

Carnegie Corporation Ltd

ACN 009 237 736

REPORT TO SHAREHOLDERS FOR THE QUARTER ENDED 31st DECEMBER 2005

This report summarises the activities of Carnegie Corporation Ltd (“Carnegie” or “the Company”) during the quarter ended 31st December 2005.

HIGHLIGHTS

RESOURCES

The Gambia (50/50 JV with Astron Ltd)

- Formal approval received from The Government of The Gambia to convert the exploration licence to a mining licence.

Senegal (50/50 JV with Astron Ltd)

- A grid drill programme was completed on the Niafarang prospect near the southern border of The Gambia. Drill samples have now been transported to Perth and results are expected in the next quarter.

INNOVATION & TECHNOLOGY

The Company recruited Mr Mike Ottaviano as General Manager – Innovation & Technology to spearhead the Company’s planned expansion efforts in this area.

Due diligence is well advanced on the two new Alan Burns inspired technology inventions (the “Coal Power” higher efficiency, lower emission, compact coal fired power generator, and “Rollmaster”, an innovative approach to improving marine vessel stability.)

CORPORATE

The Company plans to accelerate the proposed demerger of the Resources activities from the Innovation & Technology activities. Details of the demerger are expected to be announced in the March quarter as a precursor to the proposed AIM listing of the mineral sands projects.

1. MINERAL SANDS, THE GAMBIA - *West Africa (50 /50 JV with Astron Ltd)*

The Gambian Government formally advised the Company that its application for a mining licence for the development of the Sanyang, Batukunku and Kartung mineral sands deposits has been signed by the Government.

During December, Carnegie held a series of final meetings with the Gambian Government on the legal and fiscal terms of the Mining Licence. The Company and the Gambia Investment Promotion and Free Zones Agency (GIPFZA) signed an agreement on a package of investment incentives, which form a key component of the Mining Licence. In addition, the Company was awarded a Special Investment Certificate.

Carnegie and Astron Ltd are now moving to finalise negotiations on an off-take agreement for the heavy mineral concentrates to be produced in The Gambia as well as on the terms and conditions of a detailed shareholders agreement covering the future mining operations in The Gambia.

Carnegie's technical team, including its newly appointed mining engineer Mr Michael Moore, visited The Gambia during the December quarter to advance detail planning of the first stage of the mining operations. It is planned to move rapidly to production as soon as the off-take and shareholders agreements with Astron are finalised. Carnegie's technical specialists recently visited Astron in China to discuss the ramp up to mining operations in anticipation of this occurring.

In anticipation, items of major mining and processing equipment have already arrived in The Gambia from China and South Africa and these are securely stored at the Sanyang wet mining trial site. This equipment includes three additional dredges as well as gravity concentrators and wet magnetic separators that will comprise the basis for the concentrate upgrade plant.

The Gambian resources were classified according to the Australian JORC Code standards and their computer modelling has resulted in a resource statement for the Sanyang, Batukunku and Kartung mineral sands deposits at a 1% HM cut-off grade as follows:

| <u>Deposit</u> | <u>Tonnes (millions)</u> | | <u>Grade (%)</u> |
|-----------------------|---------------------------------|----------|-------------------------|
| Sanyang: | 11.0 | @ | 6.02% HM |
| Batukunku: | 7.2 | @ | 3.98% HM |
| Kartung: | 0.6 | @ | 4.77% HM |
| Total | 18.8 | @ | 5.20% HM |

For further information on this project please refer to the company's website www.carnegiecorp.com.au

2. MINERAL SANDS, Senegal - *West Africa (50 /50 JV with Astron Ltd)*

During the quarter, Carnegie carried out a grid drilling programme at the priority Niafarang prospect. This is located immediately south of the Gambian border and close to the Gambian Kartung deposit.

A total of 134 holes were drilled and sampled at 1 m intervals along a 200 m by 40 m grid during the 3-week programme. Together with the first 10 drill holes made in the September quarter, this grid covers the so-called Niafarang dune. 874 drill samples have been shipped for assaying at an independent laboratory in Perth with results expected in the next quarter.

The assaying results are available now for the first 10 drill holes located at an approximately 2 km section at the eastern edge of the Niafarang dune, where high heavy mineral grades were originally discovered by cursory shallow drilling in the 1950s. From the surface of the dune these drill holes intersected a 4 m to 7 m thick sand layer with high average heavy mineral grades of 19% to 43% and low slime and oversize contents of less than 1% on average.

The X-Ray Fluorescence Spectrometry and mineralogy analysis of the drill samples showed a mineral assemblage that appears to be similar to that of the Gambian mineral sands deposits. The heavy minerals include approximately 62% of ilmenite, 12% of altered ilmenite and leucoxene, 14% of zircon and 2% of rutile as well as about 9% of gangue minerals (staurolite, schorl and kyanite). As in the Gambian deposits, ilmenite has an elevated chromium content of about 0.3% of Cr₂O₃; however, the radioactivity level is low, based on less than 200 ppm U+Th.

The forthcoming grid drilling data are necessary to evaluate the entire Niafarang prospect. However, the available preliminary results have clearly confirmed its substantial exploration potential and showed some high heavy mineral grades beyond the limits of historical drilling.

Carnegie also continued geomorphological and geological reconnaissance of the licence area and ground-truthing of remote sensing data. The company carried out a sub-meter accurate GPS survey of the Niafarang drilling grid and the entire dune for future resource modelling as well as a general GPS survey of some topographic features to facilitate the formation of digital spatial databases for some priority areas within the Casamance exploration licence.

The Company arranged meetings with representatives of the local government as well as with some village communities in the Niafarang area to inform them in advance about Carnegie's exploration programme and to establish positive relationships. The Company hired temporary field workers from the neighbouring villages and used in the field some Senegalese geologists that are originally from Southern Senegal and speak local languages.

3. INNOVATION & TECHNOLOGY

In anticipation of the proposed demerger of the mineral sands assets, the Company recruited Mr Michael Ottaviano as General Manager - Innovation & Technology. His initial responsibilities include overseeing the due diligence process on the two new exceptionally high potential projects currently being investigated for involvement.

These projects are:

Coal Power (higher efficiency, lower emission, compact steam generator)

The Coal Power design aims to produce a highly efficient energy source from a compact, modular coal - fired steam generator. The novel technologies aim to reduce CO 2 emissions and improve economics through superior thermal efficiencies.

The unique design creates high – pressure steam from a pressurised gas through to a thin walled, high surface area vessel. The novel design features produce constant turbulence and avoid laminar gas flow thereby increasing the thermal efficiency which in turn reduces the emission of pollutants.

Technologies that improve thermal efficiency and reduce emissions in coal fired power generators are being sought world – wide by Governments and industry alike. With this background, Carnegie believes this project has exceptional potential to transform the Company's future and the board is treating its potential involvement as a top priority for the Company. Evaluations and negotiations are well advanced and a separate detailed announcement is expected to be made in the coming quarter.

Rollmaster Stabiliser

The Rollmaster is a novel, cost effective approach to improving marine vessel stability. The Rollmaster seeks to provide significant advantages in comparison to the existing technology of fin stabilisation.

The benefits of the Rollmaster technology mean that not only may it become a substitutional product in the existing fin – based stabilisation market, it may in fact be able to grow the existing market size through capturing marine vessels that are currently not able to use fin stabilisation. Such examples of this might be smaller pleasure craft where retrofitting difficulties and expense have prevented their adoption or naval vessels where to date the drag of fin stabilisers has been an inhibiting factor.

The Rollmaster has the potential to be applied across the majority of vessel categories including:

- Pleasure craft,
- Passage maker craft e.g. large ferries
- Commercial vessels e.g. fishing: &
- Military vessels e.g. patrol boats

4. OTHER RESOURCE OPPORTUNITIES

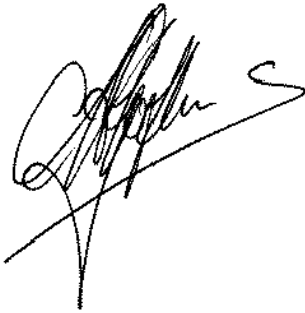
During the quarter, the Company continued its investigation of new industrial mineral opportunities and a number of such projects are in the early stage investigation pipeline. Test work on samples collected from one precious metals project resulted in it requiring larger reserves due to the additional processing investment required.

5. CORPORATE

As the Company has now received approval for a Mining Licence over The Gambian Mineral Sands Project area, this facilitates moving forward with formalising agreements for the mining stage of The Gambian operations with joint venture partner Astron Limited as a precursor to the planned demerger of Carnegie's mineral sands assets via an AIM listing.

Further details of the proposed AIM Listing will be advised to the market during the next quarter.

CARNEGIE CORPORATION LTD



ALAN G. HOPKINS
MANAGING DIRECTOR

January 31st, 2006

The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by Dr Boris Matveev who is a Member of The Australian Institute of Geoscientists. Dr Boris Matveev is a fulltime employee of the Company and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Dr Boris Matveev consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

FOR FURTHER INFORMATION PLEASE CONTACT

CARNEGIE CORPORATION LTD

Telephone: 08 9486 4466 Facsimile: 08 9486 4266

Email: enquiries@carnegiecorp.com.au

Website: www.carnegiecorp.com.au

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CARNEGIE CORPORATION LTD

ABN

69 009 237 736

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration | (213) | (446) |
| 1.3 Dividends received | (166) | (500) |
| 1.4 Interest and other items of a similar nature received | 39 | 77 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Other - Research & Development | (205) | (398) |
| Other income – reimbursed expenditure | 51 | 89 |
| Net Operating Cash Flows | (494) | (1,178) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | | |
| (b) equity investments | (5) | (5) |
| (c) other fixed assets | (3) | (56) |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | | |
| (b) equity investments | - | 1,399 |
| (c) other fixed assets | | |
| 1.10 Loans to other entities | - | (200) |
| 1.11 Loans repaid by other entities | | |
| 1.12 Other (provide details if material) | | |
| Net investing cash flows | (8) | 1,138 |
| 1.13 Total operating and investing cash flows (carried forward) | (502) | (40) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|-------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (502) | (40) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | | |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | | |
| 1.17 | Repayment of borrowings | (3) | (6) |
| 1.18 | Dividends paid | | |
| 1.19 | Other (provide details if material) | | |
| | Net financing cash flows | (3) | (6) |
| | Net increase (decrease) in cash held | (505) | (46) |
| 1.20 | Cash at beginning of quarter/year to date | 3,175 | 2,716 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 2,670 | 2,670 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 111 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Payments to Directors are consulting fees for the quarter and reimbursement of motor vehicle expenses.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|---------|
| 4.1 Exploration and evaluation | 150 |
| 4.2 Development | 150 |
| Total | 300 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 216 | 96 |
| 5.2 Deposits at call | 2,454 | 3,079 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 2,670 | 3,175 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|---|----------------------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | The Gambia Prospecting Licence (Conversion to Mining Licence) | Pursuant to Astron JV | 100 | - |
| 6.2 Interests in mining tenements acquired or increased | The Gambia Mining Licence (following conversion of Prospecting Licence) | Pursuant to Astron JV | - | 100 |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

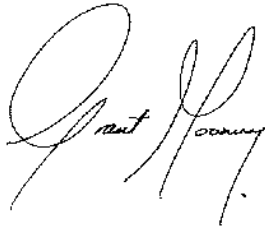
| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 *Ordinary securities | 235,338,535 | 235,338,535 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 *Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | | | <i>Exercise price</i> | <i>Expiry date</i> |
| | - | - | - | - |
| 7.8 Issued during quarter | - | - | - | - |
| 7.9 Exercised during quarter | - | - | - | - |
| 7.10 Expired during quarter | - | - | - | - |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~ give a true and fair view of the matters disclosed.

Sign here:



Print name: GRANT J. MOONEY Company Secretary

Date: 31 January 2006

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.