETO and commercial site development.

	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
<b>Revenue</b>	336,274	430,109	351,917	1,913,452	1,716,516
<b>Net loss after tax</b>	(6,772,325)	(4,521,876)	(3,303,572)	(4,176,921)	(4,784,050)
<b>Share price at year end</b>	0.076	0.027	0.030	0.050	0.045

The remuneration for each Director and specified Executive of the consolidated entity paid during the year was as follows:

### Details of Remuneration for Year Ended 30 June 2015

	Actual rewards received in the period			Actuarial valuation of potential future rewards		Performance
	Short-term benefits		Post Employment Benefits - Super	Other long term benefits	Share based payments	
	Cash salary, leave paid & fees	Non Cash Benefits				
	\$	\$	\$	\$	\$	\$
Jeffrey Harding	59,945	-	5,694	-	-	-
Mike Fitzpatrick	57,500	-	-	-	-	-
John Leggate	80,571	-	-	-	-	-
Grant Mooney*	168,554	-	6,892	-	-	-
Kieran O'Brien	143,585	-	-	-	-	-
Michael Ottaviano	639,898	17,076	18,783	15,579	-	-
Greg Allen	249,999	-	21,850	9,356	80,226	-
<b>Total</b>	<b>1,400,052</b>	<b>17,076</b>	<b>53,219</b>	<b>24,935</b>	<b>80,226</b>	-

\* Fees include Company Secretarial fees paid to Mooney & Partners Pty Ltd, a company associated with Grant Mooney

# Directors' Report / 30 June 2015

## Details of Remuneration for Year Ended 30 June 2014

	Actual rewards received in the period			Actuarial valuation of potential future rewards		Performance
	Short-term benefits		Post Employment Benefits - Super	Other long term benefits	Share based payments	
	Cash salary, leave paid & fees	Non Cash Benefits				
	\$	\$	\$	\$	\$	\$
Jeffrey Harding	57,500	-	5,318	-	105,400	-
Mike Fitzpatrick	57,500	-	-	-	105,400	-
John Leggate	127,555	-	-	-	105,400	-
Grant Mooney*	171,000	-	6,937	-	316,200	-
Kieran O'Brien	159,842	-	-	-	210,800	-
Michael Ottaviano	581,725	16,671	17,774	53,962	876,855	-
Greg Allen	235,320	-	19,917	12,489	54,429	-
<b>Total</b>	<b>1,390,442</b>	<b>16,671</b>	<b>49,946</b>	<b>66,451</b>	<b>1,774,848</b>	-

\* Fees include Company Secretarial fees paid to Mooney & Partners Pty Ltd, a company associated with Grant Mooney.

### Performance Income as a Proportion of Total Remuneration

No performance based incentive bonus was awarded or paid during the year.

### Options Issued as Part of Remuneration for the Year Ended 30 June 2015

No options were issued to Directors during the financial year.

### Employment Contracts Of Directors

The employment conditions of the Non-Executive Directors, Executive Director, Kieran O'Brien, the Chairman, Jeff Harding and Managing Director, Michael Ottaviano are formalised in Service Contracts. The Managing Director, Michael Ottaviano, is contracted under a contract for \$691,616 per annum including superannuation plus a fully serviced company vehicle. The Executive Director, Kieran O'Brien, is under a contract for €96,000 per annum. Non-Executive Director, John Leggate, is under a contract for €71,250 per annum. Non-Executive Directors, Michael Fitzpatrick and Grant Mooney, are under a contract for \$57,500 per annum. The above contracts remain effective from 1 July 2015.

During the year Jeffrey Harding was appointed as Chairman. As the Chairman, he receives a base salary of \$75,000 per annum. This remains effective from 1 July 2015.

There is a contract for service between the Company and

Mooney & Partners Ltd, an entity associated with Grant Mooney, commencing from 9 October 2009 for an initial period of 3 years and subsequently on a rolling basis, whereby Mr Mooney provides Company Secretarial services and receives a fee of \$96,000 per annum (exclusive of GST). As Non-Executive Director he receives a base salary of \$57,500 per annum effective from 1 July 2015.

The employment contracts for Grant Mooney and Michael Ottaviano stipulate three months resignation period. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component. 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 Corporation Act 2001.

### End of remuneration report

### NON-AUDIT SERVICES

The external auditors were not engaged for non-audit services during the financial year ended 30 June 2015.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 35.



# Directors' Report / 30 June 2015

## DIRECTORS' MEETINGS

There were 8 Directors' meetings held during the financial year ended 30 June 2015. Attendances were as follows:

Director	Number Attended			
	Directors		Audit Committee	Remuneration Committee
	No. Meetings attended	No. Meetings held during time in office		
<b>Jeffrey Harding</b>	8	8	2	NA
<b>Dr Michael E Ottaviano</b>	8	8	NA	NA
<b>Grant Mooney</b>	8	8	2	2
<b>Kieran O'Brien</b>	8	8	NA	2
<b>John Leggate</b>	8	8	NA	2
<b>Michael Fitzpatrick</b>	8	8	1	NA

There were a total of 4 circular resolutions passed by the Board of Directors during the financial year.

Signed on 28th August 2015 in accordance with a resolution of the Board of Directors.



**DR MICHAEL EDWARD OTTAVIANO**  
Managing Director



**GRANT JONATHAN MOONEY**  
Director

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Carnegie Wave Energy Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.




**CROWE HORWATH PERTH**



**SEAN MCGURK**  
Partner

Signed at Perth, 28 August 2015

*Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss Verein. Each member firm of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.*

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# Statement of Comprehensive Income

For Year Ended 30 June 2015

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2015

	Note	Consolidated Group	
		2015	2014
		\$	\$
Royalty income	2	1,417,715	1,623,957
Other income	2	298,802	289,495
Depreciation expense		(109,015)	(71,205)
Occupancy expense		(328,109)	(256,512)
Consultancy expenses		(260,991)	(224,421)
Research expenses		(236,064)	(167,163)
Employee and Directors expenses		(2,104,465)	(1,512,609)
Employee Share based payments	27	(771,450)	(2,082,121)
Finance costs		(1,251,806)	(357,933)
Company secretarial expenses		(96,000)	(96,000)
Administrative expenses		(1,321,533)	(1,287,657)
Other expenses from ordinary activities		(21,134)	(34,752)
Loss before income tax	3	(4,784,050)	(4,176,921)
Income tax benefit/(expense)	4	-	-
Loss for the year		(4,784,050)	(4,176,921)
Loss for the year		(4,176,921)	(3,303,572)
<b>Other comprehensive income</b>			
Exchange differences on translating foreign controlled entities and foreign currencies		(84,332)	85,931
Income tax relating to components of other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		(4,868,382)	(4,090,990)
<b>Loss attributable to:</b>			
Members of the parent entity		(4,784,050)	(4,176,921)
Total comprehensive loss attributable to:			
Members of the parent entity		(4,868,382)	(4,090,990)
<b>Earnings per share</b>			
Basic loss per share (cents per share)	7	(0.275)	(0.270)
Diluted loss per share (cents per share)	7	(0.275)	(0.270)

The accompanying notes form part of these financial statements.

# Statement of Financial Position

For Year Ended 30 June 2015

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated Group	
		2015	2014
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	8	4,724,794	14,177,509
Trade and other receivables	9	1,621,009	856,744
Other assets	14	57,807	26,340
<b>TOTAL CURRENT ASSETS</b>		<b>6,403,610</b>	<b>15,060,593</b>
NON-CURRENT ASSETS			
Trade and other receivables	9	351,017	604,275
Available for sale financial assets	10	12,414	12,414
Property, plant and equipment	12	402,488	414,318
Intangible assets	13	90,102,248	86,159,659
Other non-current assets	14	153,290	138,555
<b>TOTAL NON-CURRENT ASSETS</b>		<b>91,021,457</b>	<b>87,329,221</b>
<b>TOTAL ASSETS</b>		<b>97,425,067</b>	<b>102,389,814</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	15	979,297	3,468,375
Short-term provisions	17	369,135	1,183,652
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,348,432</b>	<b>4,652,027</b>
NON-CURRENT LIABILITIES			
Trade and other payables			
Long-term provision	15	47,252	28,360
Long-term borrowings	17	229,155	104,978
<b>TOTAL NON-CURRENT LIABILITIES</b>	16	<b>3,561,081</b>	<b>3,475,130</b>
<b>TOTAL LIABILITIES</b>		<b>3,837,488</b>	<b>3,608,468</b>
<b>NET ASSETS</b>		<b>5,185,920</b>	<b>8,260,495</b>
<b>NET ASSETS</b>		<b>92,239,147</b>	<b>94,129,319</b>
<b>EQUITY</b>			
Issued capital	18	144,940,603	142,656,965
Reserves	19	7,863,814	12,823,425
Accumulated losses		(60,565,270)	(61,351,071)
<b>TOTAL EQUITY</b>		<b>92,239,147</b>	<b>94,129,319</b>

The accompanying notes form part of these financial statements.

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# Statement of Changes in Equity

For Year Ended 30 June 2015

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2015

Consolidated Group	Note	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Option Reserve	Total
<b>Balance at 1.7.2013</b>		132,968,498	(57,174,150)	81	10,173,184	85,967,613
<b>Comprehensive loss</b>						
Loss for the year		-	(4,176,921)	-	-	(4,176,921)
Other comprehensive income		-	-	85,931	-	85,931
<b>Total comprehensive loss for the year</b>		-	(4,176,921)	85,931	-	(4,090,990)
<b>Transactions with owners</b>						
Share capital issued during the year		9,799,076	-	-	-	9,799,076
Capital raising costs		(110,609)	-	-	-	(110,609)
Equity portion of convertible note		-	-	-	482,108	482,108
Share based payment expense		-	-	-	2,082,121	2,082,121
<b>Total transactions with owners</b>		9,688,467	-	-	2,564,229	12,252,696
<b>Balance at 30.6.2014</b>		142,656,965	(61,351,071)	86,012	12,737,413	94,129,319
<b>Balance at 1.7.2014</b>		142,656,965	(61,351,071)	86,012	12,737,413	94,129,319
<b>Comprehensive loss</b>						
Loss for the year		-	(4,784,050)	-	-	(4,784,050)
Other comprehensive income		-	-	(84,332)	-	(84,332)
<b>Total comprehensive loss for the year</b>		-	(4,784,050)	(84,332)	-	(4,868,382)
<b>Transactions with owners</b>						
Share capital issued during the year		2,211,960	-	-	-	2,211,960
Capital raising costs		(5,200)	-	-	-	(5,200)
Equity portion of convertible note		-	-	-	-	-
Share based payment expense		76,878	-	-	694,572	771,450
Share based payment expired unexercised		-	5,569,851	-	(5,569,851)	-
<b>Total transactions with owners</b>		2,283,638	5,569,851	-	(4,875,279)	2,978,210
<b>Balance at 30.6.2015</b>		144,940,603	(60,565,270)	1,680	7,862,134	92,239,147

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For Year Ended 30 June 2015

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2015

	Notes	Consolidated Group	
		2015	2014
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Royalties		1,341,678	1,322,581
Interest received		231,564	265,225
Interest paid		(10,043)	(21,924)
Payments to suppliers and employees		(8,730,247)	(6,975,790)
Receipts from R&D Tax Rebate		3,963,327	2,263,825
Receipts from Government grant funding		4,312,663	14,034,254
Net cash provided by operating activities	23	1,108,942	10,888,171
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for development of asset		(10,945,137)	(21,608,609)
Purchase of property, plant and equipment		(108,997)	(124,897)
Proceeds from sale of property, plant and equipment		3,084	-
Net cash (used in) investing activities		(11,051,050)	(21,733,506)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Issue of Shares		594,800	9,212,743
Proceeds from Issue of Convertible Note		-	3,830,505
Net cash provided by financing activities		594,800	13,043,248
Net (decrease)/increase in cash held		(9,347,308)	2,197,913
Cash and cash equivalents at beginning of financial year		14,177,509	11,893,898
Effect of exchange rate fluctuations on cash held		(105,407)	85,698
Cash and cash equivalents at end of financial year	8	4,724,794	14,177,509

The accompanying notes form part of these financial statements.

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# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Carnegie Wave Energy Limited ("the company") is a company domiciled in Australia. The consolidated financial statements of the company as at and for the twelve months ended 30 June 2015 comprise the Company and its subsidiaries ('Consolidated Group').

The separate financial statements of the Company, Carnegie Wave Energy Limited, 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 28th August 2015.

### **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**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

## Accounting Policies

### **a. Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Carnegie Wave Energy Limited at the end of the reporting period. A controlled entity is any entity over which Carnegie Wave 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.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

### **b. 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.



# Notes to The Financial Statements

For Year Ended 30 June 2015

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.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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.

## c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost, where applicable, any accumulated depreciation and impairment losses.

### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	1.0% – 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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# Notes to The Financial Statements

For Year Ended 30 June 2015

## d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

## e. Financial Instruments

### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

### Classification and Subsequent Measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- The amount at which the financial asset or financial liability is measured at initial recognition;
- Less principal repayments;

- Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

- Less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or as being subject to the requirements of accounting standards specifically applicable to financial instruments.

### i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

### ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor determinable payments.

### iii. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

## Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

# Notes to The Financial Statements

For Year Ended 30 June 2015

## Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

## Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## f. 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.

On the issue of the 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.

## g. Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft
- interest on short-term and long-term borrowings
- interest on finance leases

## h. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries or associates. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed immediately in the profit or loss unless the asset is carried at a re-valued amount in accordance with another accounting standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

## i. Intangible Asset – Acquired Intellectual Property and Development costs

An intangible asset arising from externally acquired intellectual property and development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the

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# Notes to The Financial Statements

For Year Ended 30 June 2015

availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of acquired intellectual property and the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of an intangible asset arising from acquired intellectual property and development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Acquired intellectual property and development cost in respect of an asset available for use have a finite useful life and are amortised on a systematic basis on the economic benefits over the useful life of the project.

## **j. Foreign Currency Transactions and Balances**

### **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**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

## **k. Employee Benefits**

Provision is made for the company'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.

## **l. Equity-settled compensation**

### **(i) Equity-settled**

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to the Option Reserve. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

At each reporting date between grant and settlement, the fair value of the benefit is determined

- a During the vesting period, the liability recognised at each reporting date is the fair value of the benefit at that date multiplied by the expired portion of the vesting period
- b From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date
- c All changes in the liability are recognised in profit or loss for the period. The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the benefit was granted, and to the extent to which employees have rendered service to date.

# Notes to The Financial Statements

For Year Ended 30 June 2015

For shares acquired under limited recourse loans, the Group is required to recognise within the income statement a remuneration expense measured at the fair value of the shares inherent in the issue to the eligible person, with a corresponding increase to a share-based payments reserve in equity. The fair value is measured at grant date and recognised when the eligible person becomes unconditionally entitled to the shares, effectively on grant. A loan receivable is not recognised.

## **m. 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.

## **n. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks.

## **o. Revenue and Other Income**

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

All revenue is stated net of the amount of goods and services tax (GST).

All other borrowing costs are recognised in income in the period in which they are incurred.

Royalty income is recognised on an accrual basis. Royalty income 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.

## **p. Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost

using the effective interest method, less any provision for impairment. Refer to Note 1(h) for further discussion on the determination of impairment losses.

## **q. 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.

## **r. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is 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.

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

## **s. Government Grants**

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

## **t. Research and Development Tax Incentive**

Research and development tax refunds are recognised as an offset against intangible assets on a receipt basis.

## **u. Earnings/(loss) per share**

Basic Earnings/(Loss) per share is calculated as net profit/(loss) attributable to members of the Consolidated Group, adjusted to exclude any costs of servicing equity (other

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# Notes to The Financial Statements

For Year Ended 30 June 2015

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 attributable to members of the Consolidated Group, adjusted for, the dilutive effects of any outstanding unlisted options over ordinary shares in the parent.

## v. **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 the proceeds.

## w. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

## x. **New Accounting Standards for Application in the Current Period**

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

## y. **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 consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project

to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately



# Notes to The Financial Statements

For Year Ended 30 June 2015

as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

## **z. Significant accounting judgements, estimates and assumptions**

### **Significant accounting judgements**

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 (including intangible 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. Impairment test is also carried out for all intangible assets with indefinite useful life (Note 13).

#### **Share based payment transactions**

The Consolidated 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 Black Scholes formula taking into account the terms and conditions upon which the instruments are granted, as disclosed in Note 27.

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# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 2: REVENUE AND OTHER INCOME

	Notes	Consolidated Group	
		2015	2014
		\$	\$
Royalty income	a	1,417,715	1,623,957
<b>Other income</b>			
Interest received	b	207,835	291,702
Sale of fixed assets		-	-
Sale of Investments		-	-
Realised gain on foreign exchange		91,685	(2,207)
		298,802	289,495
<p>a. As a result of activities prior to the development of the CETO technology, the Company still holds a mining royalty with respect to a gold deposit in Western Australia. Under the royalty agreement, the Company receives a payment per ounce of gold extracted by third parties. The past and any future royalty income stream requires no expenditure or resources by the Company.</p>			
<p>b. Interest revenue from:</p>			
• Bank deposits		207,835	291,702
Total interest revenue		207,835	291,702

## NOTE 3: LOSS FOR THE YEAR

	Notes	Consolidated Group	
		2015	2014
		\$	\$
<b>a. Expenses</b>			
Depreciation of non-current assets – property, plant and equipment		109,015	71,205
Asset write down		-	-
Doubtful debts expense		486	472
Movement in provision for doubtful debts:			
• wholly-owned subsidiaries		486	472
Net movement in provisions		486	472
Net loss on disposal of property, plant and equipment		(718)	-

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 4: INCOME TAX EXPENSE

	Notes	Consolidated Group	
		2015	2014
		\$	\$
<b>a. The components of tax expense comprise:</b>			
Current tax		905,153	3,750,244
Deferred tax		(905,153)	(3,750,244)
		-	-
<b>b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:</b>			
Prima facie tax payable (benefit) on profit from ordinary activities before income tax at 30% (2014: 30%)			
- Consolidated Group		(1,402,524)	(1,227,297)
<b>Add:</b>			
Tax effect of:			
- Other non-allowable items		5,066	4,128
- Tax losses not recognised		(451,096)	(3,750,244)
- Non deductible R&D costs		212,298	-
- Assessable government grants		1,293,799	-
- Share options expensed during year		231,435	624,636
- Movement in deferred tax balances not recognised		188,565	4,348,777
- Under/(over) re utilisation of previously unrecognised losses		(454,348)	-
- Under/(over) provided in prior periods		376,805	-
<b>Less:</b>			
Tax effect of:			
- Capital profits not subject to income tax		-	-
- Other allowable items		-	-
Income tax attributable to entity		-	-
Current tax benefit		-	-

The Group has tax losses carried forward of \$34,148,664 (2014: \$35,652,318). The tax losses do not expire under current tax legislation. Deferred tax asset has not been recognised in respect of tax losses carried forward as a formal assessment of the recoverability of the tax losses under the current tax legislation has not been performed.

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# Notes to The Financial Statements

For Year Ended 30 June 2015

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

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2015.

### a. Names and positions held in economic and parent entity by key management personnel in office at any time during the financial year are:

Key Management Person	Position
Jeffrey Harding	Non-Executive Chairman
Michael Ottaviano	Managing Director
Kieran O'Brien	Executive Director
Michael Fitzpatrick	Non-executive Director
Grant J Mooney	Non-executive Director and Company Secretary
John Leggate	Non-executive Director
Greg Allen	Chief Operating Officer

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

	2015	2014
	\$	\$
Short term employee benefits	1,417,128	1,407,113
Share based payments	80,226	1,774,484
Post employment benefits	53,219	49,946
	1,550,574	3,231,543

### b. Options and Rights Holdings

Movement in equity settled options held by key management personnel is detailed below:

	Balance 1.7.2014	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2015
Kieran O'Brien	10,000,000	-	-	-	10,000,000
Michael Fitzpatrick	15,000,000	-	(10,000,000)	-	5,000,000
Grant Mooney	15,000,000	-	-	-	15,000,000
John Leggate	5,000,000	-	-	-	5,000,000
Jeffrey Harding	5,000,000	-	-	-	5,000,000
Greg Allen	10,000,000	-	-	-	10,000,000
<b>Total</b>	<b>60,000,000</b>	<b>-</b>	<b>(10,000,000)</b>	<b>-</b>	<b>50,000,000</b>

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

Details of equity settled options for key management personnel outstanding at balance sheet date are as follows:

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date	Terms & Conditions for Each Grant		
					Exercise Price	First Exercise Date	Last Exercise Date
<b>Key Management Personnel</b>							
Grant Mooney	15,000,000	15,000,000	25 Nov 2013	2.11 cents	6.5 cents	25 Nov 2013	24 Nov 2018
Kieran O'Brien	10,000,000	10,000,000	25 Nov 2013	2.11 cents	6.5 cents	25 Nov 2013	24 Nov 2018
Jeffrey Harding	5,000,000	5,000,000	25 Nov 2013	2.11 cents	6.5 cents	25 Nov 2013	24 Nov 2018
John Leggate	5,000,000	5,000,000	25 Nov 2013	2.11 cents	6.5 cents	25 Nov 2013	24 Nov 2018
Michael Fitzpatrick	5,000,000	5,000,000	25 Nov 2013	2.11 cents	6.5 cents	25 Nov 2013	24 Nov 2018
Greg Allen	10,000,000	10,000,000	5 Nov 2012	1.28 cents	5.0 cents	4 Nov 2013	4 Nov 2015
Greg Allen	2,500,000	5,000,000	4 Jul 2014	1.86 cents	7.3 cents	4 Jul 2015	3 Jul 2017
	<u>52,500,000</u>	<u>55,000,000</u>					

All options were granted for nil consideration.

### c. Shareholdings

	Number of Shares held by Key Management Personnel				Balance 30.6.2015
	Balance 1.7.2014	Received as Compensation	Options Exercised	Net Change Other	
Michael Fitzpatrick	115,365,359	-	10,000,000	-	125,365,359
Michael Ottaviano	39,790,000	-	-	-	39,790,000
Grant J Mooney	2,553,651	-	-	-	2,553,651
Jeffrey Harding	958,750	-	-	-	958,750
Kieran O'Brien	170,000	-	-	-	170,000
John Leggate	100,000	-	-	-	100,000
Greg Allen	3,000	-	-	-	3,000
<b>Total</b>	<u>158,940,760</u>	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>168,940,760</u>

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group	
	2015	2014
Remuneration of the auditor of the parent entity for:	\$	\$
• auditing or reviewing the financial report	80,000	79,000

## NOTE 7: EARNINGS PER SHARE

	Consolidated Group	
	2015	2014
Basic loss per share (cents per share)	(0.275)	(0.270)
Diluted loss per share (cents per share)	(0.275)	(0.270)
(a) Reconciliation of earning to Net Loss		
Loss used in the calculation of basic EPS	(4,784,050)	(4,176,921)
Loss used in the calculation of diluted EPS	(4,784,050)	(4,176,921)
(b) Weighted average number of ordinary shares used in calculation of weighted average earnings per share	1,738,203,240	1,547,179,324

As at 30 June 2014 and 30 June 2015, the outstanding options were not dilutive as the weighted average exercise price of the options were higher than the weighted average share price for the year.

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

## NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2015	2014
	\$	\$
Cash on hand	222	681
Cash at bank	4,724,572	14,176,828
	4,724,794	14,177,509

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 9: TRADE AND OTHER RECEIVABLES

Consolidated Group	Gross Amount	Past due but not impaired (days overdue)			Within trade terms
		1-30	31-60	61+	
2015	\$	\$	\$	\$	\$
<b>CURRENT</b>					
Trade receivables	384	(215)	-	599	-
Prepayments	627,902	-	-	-	627,902
Accrued revenue	380,160	-	-	-	380,160
Other receivables	8,288	-	-	-	8,288
Security deposits	604,275	-	-	-	604,275
	1,621,009	(215)	-	599	1,620,625
<b>NON CURRENT</b>					
Prepayments	351,017	-	-	-	351,017
Security deposits	-	-	-	-	-
	351,017	-	-	-	351,017
<b>2014</b>					
	\$	\$	\$	\$	\$
<b>CURRENT</b>					
Trade receivables	19,493	17,308	-	2,185	-
Prepayments	428,451	-	-	-	428,451
Accrued revenue	327,852	-	-	-	327,852
Other receivables	9,184	-	-	-	9,184
Security deposits	71,764	-	-	-	71,764
	856,744	17,308	-	2,185	837,251
<b>NON CURRENT</b>					
Prepayments	-	-	-	-	-
Security deposits	604,275	-	-	-	604,275
	604,275	-	-	-	604,275

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# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 10: AVAILABLE FOR SALE FINANCIAL ASSETS

	Notes	Consolidated Group	
		2015	2014
		\$	\$
Available-for-sale financial assets	a	12,414	12,414
<b>a. Available-for-sale Financial Assets Comprise</b>			
Unlisted investments, at cost			
- shares in other corporations		12,414	12,414
		12,414	12,414

Available-for-sale 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.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured. As a result, all unlisted investments are reflected at cost.

## NOTE 11: 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 (%)*	
		2015	2014
Subsidiaries of Carnegie Wave Energy Limited:			
CMA Nominees Pty Ltd	Australia	100	100
New Millennium Engineering Pty Ltd	Australia	100	100
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
CETO Wave Energy Chile	Chile	100	100
Pacific Coastal Wave Energy Corp.	Canada	95	95

\* Percentage of voting power is in proportion to ownership

## NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2015	2014
	\$	\$
<b>PLANT AND EQUIPMENT</b>		
Plant and equipment:		
At cost	1,145,627	1,049,708
Accumulated depreciation	(743,139)	(635,390)
Total plant and equipment	402,488	414,318

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 12: PROPERTY, PLANT AND EQUIPMENT (cont'd)

### a. 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

	Plant and Equipment
	\$
<b>2015</b>	
<b>Consolidated Group:</b>	
Balance at the beginning of year	414,318
Additions	100,988
Disposals	(3,802)
Impairment	-
Depreciation expense	(109,015)
Carrying amount at the end of year	402,488
<b>2014</b>	
<b>Consolidated Group:</b>	
Balance at the beginning of year	285,080
Additions	200,443
Disposals	-
Impairment	-
Depreciation expense	(71,205)
Carrying amount at the end of year	414,318

## NOTE 13: INTANGIBLE ASSETS

	Consolidated Group	
	2015	2014
	\$	\$
<b>Intellectual Property (CETO IP)</b>		
Cost	55,989,877	55,989,877
Net carrying value	55,989,877	55,989,877
<b>Development costs – since acquisition</b>		
Cost	34,112,371	30,169,782
Accumulated amortisation and impairment	-	-
Net carrying value	34,112,371	30,169,782
<b>Total intangibles</b>	90,102,248	86,159,659

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 13: INTANGIBLE ASSETS (cont'd)

Movements in Carrying Amounts	Intellectual Property (CETO IP)	Development Costs
	\$	\$
<b>Consolidated Group:</b>		
<b>Year ended 30 June 2014</b>		
Balance at the beginning of year	55,989,877	19,964,653
Additions	-	-
Development cost incurred	-	10,205,129
Closing value at 30 June 2014	55,989,877	30,169,782
<b>Year ended 30 June 2015</b>		
Balance at the beginning of year	55,989,877	30,169,782
Additions	-	-
Development cost incurred	-	3,942,589
Closing value at 30 June 2015	55,989,877	34,112,371

The recoverable amount of the CETO Technology is based on 'value in use' as defined under AASB 136: Impairment of Assets, which has been estimated to have a greater value than its carrying value of \$90 million, accordingly no impairment loss has been recognised.

Value in use was determined by discounting the forecasted future net cash flows generated from the sale of the CETO Technology. Cash flows are analysed over a 25 year period approved by management for the years from 2016 to 2040. The period is consistent with the long term value of a new infrastructure technology and is consistent with comparable energy industry project lives.

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

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

- » The Company will earn a profit margin based as a percentage of the manufacturing cost of CETO units sold;
- » Payment for CETO units will be received in advance of commissioning;
- » Forecast sales are based on a specific and static market share of the world's wave energy capacity annually to 2040;
- » The Consolidated Group will have access to sufficient funding to complete the CETO Development through to commercialisation (See Note 21);and
- » A post-tax discount rate adjusted to incorporate risks associated with commercialising a wave energy technology of 20.7%.

### Sensitivity

As disclosed in Note 1, the Directors have made judgements and estimates in respect of impairment testing of intangible assets. Should these judgements and estimates not occur the resulting intangible assets carrying amount may decrease. The sensitivities are as follows:

- (a) Forecast sales of the CETO technology would need to decrease by more than 34% before the intangible assets would need to be impaired, with all other assumptions remaining constant.
- (b) The discount rate would be required to increase by more than 5 percentage points (a proportional increase of 24%) before the intangible asset would need to be impaired, with all other assumptions remaining constant.

If there are other negative changes in the other assumptions on which the recoverable amount of intangible assets is based, this could result in a further impairment charge for the intangible assets.

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 14: OTHER ASSETS

	Consolidated Group	
	2015	2014
	\$	\$
<b>CURRENT</b>		
Deferred expenses	57,807	26,340
	57,807	26,340
<b>NON CURRENT</b>		
Deferred expenses	153,290	138,555
	153,290	138,555

## NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2015	2014
	\$	\$
<b>CURRENT</b>		
Trade creditors	681,816	2,302,860
Accruals	200,587	1,116,404
Other	96,894	49,111
	979,297	3,468,375
<b>NON CURRENT</b>		
Trade creditors	47,252	28,360
	47,252	28,360

## NOTE 16: BORROWINGS

	Consolidated Group	
	2015	2014
	\$	\$
<b>Convertible note*</b>	3,561,081	3,475,130

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# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 16: BORROWINGS (cont'd)

<b>Convertible note</b>	<b>2015</b>	<b>2014</b>
	\$	\$
Balance at the beginning of the period	3,475,130	-
Consideration received	-	4,000,000
Equity component	-	(506,693)
Conversion to equity during the period	(239,663)	(43,625)
Unwinding of finance costs	325,614	194,944
Issue costs	-	(169,496)
	3,561,081	3,475,130

\*On 18 November 2013, the Company completed a capital raising of \$4 million by issuing 4,000 Convertible Notes at an issue price of \$1,000 each ("Notes"). The Notes can convert to equity at any time at 4.5 cents per share and pay a non-cash quarterly coupon of 6% p.a. Subsequent to the issue of the Notes, on 31 July 2015 the Company announced that it had rolled over the remaining 3,690 Notes by extending the maturity date to 17 November 2017. No coupon will be paid on the Notes beyond 17 November 2015 and all other terms of the Notes remained unchanged.

## NOTE 17: PROVISIONS

<b>Analysis of Total Provisions</b>	<b>Consolidated Group</b>	
	<b>2015</b>	<b>2014</b>
	\$	\$
Current	369,135	1,183,652
Non-current	229,155	104,978
	598,290	1,288,630

<b>Consolidated Group</b>	<b>Annual and Long Service Leave</b>	<b>Total</b>
	\$	\$
Opening balance at 1 July 2014	438,630	438,630
Additional provisions	159,660	159,660
Unused amounts reversed	-	-
Balance at 30 June 2015	598,290	598,290

### **Provision for Long-term Employee Benefits**

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

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 18: ISSUED CAPITAL

	Consolidated Group	
	2015	2014
	\$	\$
1,766,571,657 (2014: 1,720,450,293) fully paid ordinary shares	144,940,603	142,656,965
	144,940,603	142,656,965

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

a. Ordinary shares	2015. No	2014 No.
At the beginning of reporting period	1,720,450,293	1,489,742,595
Shares issued during the year		
25 November 2013		35,000,000
19 February 2014		1,155,133
18 March 2014		5,000,000
24 April 2014		187,358,750
16 May 2014		1,082,704
26 May 2014		1,111,111
20 August 2014	1,250,543	
10 November 2014	10,000,000	
10 December 2014	1,123,935	
31 December 2014	10,000,000	
6 February 2015	2,222,223	
12 February 2015	222,223	
23 February 2015	3,537,881	
5 March 2015	3,955,556	
25 March 2015	3,055,556	
4 June 2015	1,031,225	
17 June 2015	9,722,222	
At reporting date	1,766,571,657	1,720,450,293

- On 20 August 2014, 1,250,543 shares were issued to holders of Carnegie convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.048 per share.
- On 10 November 2014, 10,000,000 shares were issued to 88 Green Ventures, an entity owned and controlled by Mike Fitzpatrick, as a result of the exercise of unlisted options. The shares had an effective issue price of \$0.03 per share.
- On 10 December 2014, 1,123,935 shares were issued to holders of Carnegie unlisted convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.053 per share.

# Notes to The Financial Statements

For Year Ended 30 June 2015

4. On 31 December 2014, 10,000,000 shares were issued to the Australian Clean Energy Finance Corporation under the terms of the debt facility announced on 19 March 2014. The shares had an effective issue price of \$0.054 per share.
5. On 6 February 2015, the Company issued 2,222,223 shares to holders of Carnegie unlisted convertible notes. The shares were issued as the result of the conversion of 100 of the convertible notes, as per the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.045 per share.
6. On 12 February 2015, the Company issued 222,223 shares to holders of Carnegie unlisted convertible notes. The shares were issued as the result of the conversion of 10 of the convertible notes, as per the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.045 per share.
7. On 23 February 2015, the Company issued 2,600,000 shares as a result of the exercise of unlisted employee share options.
8. On 23 February 2015, 937,881 shares were issued to holders of Carnegie unlisted convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.063 per share.
9. On 5 March 2015, the Company issued 3,400,000 shares as a result of the exercise of unlisted employee share options.
10. On 5 March 2015, the Company issued 555,556 shares to holders of Carnegie unlisted convertible notes. The shares were issued as the result of the conversion of 25 of the convertible notes, as per the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.045 per share.
11. On 25 March 2015, 2,500,000 shares were issued to the Australian Clean Energy Finance Corporation under the terms of the debt facility announced on 19 March 2014. The shares had an effective issue price of \$0.06 per share.
12. On 25 March 2015, the Company issued 555,556 shares to holders of Carnegie unlisted convertible notes. The shares were issued as the result of the conversion of 25 of the convertible notes, as per the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.045 per share.
13. On 4 June 2015, 1,031,225 shares were issued to holders of Carnegie unlisted convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.055 per share.
14. On 17 June 2015, 7,500,000 shares were issued to the Australian Clean Energy Finance Corporation under the terms of the debt facility announced on 19 March 2014. The shares had an effective issue price of \$0.06 per share.
15. On 17 June 2015, the Company issued 2,222,222 shares to holders of Carnegie unlisted convertible notes. The shares were issued as the result of the conversion of 100 of the convertible notes, as per the terms of the convertible note announced on 18 November 2013. The shares had an effective issue price of \$0.045 per share.

b.

## Capital Management

Management controls the capital of the group in order to provide the shareholders with adequate returns and 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.

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.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 19: RESERVES

	Consolidated Group	
	2015	2014
	\$	\$
<b>a. Foreign Currency Translation Reserve</b>	1,680	86,012
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and foreign currencies		
<b>b. Option Reserve.</b>	7,862,134	12,737,413
The option reserve records items recognised as expenses on valuation of share options and share based payments including loan funded shares		
<b>Total</b>	<b>7,863,814</b>	<b>12,823,425</b>

## NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2015	2014
	\$	\$
<b>a. Operating and Finance Lease Commitments</b>		
Not later than 1 year	197,397	205,485
Later than 1 year but not later than 5 years	636,779	93,377
Later than 5 years	-	-
	<b>834,176</b>	<b>298,862</b>

Operating leasing commitments consist of property leases for three properties including the Company's head office. They are all non-cancellable leases with the longest lease having an expiring term of 3 years, expiring on 30 November 2018.

Finance lease commitments consist of amounts for plant and equipment. This relates to one lease with an expiry on 30 April 2018.

## NOTE 21: BUSINESS RISK

In the financial year ended 30 June 2015 the Group incurred an operating loss of \$4.8 million (2014: \$4.1 million). As at 30 June 2015, the Group had an accumulated deficit of \$60.6 million. These losses have resulted primarily from costs incurred in the CETO Technology development program, and from associated general and administrative costs. The Group expects to increase certain operating expenses as it continues to expand infrastructure and commercialization activities.

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 from the planned commercialization of its products.

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



# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 22: 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 operates primarily in development of the CETO technology. The financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to chief operating decision maker. Therefore the group is considered to be a single operating segment.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

## NOTE 23: CASH FLOW INFORMATION

	Consolidated Group	
	2015	2014
	\$	\$
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss after income tax	(4,784,050)	(4,176,921)
Non-cash flows in profit		
Depreciation	109,015	71,205
Net loss on disposal of investments	-	-
Net loss on disposal of assets	718	-
Net loss on foreign exchange	(91,685)	2,207
Loss in share of associate	-	-
Provision for impairment	-	-
Write-off of assets	-	-
Share options & loan funded shares expensed	771,450	2,082,121
Finance costs	1,241,829	336,009
Doubtful Debts	486	472
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Government grants received	4,312,663	14,034,254
R&D tax rebate received	3,963,327	2,263,825
(Increase)/decrease in trade and term receivables	(634,168)	(512,639)
(Increase)/decrease in non-current assets	(74,878)	(201,290)
(Increase)/decrease in development asset	(4,786,955)	(3,383,216)
Increase/(decrease) in trade payables and accruals	921,136	211,035
Increase/(decrease) in provisions	160,054	161,109
Cashflow used in operations	1,108,942	10,888,171

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 24: EVENTS AFTER THE REPORTING PERIOD

- a. On 3 August 2015, the Consolidated Group announced the award of a £2 million grant from the Scottish Government's Wave Energy Scotland (WES) for the development of a universal Power Take Off system to convert mechanical energy to electricity.
- b. On 31 July 2015, the Consolidated Group announced that it had received a gold mining royalty payment of \$377,412 for the quarter ended 30 June 2014.
- c. On 28 July 2015, the Consolidated Group announced that it will partner with the University of Western Australia (UWA) on a \$460,000 project part funded by an Australian Research Council (ARC) Linkage Grant to research and develop more efficient anchoring systems for wave energy converters.
- d. On 10 July 2015, the Consolidated Group announced that it had issued 26,600,000 options under the employee incentive option scheme.

## NOTE 25: RELATED PARTY TRANSACTIONS

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

## NOTE 26: FINANCIAL RISK MANAGEMENT

### a. Financial Risk Management Policies

The Board of Directors has responsibility for, amongst other issues, monitoring and managing financial risk exposures of the Consolidated Group. The Board monitors the Group's financial risk management policies and exposures and approves 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.

#### Interest rate risk

The Consolidated 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:

Consolidated Group	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest Bearing	Total
			Within year	1 to 5 years		
	%	\$	\$	\$	\$	\$
<b>30 June 2015:</b>						
Financial assets:						
Cash and cash equivalents	1.75	2,593,464	2,110,000	-	21,330	4,724,795
Receivables	2.74	-	604,275	-	1,376,750	1,972,026
Other financial assets	-	-	-	-	12,414	12,414
		2,593,464	2,714,275	-	1,401,495	6,709,235
Financial liabilities:						
Accounts payable		-	-	-	1,026,549	1,026,549
		-	-	-	1,026,549	1,026,549

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 26: FINANCIAL RISK MANAGEMENT (cont'd)

Consolidated Group	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non-interest Bearing	Total
			Within year	1 to 5 years		
	%	\$	\$	\$	\$	\$
<b>30 June 2014:</b>						
Financial assets:						
Cash and cash equivalents	2.78	6,228,032	7,060,000	-	889,479	14,177,511
Receivables	3.39	-	676,039	-	516,480	1,192,519
Other financial assets	-	-	-	-	12,414	12,414
		6,228,032	7,736,039	-	1,418,373	15,382,444
Financial liabilities:						
Accounts payable	-	-	-	-	4,346,736	4,346,736
		-	-	-	4,346,736	4,346,736

### b. Credit Risk

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

The Consolidated Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Group. Details with respect to credit risk of trade and other receivables are provided in note 9. 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 Statement of Financial Position.

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

#### **Financial Instruments Measured at Fair Value**

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

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

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 26: FINANCIAL RISK MANAGEMENT (cont'd)

### Consolidated Group

	Level 1	Level 2	Level 3	Total
2015	\$	\$	\$	\$
<b>Financial assets:</b>				
<i>Available-for-sale financial assets:</i>				
– listed investments	-	-	-	-
– unlisted investments	-	-	12,414	12,414
	-	-	12,414	12,414
<b>2014</b>				
<b>Financial assets:</b>				
<i>Available-for-sale financial assets:</i>				
– listed investments	-	-	-	-
– unlisted investments	-	-	12,414	12,414
	-	-	12,414	12,414

### d. Sensitivity Analysis

#### Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

#### Interest Rate Sensitivity Analysis

At 30 June 2015, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group	
	2015	2014
	\$	\$
<b>Change in profit</b>		
– Increase in interest rate by 1%	79,936	104,929
– Decrease in interest rate by 1%	(79,936)	(104,929)
<b>Change in Equity</b>		
– Increase in interest rate by 1%	79,936	104,929
– Decrease in interest rate by 1%	(79,936)	(104,929)



# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 26: FINANCIAL RISK MANAGEMENT (cont'd)

### e. Liquidity Risk

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

- » preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- » using derivatives that are only traded in highly liquid markets
- » monitoring undrawn credit facilities
- » obtaining funding from a variety of sources
- » maintaining a reputable credit profile
- » managing credit risk related to financial assets
- » investing only in surplus cash with major financial institutions
- » comparing the maturity profile of financial liabilities with the realisation profile of financial assets

Trade and sundry payables are expected to be paid as followed:

Contractual Cash flows	Consolidated Group	
	2015	2014
	\$	\$
Less than 30 days	979,297	4,318,376
More than 1 year	47,252	28,360
	1,026,549	4,346,736

## NOTE 27: SHARE BASED PAYMENTS

### a. 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 Director's 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.

#### *Management Incentive Equity Plan*

Following shareholder approval, shares are issued at market value to the Managing Director and are funded by a limited recourse loan. The share issue is not recognized as issued capital and is treated as a share option issue in accordance with accounting standards. The plan is designed to align participants' interests with those of shareholders by increasing value of the Company's shares.

#### *Consultant share options*

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

#### *Consultant & financier shares*

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

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 27: SHARE BASED PAYMENTS (cont'd)

### **Employee Share Option Plan**

The following employee share option plan payments were made during the financial year ended 30 June 2015:

- » On 4 July 2014, 50,250,000 employee options were issued via the employee incentive option scheme to employees with half to vest on 4 July 2015 and the balance to vest on 4 July 2016. The options are not issued based on performance criteria, but are issued to increase goal congruence between executives and shareholders. The options have an exercise price of \$0.073.

### **Consultant and financier shares**

The following consultant & financier shares were issued during the financial year ended 30 June 2015:

- » On 20 August 2014, 1,250,543 consultant & financier shares were issued to holders of Carnegie convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an affective issue price of \$0.048 per share.
- » On 10 December 2014, 1,123,935 consultant & financier shares were issued to holders of Carnegie convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an affective issue price of \$0.053 per share.
- » On 31 December 2014, 10,000,000 consultant & financier shares were issued to the Clean Energy Finance Corporation under the terms of the debt facility announced on 19 March 2014. The shares had an effective issue price of \$0.054 per share.
- » On 23 February 2015, 937,881 consultant & financier shares were issued to holders of Carnegie convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an affective issue price of \$0.063 per share.
- » On 25 March 2015, 2,500,000 consultant & financier shares were issued to the Clean Energy Finance Corporation under the terms of the debt facility announced on 19 March 2014. The shares had an effective issue price of \$0.06 per share.
- » On 4 June 2015, 1,031,225 consultant & financier shares were issued to holders of Carnegie convertible notes. The shares were issued in lieu of a 6% cash quarterly coupon under the terms of the convertible note announced on 18 November 2013. The shares had an affective issue price of \$0.055 per share.
- » On 17 June 2015, 7,500,000 consultant & financier shares were issued to the Clean Energy Finance Corporation under the terms of the debt facility announced on 19 March 2014. The shares had an effective issue price of \$0.06 per share.

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 27: SHARE BASED PAYMENTS (cont'd)

(i). Total options outstanding and exercisable are as follows:

	Consolidated Group	
	Number of options	Weighted Average Exercise Price \$
Outstanding options at 1 July 2014	115,350,000	0.0597
Granted	50,250,000	0.0730
Exercised	(16,000,000)	0.0375
Expired	(15,000,000)	0.0896
Outstanding at 30 June 2015	134,600,000	0.0640
Exercisable at 30 June 2015	81,925,000	0.0586

16,000,000 options were exercised during the year ended 30 June 2015.

The options outstanding at 30 June 2015 had a weighted average exercise price of \$0.0586 and a weighted average remaining contractual life of 1.91 years. Exercise prices range from \$0.05 to \$0.073 in respect to options outstanding at 30 June 2015.

The price of the share options issued during the year was calculated by using Black Scholes option pricing model applying the following inputs:

	Employee Options	Director Options	Loan Funded Shares
Weighted averaged exercise price \$	0.073	0.065	0.045
Weighted averaged life of option	3 years	5 years	5 years
Underlying share price \$	0.051	0.045	0.045
Expected share prices volatility	68%	64%	64%
Risk free rate	2.5%	2.5%	2.5%

# Notes to The Financial Statements

For Year Ended 30 June 2015

## NOTE 28: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2015	2014
	\$	\$
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	6,386,387	15,014,390
Non-current assets	91,856,435	87,999,114
<b>TOTAL ASSETS</b>	<b>98,242,822</b>	<b>103,013,504</b>
<b>LIABILITIES</b>		
Current liabilities	8,938,789	12,088,533
Non-current liabilities	3,837,488	3,762,530
<b>TOTAL LIABILITIES</b>	<b>12,776,277</b>	<b>15,851,063</b>
<b>EQUITY</b>		
Issued capital	144,940,603	142,656,965
Reserves	7,862,132	12,822,449
Accumulated losses	(67,336,191)	(68,316,973)
<b>TOTAL EQUITY</b>	<b>85,466,545</b>	<b>87,162,441</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Total profit	(4,589,069)	(3,928,054)
Total comprehensive income	(4,589,069)	(3,928,054)

### Guarantees

The Company has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

### Contractual commitments

At 30 June 2015, the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment (2014: Nil).

## NOTE 29: COMPANY DETAILS

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

### Carnegie Wave Energy Limited

Suite 1, 124 Stirling Highway  
North Fremantle WA 6159



# Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 36 to 69, 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 2015 and of the performance for the year ended on that date of the Consolidated 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.



**DR MICHAEL EDWARD OTTAVIANO**

**Managing Director**

Dated this 28<sup>th</sup> day of August 2015



**GRANT JONATHAN MOONEY**

**Director**

# Independent Auditor's Report

To The Members Of Carnegie Wave Energy Ltd And Its Controlled Entities

## Report on the Financial Report

We have audited the accompanying financial report of Carnegie Wave Energy Ltd., which comprises the consolidated statement of financial position for the year ended 30 June 2015, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for year ended 30 June 2015, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### Opinion

In our opinion:

- a. the financial report of Carnegie Wave Energy Ltd. is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 34 of the directors' report for the year ended 30 June 2015. 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.

### Auditor's Opinion

In our opinion, the Remuneration Report of Carnegie Wave Energy Ltd. for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

  
**CROWE HORWATH PERTH**  
**SEAN MCGURK**  
Partner

Signed at Perth, 28 August 2015

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# 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 31 August 2015.

Spread of Holdings	Number of holders of ordinary shares
1 - 1,000	219
1,001 - 5,000	680
5,001 - 10,000	1,083
10,001 - 100,000	4,473
100,001 - and over	2,612

<b>Number of Holders</b>	<b>9,067</b>
<b>Number of shareholders holding less than a marketable parcel</b>	<b>1,462</b>

## SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Log Creek PL	125,365,359
Renewable Energy Holdings Plc	70,089,579

## 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 1,766,571,657 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 names of the joint Company Secretaries are Grant Jonathan Mooney and Aidan John Flynn.

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies. Currently, Mr Mooney acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions. He is a member of the Institute of Chartered Accountants in Australia.

Mr Flynn, is the company's Chief Financial Officer and has over 15 years of experience in accounting and finance and the energy industry. Mr Flynn is a CPA and holds a Bachelor of Science and a Bachelor of Commerce as well as postgraduate qualifications in energy studies.

# Additional Information

## REGISTERED OFFICE

<b>The registered office is at</b>	Unit 1, 124 Stirling Highway, North Fremantle, WA 6159
<b>The telephone number is</b>	(08) 9486 4466
<b>The facsimile number is</b>	(08) 9486 4266

## TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES

### ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
LOG CREEK PL	116,819,904	6.61%
RENEWABLE ENERGY HLDGS PL	70,089,579	3.97%
OTTAVIANO MICHAEL	35,000,000	1.98%
REH INTELLECTUAL PROP LTD	31,240,613	1.77%
CITICORP NOM PL	27,670,101	1.57%
CLEAN ENERGY FINANCE CORP	27,617,440	1.56%
NATIONAL NOM LTD	15,011,873	0.85%
JP MORGAN NOM AUST LTD	12,902,536	0.73%
RICH CAB PL	12,706,106	0.72%
WOLF CAP PL	12,626,686	0.71%
CATH BEN PL	12,318,917	0.70%
BOND STREET CUSTS LTD	11,076,619	0.63%
LOG CREEK PL	8,545,455	0.48%
MORAWITZ CARL A + G J	8,000,000	0.45%
RHODES DAMIEN TERENCE M	8,000,000	0.45%
TRACKLAW PL	7,834,922	0.44%
MASTERS LYNSAY + JANET	7,742,541	0.44%
FRASER MATTHEW PETER	7,040,440	0.40%
GOODFIELD DAVID	5,647,116	0.32%
MAPU PL	5,300,000	0.30%
<b>TOTAL</b>	<b>443,190,848</b>	<b>25.09%</b>

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# Additional Information

## HOLDERS OF SECURITIES IN AN UNLISTED CLASS

### OPTIONS

Optionholder Name	No. Options	Exercise Price	Vesting Date	Exercise Date
Mr Jeffrey Harding	5,000,000	6.5 cents	25 November 2013	24 November 2018
Mr Michael Fitzpatrick	5,000,000	6.5 cents	25 November 2013	24 November 2018
Mr Kieran O'Brien	10,000,000	6.5 cents	25 November 2013	24 November 2018
Mr John Leggate	5,000,000	6.5 cents	25 November 2013	24 November 2018
Grant Mooney	15,000,000	6.5 cents	25 November 2013	24 November 2018
Asymmetric Arbitrage	5,000,000	6.3 cents	3 December 2012	27 November 2015

In addition to the options detailed above there are 116,200,000 unlisted options on issue under the Company's Employee Share Option Plan.

## HOLDERS OF RESTRICTED SECURITIES

### SHARES

Shareholder Name	Number of Shares	Percentage of Capital
RENEWABLE ENERGY HLDGS PL	70,089,579	3.97%
REH INTELLECTUAL PROP LTD	31,240,613	1.77%

The restricted securities are escrowed until such time as an in specie distribution to the shareholders of REH PLC is completed or the Escrow is lifted at the discretion of Carnegie.

# Company Directory

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## Directors

**Jeffrey Harding** (Chairman)

BE (Civil), BA (Economics), MSIA (Purdue)

**Dr Michael E Ottaviano**

(Managing Director & CEO)

B.Eng, MSc., DBA

**Michael Fitzpatrick**

(Non-Executive Director)

B.Eng (Hons), B.A (Hons)

**Grant J. Mooney** (Non-Executive Director)

B.Bus CA

**Kieran O'Brien** (Executive Director)

B.Eng, MBA, MEngSc

**John S. Leggate** (Non-Executive Director)

CBE, FREng

## Company Secretaries

**Grant J. Mooney**

B.Bus CA (Non-Executive Director)

**Aidan Flynn**

B.Comm. BSc, CPA, Post Graduate Dip. RE

(CFO)

## Registered Office

Unit 1, 124 Stirling Highway

North Fremantle 6159

Western Australia

Telephone : +61 (8) 9486 4466

Facsimile : +61 (8) 9486 4266

Email : [enquiries@carnegiewave.com](mailto:enquiries@carnegiewave.com)

Website : [www.carnegiewave.com](http://www.carnegiewave.com)

## Auditors

**Crowe Horwath**

256 St Georges Terrace, Perth 6000

Western Australia

## Solicitors

**Allens**

Level 37 QV 1

250 St George's Terrace

Perth, Western Australia

## Share Registry

**Security Transfer Registrars Pty Ltd**

770 Canning Highway, Applecross 6153

Western Australia

Telephone : +61 (8) 9315 2333

Facsimile : +61 (8) 9315 2233

## Stock Exchange

The Company's securities are quoted on the official list of the Australian Stock Exchange Limited

The home exchange being Perth

2 The Esplanade, Perth 6000

Western Australia

**ASX code: CWE**

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## Paper and printing credentials.

ecoStar is an environmentally responsible paper made Carbon Neutral. The greenhouse gas emissions of the manufacturing process including transportation of the finished product to BJ Ball Papers Warehouses has been measured by the Edinburgh Centre for Carbon Neutral Company and the fibre source has been independently certified by the Forest Stewardship Council (FSC). ecoStar is manufactured from 100% Post Consumer Recycled paper in a Process Chlorine Free environment under the ISO 14001 environmental management system.

## Carbon Neutral.

Pangolin Associates has assessed the Carbon Emissions associated with the production of the Carnegie Wave Energy Annual Report for 2015. From these findings, verified emission reductions units (aka Carbon Credits) have been purchased and surrendered to offset all emissions generated by the report's production.

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**Registered Office**

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[www.carnegiewave.com](http://www.carnegiewave.com)

Design by [www.blunode.com.au](http://www.blunode.com.au)