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

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2020**

For personal use only

CONTENTS

Page No.

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	12
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	13
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	15
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	16
CONSOLIDATED STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS.....	18
DIRECTORS' DECLARATION	47
INDEPENDENT AUDITOR'S REPORT.....	48

For personal use only

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

DIRECTORS' REPORT
30 JUNE 2020

The Directors present their report on Carnegie Clean Energy Limited ("the Company", or "Carnegie") and its controlled entities, ("the "Group") for the financial year ended 30 June 2020.

DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT
30 JUNE 2020

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

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

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

	ORDINARY SHARES	OPTIONS
Terry Stinson (i)	4,700,000	-
Michael Fitzpatrick (ii)	1,486,826,795	860,000,000
Grant Jonathan Mooney (iii)	263,141,390	250,000,000
Anthony Shields (iv)	641,750,000	450,000,000

i. Mr T Stinson has an interest in 4,700,000 ordinary shares held by Terry Stinson <Stinson Family Trust>.

ii. Mr M Fitzpatrick is a Director of Log Creek Pty Ltd and therefore is deemed to have an interest in 442,727,275 ordinary shares and 400,000,000 options held by Log Creek Pty Ltd <88 Green Ventures A/C>, as well as 584,09,520 ordinary shares held by Log Creek Pty Ltd. Mr M Fitzpatrick is a Director of HFM Investments Pty Ltd and therefore is deemed to have an interest in 460,000,000 ordinary shares and 460,000,000 options held by HFM Investments Pty Ltd. In addition, Log Creek Pty Ltd <88 Green Ventures A/C> holds 20 convertible notes with a face value of \$500,000 convertible into shares at \$0.00125 per share (refer to note 17(ii)). HFM Investments Pty Ltd holds 23 convertible notes with a face value of \$575,000 convertible into shares at \$0.00125 per share (refer to note 17).

iii. Mr G J Mooney is a Director of Mooney & Partners Pty Ltd and therefore is deemed to have an interest in 13,141,390 ordinary shares held by Mooney & Partners Pty Ltd. Mr G J Mooney has an interest in 250,000,000 ordinary shares and 250,000,000 options.

iv. Mr A Shields is a Director of Asymmetric Credit Partners Pty Ltd and therefore is deemed to have an interest in 641,750,000 ordinary shares and 450,000,000 options held by Asymmetric Credit Partners Pty Ltd. In addition, Mr A Shields is a Director of Asymmetric Arbitrage Ltd which holds 10 convertible notes with a face value of \$250,000 convertible into shares at \$0.00125 per share (refer to note 17).

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The net loss of the Group for the financial year ended 30 June 2020 was \$275,522, which included a profit from discontinued operations of \$1,536,861. (2019: loss of \$51,930,513, which included a loss from discontinued operations of \$8,564,208).

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2020. No dividends were paid during the financial year.

REVIEW OF OPERATIONS

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

CETO Wave Energy Technology

- Carnegie continued to progress the development of the CETO technology along the CETO technology pathway outlined in the Prospectus Recapitalisation Plan, including advancing innovation opportunities which have potential to improve the performance of CETO through greater energy capture, more efficient conversion into electricity, higher system reliability, and reduction in cost.
- Carnegie made significant advancements in the development of the machine learning based Wave Predictor, the first step towards the creation of a new Intelligent Control System for the CETO technology and with potential for applications beyond the CETO technology.
- Carnegie received a final milestone payment of \$865,000 under the ARENA CETO 6 Funding Agreement in December 2019 and the Funding Agreement was mutually terminated.
- Various suppliers of generator/motor technologies were engaged during the period to provide performance and cost data. This is a key element of the PTO (Power Take Off) and drives the scale of the overall system.
- Carnegie began engaging with the Blue Economy CRC and working with partners on scoping projects. A submission for funding of a Carnegie led project to develop the tensioner part of the PTO has also been made.

Garden Island Microgrid

- Garden Island Microgrid commenced operations in August 2019. Under the Company's Power Supply Agreement, the Department of Defence is purchasing all of the power produced by the plant.
- Teething issues and panel failures were addressed during the year and resulted in constraints to generation at full capacity of the plant.
- In early April the plant was disconnected due to infrastructure changes on the Naval Base. This was expected but out of Carnegie's control. Reconnection is expected in Q3 2020.

Corporate

- Carnegie successfully completed its Recapitalisation, raising \$5.5 million from Shareholders and new third party investors through an Entitlement Offer and Shortfall Offer.
- Carnegie's Deed of Company Arrangement effectuated on 28 October 2019 and Administrators Korda Mentha resigned as the Deed Administrators.
- The Creditors Trust was established on behalf of Carnegie's creditors with \$1.4 million from Carnegie's Recapitalisation.
- Carnegie was reinstated to official quotation on the ASX on 31 October 2019.
- Mr Anthony Shields was appointed as a Director of Carnegie at the Annual General Meeting on 25 November 2019.
- Carnegie engaged Churchill Consulting to update its strategic business plan. Carnegie's new strategic business plan was implemented during the 2020 financial year.
- The Carnegie team worked remotely during the final quarter of the year due to COVID-19 but was able to largely continue work on the Digital Development Pathway with some inevitable modifications and delays. Following the relaxing of COVID-19 restrictions in Western Australia, the team returned to the office in a COVID safe way.

FINANCIAL POSITION

The net assets of the Group increased by \$8.47 million from \$9.39 million to \$17.86 million as at 30 June 2020. This is predominantly the result of the capital raising, conversion of some of the debt notes into issued capital and a net profit from discontinued operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 28 October 2019, the control of the Company was handed back to Directors after the Administrators resigned. The Company was reinstated to official quotation on the ASX on 31 October 2019. There has been no other significant change in the state of affairs of the Group to the date of this report.

SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

No 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

ENVIRONMENTAL ISSUES

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

SHARE OPTIONS

At the date of this report, there were:

- 10,000,000 options outstanding in respect of unissued ordinary shares to the current Chief Executive Officer, exercisable at 1.6 cent per share on or before 10 October 2021,
- 300,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.2 cent per share on or before 20 July 2022,
- 35,000,000 options outstanding in respect of unissued ordinary shares exercisable at 6 cents per share on or before 8 February 2023,
- 2,260,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 28 October 2024, and
- 500,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.125 cent per share on or before 28 October 2024.

INDEMNIFYING OFFICERS

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

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

DIRECTORS' REPORT
30 JUNE 2020

REMUNERATION REPORT - AUDITED

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

Remuneration Policy

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

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

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Board of Directors after seeking professional advice from independent external consultants. The Board of Directors benchmarks the Company's salaries payable to senior management by reference to independent industry data to ensure that the Company is consistent with prevailing market conditions. All executives receive a base annual salary (which is based on factors such as length of service and experience). The Board of Directors has chosen to adopt an equity-based approach to remunerating executive staff and employees. The Company utilised the Employee Share Option Plan as adopted by shareholders in November 2010 (most recently re-affirmed by shareholders in November 2016 and planned to be reaffirmed at this year's Annual General Meeting) as the mechanism by which options may be issued to executive management and staff to adequately incentivise these individuals.

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

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

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

Company Performance, Shareholder Wealth and KMP Remuneration

	2016	2017	2018	2019*	2020
	\$	\$	\$	\$	\$
Revenue	1,729,797	4,845,575	10,045,707	534,034	117,668
Net loss after tax	(6,349,387)	(14,382,638)	(63,349,694)	(51,930,513)	(275,522)
Share price at year end	0.030	0.057	0.024	0.0*	0.001

* The Company was in suspension on the ASX at year end in 2019, so no share price was quoted.

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

DIRECTORS' REPORT
30 JUNE 2020

REMUNERATION REPORT – AUDITED (CONTINUED)

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

Details of Remuneration for Year Ended 30 June 2020

Annual Report 2020

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

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

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

Options Issued as Part of Remuneration for the Year Ended 30 June 2020

There were no options issued as part of remuneration for the year ended 30 June 2020.

Details of Remuneration for Year Ended 30 June 2019

Annual Report 2019

	Actual rewards received in the period						Total	% of Remuneration Performance Based
	Short-term benefits		Post Employment Benefits - Super	Other long term benefits	Share based payments			
	Cash salary, leave paid and fees	Non Cash Benefits						
Terry Stinson	\$ 83,077	\$ -	\$ 7,892	\$ -	\$ -	\$ 90,969	-	
Mark Woodall*	\$ 37,433	\$ -	\$ 2,416	\$ -	\$ -	\$ 39,849	-	
Michael Fitzpatrick	\$ 39,808	\$ -	\$ 3,782	\$ -	\$ -	\$ 43,590	-	
Michael Ottaviano	\$ 396,604	\$ -	\$ 20,531	\$ -	\$ -	\$ 417,135	-	
Grant Mooney***	\$ 74,808	\$ -	\$ 3,782	\$ -	\$ -	\$ 78,590	-	
Jonathan Fievez	\$ 239,383	\$ -	\$ 22,285	\$ -	\$ 10,000	\$ 271,668	3.80%	
Total	\$ 871,113	\$ -	\$ 60,688	\$ -	\$ 10,000	\$ 941,801	1.07%	

* Mark Woodall's remuneration includes consultancy fees of \$12,000 paid to Tallarook Ltd, a company associated with Mark Woodall.

** Michael Ottaviano fees included \$274,342 in termination/redundancy payments.

*** Fees include company secretarial fees of \$35,000 paid to Mooney & Partners Pty Ltd, a company associated with Grant Mooney, for company secretarial services.

REMUNERATION REPORT – AUDITED (CONTINUED)

Employment Contracts of KMP

The employment conditions of KMP are formalised in Service Contracts.

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

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

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

Their appointment shall cease if:

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

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

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

Options and Rights Holdings

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

	Balance 30 June 2019	Granted as Compensation	Options expired unexercised	Net Change Other	Balance 30 June 2020
Michael Fitzpatrick	-	-	-	860,000,000 ¹	860,000,000
Grant Mooney	-	-	-	250,000,000 ¹	250,000,000
Anthony Shields	-	-	-	450,000,000 ¹	450,000,000
Jonathan Fievez	10,000,000	-	-	-	10,000,000
Total	10,000,000	-	-	1,560,000,000	1,570,000,000

¹ Convertible Note holders received free attaching options with the new convertible notes issued in October 2019.

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

DIRECTORS' REPORT
30 JUNE 2020

REMUNERATION REPORT – AUDITED (CONTINUED)

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

KMP	Vested & Granted Number	Grant Date	Value per Option at Grant Date	Terms & Conditions for Each Grant		
				Exercise Price	First Exercise Date	Last Exercise Date
Asymmetric Credit Partners ¹	25,000,000	08 Feb18	0.024 cents	6.0 cents	08 Feb 2018	24 Jan 2024
Jonathan Fievez	10,000,000	10 Oct 18	0.10 cents	1.6 cents	10 Oct 2018	10 Oct 2021

¹Asymmetric Credit Partners is a company associated with Anthony Shields. All options were granted for nil consideration.

Shareholdings

Number of Shares held by KMP

	Balance 30 June 2019	Received as Compensation	Options Exercised	Net Change Other ¹	Balance 30 June 2020
Terry Stinson	700,000	-	-	4,000,000	4,700,000
Michael Fitzpatrick	125,365,349	-	-	1,361,461,446	1,486,826,795
Grant Mooney	2,628,728	-	-	260,513,112	263,141,840
Anthony Shields	-	-	-	641,750,000	641,750,000
Jonathan Fievez	-	-	-	20,000,000	20,000,000
Total	128,694,077	-	-	2,287,724,558	2,416,418,635

¹Shares were acquired during the recapitalisation of the Company in October 2019 in the rights issue and/or conversion of loans and convertible notes to equity.

DIRECTORS' MEETINGS

There were 6 Directors' meetings held during the financial year ended 30 June 2020. Attendances were as follows:

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

There were also three (3) circular resolutions passed by the Board of Directors during the financial year.

END OF REMUNERATION REPORT

DIRECTORS' REPORT
30 JUNE 2020

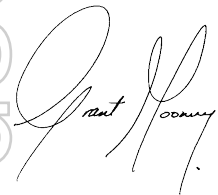
NON-AUDIT SERVICES

Neither the current or previous external auditors were engaged for non-audit services during the financial year ended 30 June 2020.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 12.

Signed on 26 August 2020 in accordance with a resolution of the Board of Directors.



GRANT J. MOONEY
Director



TERRY STINSON
Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Carnegie Clean Energy Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia
26 August 2020

N G Neill
Partner

hlb.com.au

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

For personal use only

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2020**

	Note	Group 2020 \$	2019 \$
Continuing Operations:			
Revenue	2	117,668	534,034
Cost of sales		(52,167)	(176,298)
Gross Profit		65,501	357,736
Other income:			
Net gain on disposal of fixed assets		82,247	-
Government grants and subsidies		50,371	-
Other income	2	19,626	22,316
		152,244	22,316
Expenses			
Bad and doubtful debts		(7,800)	(41,310)
Professional fees		(132,597)	(298,082)
Depreciation and amortisation expense	3	(399,679)	(250,991)
Employee and Directors expenses		(711,256)	(2,479,505)
Employee Share based payments	5	-	(10,000)
Finance costs		(176,918)	(232,081)
Impairment costs	13(a)	-	(38,284,415)
Occupancy and Administration		(601,878)	(1,972,275)
Research expenses		-	(178,174)
Loss before income tax		(1,812,383)	(43,366,305)
Income tax benefit/(expense)	4	-	-
Loss after tax from continuing operations		(1,812,383)	(43,366,305)
Profit/(Loss) from discontinued operations	30	1,536,861	(8,564,208)
Loss after tax from continuing and discontinued operations		(275,522)	(51,930,513)
Other comprehensive income/(loss)			
Exchange gains on translating overseas controlled entities and foreign currencies		(12,507)	85,971
Income tax relating to components of other comprehensive income		-	-
Total comprehensive loss for the year		(288,029)	(51,844,542)

For personal use only

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

	Note	Group 2020 \$	2019 \$
Earnings per share from continuing operations			
Basic loss per share (cents per share)	7	(0.021)	(1.51)
Diluted loss per share (cents per share)	7	(0.021)	(1.51)
Earnings per share from discontinued operations			
Basic earnings/(loss) per share (cents per share)	7	0.018	(0.30)
Diluted earnings/(loss) per share (cents per share)	7	0.018	(0.30)

The accompanying notes form part of these financial statements.

For personal use only

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Group 2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	8	3,414,671	255,606
Trade and other receivables	9	169,815	713,291
Assets held for sale	31	-	200,868
TOTAL CURRENT ASSETS		3,584,486	1,169,765
NON-CURRENT ASSETS			
Trade and other receivables	9	542,264	1,945,306
Other financial assets	10	12,414	12,414
Property, plant, and equipment	11	2,357,941	2,675,949
Leased assets – right of use	12	119,821	-
Intangibles	13	14,590,973	15,000,000
TOTAL NON-CURRENT ASSETS		17,623,413	19,633,669
TOTAL ASSETS		21,207,899	20,803,434
CURRENT LIABILITIES			
Trade and other payables	14	256,785	5,253,825
Short-term provisions	15	82,862	69,329
Lease liability	16	79,881	-
Short-term borrowings	17	2,825,000	6,039,987
TOTAL CURRENT LIABILITIES		3,244,528	11,363,141
NON-CURRENT LIABILITIES			
Long-term provisions	15	51,837	49,484
Lease liability	16	48,603	-
TOTAL NON-CURRENT LIABILITIES		100,440	49,484
TOTAL LIABILITIES		3,344,968	11,412,625
NET ASSETS		17,862,931	9,390,809
EQUITY			
Share capital	18	203,221,135	194,460,984
Reserves	19	887,761	900,268
Accumulated losses		(186,245,965)	(185,970,443)
TOTAL EQUITY		17,862,931	9,390,809

The accompanying notes form part of these financial statements.

For personal use only

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Group	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Convertible Note/Option Reserve	Total
Balance at 1 July 2018	194,460,984	(137,809,888)	(35,703)	4,609,958	61,225,351
Comprehensive loss					
Loss for the year	-	(51,930,513)	-	-	(51,930,513)
Other comprehensive income	-	-	85,971	-	85,971
Total comprehensive loss for the year	-	(51,930,513)	85,971	-	(51,844,542)
Transactions with owners					
Options issued during the year	-	-	-	10,000	10,000
Transfer expired options	-	2,169,958	-	(2,169,958)	-
Transfer lapsed notes	-	1,600,000	-	(1,600,000)	-
Total transactions with owners	-	3,769,958	-	(3,759,958)	10,000
Balance at 30 June 2019	194,460,984	(185,970,443)	50,268	850,000	9,390,809
Balance at 1 July 2019	194,460,984	(185,970,443)	50,268	850,000	9,390,809
Comprehensive loss					
Loss for the year	-	(275,522)	-	-	(275,522)
Other comprehensive loss	-	-	(12,507)	-	(12,507)
Total comprehensive loss for the year	-	(275,522)	(12,507)	-	(288,029)
Transactions with owners					
Share capital issued during the period	5,500,003	-	-	-	5,500,003
Conversion of loans to equity	1,075,000	-	-	-	1,075,000
Conversion of convertible notes to equity	2,250,000	-	-	-	2,250,000
Capital raising costs	(255,500)	-	-	-	(255,500)
Sale of treasury shares	34,615	-	-	-	34,615
Accrual for share issue for interest on convertible note to 30 June 2020	156,033	-	-	-	156,033
Total transactions with owners	8,760,151	-	-	-	8,760,151
Balance at 30 June 2020	203,221,135	(186,245,965)	37,761	850,000	17,862,931

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Group 2020 \$	Group 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		117,668	4,839,045
Interest received		14,779	27,468
Interest paid		(20,885)	(236,652)
Payments to suppliers and employees		(2,601,662)	(14,057,910)
Receipts from R&D Tax Rebate		-	2,157,137
Receipts from Government grant funding		1,065,493	2,887,500
Net cash (used in) operating activities	22	<u>(1,424,607)</u>	<u>(4,383,412)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development of asset		(677,517)	(1,669,148)
Purchase of property, plant and equipment		(1,692)	(79,714)
Proceeds from sale of property, plant and equipment		15,040	4,709
Net cash (used in) investing activities		<u>(664,169)</u>	<u>(1,744,153)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,500,003	-
Share issue costs		(255,500)	-
Sale of treasury shares		34,615	-
Net proceeds from issue of convertible notes		-	1,650,000
Net proceeds from borrowings		-	600,000
Repayment of borrowings		-	(1,400,000)
Loss of control of subsidiaries – cash no longer available		-	(2,903,359)
Payments for lease liabilities	23	<u>(31,277)</u>	-
Net cash (used in)/provided by financing activities		<u>5,247,841</u>	<u>(2,053,359)</u>
Net increase/(decrease) in cash held		3,159,065	(8,180,924)
Cash and cash equivalents at beginning of financial year		255,606	8,436,530
Cash and cash equivalents at end of financial year	8	<u><u>3,414,671</u></u>	<u><u>255,606</u></u>

The accompanying notes form part of these financial statements.

For personal use only

CARNEGIE CLEAN ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Carnegie Clean Energy Limited ("the Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the twelve months ended 30 June 2020 comprise the Company and its subsidiaries ("the Group"). The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

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

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

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

The consolidated financial statements were authorised for issue by the Board of Directors on 26 August 2020.

Basis of Preparation

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

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

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

New and amended accounting standards and interpretations

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases-for the lessee – effectively treating all leases as finance leases.

The Group has adopted AASB 16 from 1 July 2019.

The Group has applied AASB 16 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2019 and has elected not to restate comparative information. Accordingly, the information presented for 30 June 2019 has not been restated.

The impact on the financial performance and position of the Group from the adoption of this Accounting Standard is detailed in notes 12 and 16. On transition the Group applied the short-term lease practical expedient to the office lease as there was less than 12 months remaining on the lease at the date of initial application. Due to the Group being in administration at that time there was no reasonable certainty that the lease would be extended beyond the termination date. No right of use asset or lease liabilities were therefore recognised at 1 July 2019. During the year the Group entered into a new lease.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to Group accounting policies.

CARNEGIE CLEAN ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the settlement of liabilities in the normal course of business. Whilst the board acknowledges that the Convertible notes are due for repayment within 12 months, the Company has several options available to it in relation to the satisfaction of the outstanding debt should the debt holders choose not to convert. These options include the deferral or refinancing of the underlying debt. Additionally, the Company, in order to raise funds, may refinance or sell existing assets of the entity or raise additional capital from equity markets. The Company also may choose to defer discretionary spending to ensure the Company remains a going concern.

Accounting Policies

Principles of Consolidation

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

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

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 32 to the financial statements. During the year some Group entities were deconsolidated as control was lost at the date of administration for entities that are currently in the process of liquidation.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the 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.

Income Tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (continued)

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

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

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

Goodwill and other Intangible Assets

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

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

The amortisation rate for each class of intangible assets are:

<i>Class of Intangible Asset</i>	<i>Useful Life</i>
Microgrid/battery technology development asset	7 years

Property, Plant and Equipment

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

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

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	1.0% – 50.0%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group has applied AASB 16 Leases retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2019 and has elected not to restate comparative information. Accordingly, the information presented for 30 June 2019 has not been restated.

The impact on the financial performance and position of the Group from the adoption of this Accounting Standard is detailed in notes 12 and 16. On transition the Group applied the practical expedients available and did not recognise any right of use asset, primarily as the Group was in administration at the time of the transition. During the year the Group entered into a new lease.

Financial Instruments

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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

Borrowings

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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

Impairment of Assets including Goodwill

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. 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, including for goodwill.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit ("CGU") or group of CGUs to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Foreign Currency

Functional and presentation currency

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

Transaction and balances

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

Employee Benefits

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits (continued)

The cost of cash-settled transactions is initially and at each reporting date until it is vested, determined by applying the Black-Scholes option pricing model, considering the terms and conditions on which the benefit was granted, and to the extent to which employees have rendered service to date. 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.
- 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.
- From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date; and
- All changes in the liability are recognised in profit or loss for the period.

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.

Provisions

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

Cash and Cash Equivalents

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

Revenue and Other Income

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

Sale of Goods

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

Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Other Income (continued)

Interest

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

Royalty income

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

Trade and Other Payables

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

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

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

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

Government Grants and Research and Development Tax Incentives

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

Earnings/(loss) per share

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

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

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

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

Derivatives not designated as hedging instruments

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

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

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

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

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

Contributed Equity

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

Financial Assets

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

Financial Liabilities

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

Impairment

AASB 9 requires the Group to take a forward-looking expected credit loss (ECL) approach and recognise an allowance for ECLs for financial assets not held at fair value through profit or loss.

As all of the Group's trade receivables and other current receivables which the Group measures at fair value are short term (i.e. less than 12 months), the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020.

Significant accounting judgements, estimates and assumptions

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

Impairment of development asset

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Annual impairment testing is also carried out for all intangible assets (refer to Note 13).

Useful lives of available for use intangible assets

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

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into consideration the terms and conditions upon which the instruments are granted (refer to Note 27).

NOTE 2: REVENUE AND OTHER INCOME

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

	Group	
	2020	2019
	\$	\$
<i>Sales revenue</i>		
Garden Island Microgrid	117,668	534,034
<i>Other income</i>		
Interest income	17,806	22,316
Other income	1,820	-
	19,626	22,316

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: DEPRECIATION AND AMORTISATION EXPENSE

	Notes	Group	
		2020	2019
		\$	\$
Depreciation – property, plant, and equipment	11	17,037	250,991
Amortisation - property, plant, and equipment	11	342,702	-
Amortisation– right of use asset	12	39,940	-
		399,679	250,991

NOTE 4: INCOME TAX EXPENSE

a. The components of tax expense comprise:

Current tax expense

Current period

-	-
-	-

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

	2020	2019
	\$	\$
— Loss from continuing operations	(1,812,383)	(43,366,305)
— Loss from discontinued operations	1,536,861	(8,564,208)
— Total Loss for the year	(275,522)	(51,930,513)
— Income tax at 27.5% (2019: 30%)	(75,768)	(15,579,153)
Add: Tax effect of:		
— Other non-allowable items	19,349	91,338
— Non-deductible R&D costs	2,803	56,669
— Assessable government grants	268,407	585,226
— Impairment	-	11,363,366
— Gain on deconsolidation	-	2,871,798
— Share options expensed during year	-	3,000
— Movement in deferred tax balances not recognised	(228,175)	607,756
— Effect of lower foreign tax rates	13,384	-
	-	-

The Group has tax revenue losses carried forward of \$46,429,517 (2019: \$45,544,029) and capital tax losses carried forward of \$1,239,028 (2019: \$1,239,028). The tax losses do not expire under current tax legislation. Deferred tax asset has not been recognised in respect of tax losses carried forward as a formal assessment of the recoverability of the tax losses under the current tax legislation has not been performed.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2020.

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

<i>Key Management Person</i>	<i>Position</i>
Terry Stinson	Non-Executive Chairman
Michael Fitzpatrick	Non-Executive Director
Grant J Mooney	Non-Executive Director and Company Secretary
Anthony Shields	Non-Executive Director (appointed 25 November 2019)
Jonathan Fievez	Chief Executive Officer

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

	2020	2019
	\$	\$
Short term employee benefits	400,080	871,113
Share based payments	-	10,000
Other long-term benefits	-	-
Post-employment benefits	34,932	60,688
	435,012	941,801

NOTE 6: AUDITORS' REMUNERATION

	2020	Group	2019
	\$		\$
• Remuneration of the current auditor of the Group for auditing or reviewing the financial report	117,350		-
• Remuneration of the previous auditor of the Group for auditing or reviewing the financial report	5,000		79,787
	122,350		79,787

NOTE 7: EARNINGS/(LOSS) PER SHARE

	2020	Group	2019
Basic loss per share (cents per share) from continuing operations	(0.021)		(1.51)
Diluted loss per share (cents per share) from continuing operations	(0.021)		(1.51)
Basic profit/(loss) per share (cents per share) from discontinued operations	0.018		(0.30)
Diluted profit/(loss) per share (cents per share) from discontinued operations	0.018		(0.30)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

	Group	
(a)	2020	2019
	\$	\$
Loss used in the calculation of basic and diluted EPS – continuing operations	(1,812,383)	(43,366,305)
Profit/(loss) used in the calculation of basic and diluted EPS – discontinuing operations	1,536,861	(8,564,208)

	Group	
	2020	2019
(b) Weighted average number of ordinary shares used in calculation of weighted average earnings per share	8,448,446,149	2,881,452,450

As at 30 June 2019 and 30 June 2020, 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

	Group	
	2020	2019
	\$	\$
Cash on hand	134	252
Cash at bank	2,414,537	255,354
Term Deposits	1,000,000	-
	3,414,671	255,606

NOTE 9: TRADE AND OTHER RECEIVABLES

Group	Gross Amount	Past due but not impaired (days overdue)			Within trade terms
		1-30	31-60	61+	
2020	\$	\$	\$	\$	\$
CURRENT					
Trade receivables	137,592	-	-	-	137,592
Allowance for expected credit loss	-	-	-	-	-
Net trade receivables	137,592	-	-	-	137,592
Prepayments	-	-	-	-	-
Other receivables*	32,223	-	-	-	32,223
	169,815	-	-	-	169,815

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

Group	Gross Amount	Past due but not impaired (days overdue)			Within trade terms
		1-30	31-60	61+	
2020	\$	\$	\$	\$	\$
NON-CURRENT					
Security deposits	542,263	-	-	-	542,263
	542,263	-	-	-	542,263

* Other receivables are mainly represented by cash security for bank guarantees, GST receivable and accrued income.

Group	Gross Amount	Past due but not impaired (days overdue)			Within trade terms
		1-30	31-60	61+	
2019	\$	\$	\$	\$	\$
CURRENT					
Trade receivables	142,888	-	-	14,990	127,898
Allowance for expected credit loss	-	-	-	-	-
Net trade receivables	142,888	-	-	14,990	127,898
Prepayments	32,399				32,399
Other receivables*	538,004	-	-	-	538,004
	713,291	-	-	14,990	698,301
NON-CURRENT					
Security deposits	1,945,306	-	-	-	1,945,306
	1,945,306	-	-	-	1,945,306

* Other receivables are primarily represented by a GST receivable due to reversed debtors and creditors invoices. The Company was under administration at the end of 2019 financial year. This balance will be moved to the creditors trust when the Deed of Company Arrangement is completed, as it related to a balance at administration date.

	Group	
	2020	2019
	\$	\$
Non-current financial assets	12,414	12,414
Non-current financial assets comprise:		
Unlisted investment, shares in other corporations	12,414	12,414

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

<i>Plant and equipment:</i>	2020	Group	2019
	\$		\$
At cost	2,844,013		2,841,916
Accumulated depreciation	(486,072)		(165,967)
Total plant and equipment	2,357,941		2,675,949

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.

Group:	Plant and Equipment 2020	Plant and Equipment 2019
	\$	\$
Balance at the beginning of year	2,675,949	14,443,068
Additions	41,731	79,714
Disposals	-	(196,271)
Impairment of Garden Island Microgrid	-	(4,764,782)
Write offs assets no longer held	-	(195,490)
Depreciation expense	(359,739)	(56,772)
Assets no longer held due to loss of control of subsidiaries	-	(6,633,518)
Carrying amount at the end of year	2,357,941	2,675,949

NOTE 12: RIGHT OF USE ASSETS

AASB16 has been adopted during the period. Refer to Note 1 for details

<i>Reconciliation</i>	2020	Group	2019
	\$		\$
Balance on initial application	-		-
Additions during the year	159,761		-
Amortisation	(39,940)		-
Closing balance 30 June	119,821		-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13: INTANGIBLE ASSETS

Intangibles – CETO technology development asset

	2020	Group
	\$	2019
		\$
<i>Movements for year ended 30 June</i>		
Opening Balance	15,000,000	49,900,000
Subsequent development expenditure – CETO Technology	656,466	525,849
Other grants received	(1,065,493)	(1,423,234)
R&D tax incentive	-	(482,982)
Impairment	-	(33,519,633)
Balance as at 30 June	14,590,973	15,000,000

The CETO technology has yet to be commercialised and is in the development phase. The cash generating unit to which the CETO technology belongs comprises significant other assets at 30 June 2020. Accordingly, the approach adopted for this year's valuation is a 'relief from royalty' methodology (RRM) to value separately the CETO technology. Management has considered the RRM as being the most appropriate methodology to value CETO technology as:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13: INTANGIBLE ASSETS (CONTINUED)

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

- Expected revenue generated from the sale of CETO IP units, based on a minority market share of the world's installed wave energy capacity;
- Remaining useful life of the IP will have a life beyond the remaining patent period as new technology is developed and patented. As such, a 15-year forecast period with a terminal value has been utilised in the financial model;
- A royalty rate range of 3% to 5% with a mid-point of 4% has been applied. To determine a royalty rate range, royalty rates associated with the renewable energy sector were considered and selected;
- Management estimates of the cost to Carnegie (net of grants and research & development rebates) to commercialise would require an R&D budget of \$2 million per year until 2026;
- A tax rate of 25% until revenues reach \$50m and 30% where revenue is above \$50m;
- A discount rate of 21% derived by applying the capital asset pricing model (CAPM).

On this basis no additional impairment is required.

NOTE 14: TRADE AND OTHER PAYABLES

	<i>Group</i>	
	2020	2019
	\$	\$
Trade creditors	210,623	1,101,998
Accruals	46,162	4,151,827
	256,785	5,253,825

NOTE 15: PROVISIONS

	<i>Group</i>	
	2020	2019
	\$	\$
Current		
Annual, Long Service Leave and Other Employee Provisions	82,862	69,329
	82,862	69,329
Non-current		
Long Service Leave and Other Employee Provisions	51,837	49,484
	51,837	49,484
Defect Liability Period Provisions		
Opening balance as at 1 July	-	330,000
Decrease due to loss of control of subsidiaries	-	(330,000)
Closing Balance 30 June	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: PROVISIONS (CONTINUED)

Make Good Provisions	2020	2019
	\$	\$
Opening balance as at 1 July	-	385,116
Decrease due to loss of control of subsidiaries	-	(385,116)
Closing Balance 30 June	-	-

Provision for Employee Benefits

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

Provision for Defect Liability Period

A provision was previously recognised for defect liability periods (DLP) on work performed when Energy Made Clean (EMC) was owned and operated by the Group. In calculating the present value of future cash flows in respect of DLP, the probability and cost of DLP being taken is based on historical data. Due to the deconsolidation of EMC this amount has been derecognised in the prior year.

NOTE 16: LEASE LIABILITY

Premises	Group	
	2020	2019
	\$	\$
Current liabilities	79,881	-
Non-current liabilities	48,603	-
Total lease liability	128,484	-

AASB16 has been adopted during the year, refer to Note 1 for details.

Reconciliation	Group	
	2020	2019
	\$	\$
Balance on initial application (i)	-	-
Liabilities incurred during the year (ii)	159,761	-
Principal repayments	(31,277)	-
Closing Balance 30 June	128,484	-

- (i) No balances were initially recognised at 1 July 2019. Refer to Note 1
- (ii) Extension of Fremantle office lease to 31 December 2021.

CARNEGIE CLEAN ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: BORROWINGS

Current	Group	
	2020 \$	2019 \$
Carnegie convertible notes	2,825,000	1,650,000
Existing convertible notes	-	4,389,987
	<u>2,825,000</u>	<u>6,039,987</u>
Convertible Notes reconciliation		
Balance at the beginning of the period	6,039,987	4,337,047
Unwinding of finance costs	110,013	52,940
Conversion to equity during the period	(3,325,000)	-
Cancel existing convertible notes	(2,825,000)	-
Placement of new convertible notes	2,825,000	1,650,000
	<u>2,825,000</u>	<u>6,039,987</u>

On 22 October 2019, the Company entered into two convertible note facility agreements (Convertible Note Facility Agreements) with the following parties:

HFM Investments Pty Ltd (HFM) to the value of \$1.15 million; and
existing noteholders holding convertible notes to the value of \$4.5 million (CCE Noteholders).

The Convertible Note Facility Agreements are subject to satisfaction of conditions precedent.

A summary of the material terms of the Convertible Note Facility Agreements is as follows:

- a) HFM and CCE Noteholders subscribed for the 2021 Notes to the value of \$2,825,000. The commitment amount was utilised in satisfaction of 50% of the debt owing to HFM and the CCE Noteholders when the Company went into administration;
- b) each 2021 Note will have a face value of A\$25,000;
- c) each 2021 Note converts into Shares at \$0.00125 per Share, with each Share being issued with one free attaching Option exercisable at \$0.0015 per Option, expiring three years from the date of issue (with both the Shares and Options subject to voluntary escrow for six months from the date of issue);
- d) the 2021 Notes mature on 31 March 2021 (Repayment Date);
- e) the Company must pay interest on the 2021 Notes at a rate of 8% per annum (Coupon Rate), with an issue price of the greater of \$0.001 or the 90 day VWAP calculated prior to the relevant interest payment date, being the date that is one year from the date of issue of the 2021 Notes, each of 31 March, 30 June, 30 September and 31 December thereafter and on 31 March 2021 (Interest Payment Dates);
- f) The Lenders may elect to convert all or part of the 2021 Notes and the accrued interest to Shares any time between one year after the 2021 Notes are issued and prior to the Repayment Date, by providing notice to the Company.

b. Senior loan facility

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

Current	Group	
	2020 \$	2019 \$
Revolving R&D debt facility (i)	-	722,827
Addition funding drawn down	-	600,000
Less: unwinding finance costs	-	77,173
Repayment of debt facility	-	(1,400,000)
	<u>-</u>	<u>-</u>

- (i) In March 2018, the Company signed a \$2.1 million project financing facility for the post-construction debt refinancing of the Garden Island Microgrid and an additional \$4.0 million revolving debt facility to support research and development activities with the Commonwealth Bank of Australia. Both facilities were terminated prior to the end of the previous financial year.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: SHARE CAPITAL

	2020	Group
	\$	2019
		\$
11,141,452,450 (2019: 2,881,452,450) fully paid ordinary shares	203,221,135	194,460,984

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

	2020	2019
	No.	No.
a. Ordinary shares number		
At the beginning of reporting period	2,881,452,450	2,881,452,450
Shares issued during the year		
— Rights issue 28 October 2019	5,500,000,000	-
— Shares issued from conversion of 50% of HMF loan to equity 28 October 2019	460,000,000	-
— Shares issued from conversion of 50% of the old convertible Notes to equity 28 October 2019	1,800,000,000	-
— Shares issued from conversion of funding loans to DoCA proponents 28 October 2020	500,000,000	-
At reporting date	11,141,452,450	2,881,452,450
		Group
b. Ordinary shares \$	2020	2019
	\$	\$
At the beginning of reporting period	194,460,984	194,460,984
Shares issued during the year		
— Rights issue 28 October 2019 @ \$0.001 per share	5,500,003	-
— Shares issued from conversion of 50% of the HMF loan to equity 28 October 2019 @ \$0.00125 per share	575,000	-
— Shares issued from conversion of 50% of the old convertible Notes to equity 28 October 2019 @ \$0.00125 per share	2,250,000	-
— Shares issued from conversion of funding loans to DoCA proponents 28 October 2019 @ \$0.001 per share	500,000	-
— Sale of treasury shares	34,615	-
Accrual for unissued shares; interest on convertible notes	156,033	-
Share issue costs	(255,500)	-
At reporting date	203,221,135	194,460,984

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: SHARE CAPITAL (CONTINUED)

c. Capital Management

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

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

There are no externally imposed capital requirements.

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

During the year there was a change in the capital structure due to recapitalisation of the Company following a period of Administration via a rights issue. In addition, previous convertible notes were 50% converted to equity. The remaining 50% of the previous convertible notes were cancelled and replaced with new convertible notes (Refer to Note 17).

NOTE 19: RESERVES

	2020	Group	2019
	\$		\$
a. Foreign Currency Translation Reserve			
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and foreign currencies	37,760		50,268
b. Convertible Note/Option Reserve			
The reserve records items recognised as expenses on valuation of share options and share based payments including loan funded shares. It also records amounts classified as "equity" under the requirements of AASB 132.	850,000		850,000
Total	887,760		900,268

NOTE 20: BUSINESS RISK

The net loss of the Group for the financial year ended 30 June 2020 was \$275,522, which included a profit on discontinued operations of \$1,536,861. (2019: net loss \$51,930,513, which included a loss from discontinued operations of \$8,564,208). As at 30 June 2020, the Group had net assets of \$17,862,931 (2019: \$9,390,809).

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

The Group cannot say with certainty when it will become profitable because of the uncertainties associated with successfully commercializing a wave energy technology. If existing resources are insufficient to satisfy the liquidity requirements, the Group may seek to sell its solar microgrid asset, 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: OPERATING SEGMENTS

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is organised into two operating segments:

- Discontinued operations
- Continuing operations

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

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

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

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

2020	Continuing Operations	Discontinued Operations	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	117,668	-	117,668	-	117,668
Inter-segment	-	-	-	-	-
	117,668	-	117,668	-	117,668

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: OPERATING SEGMENTS (CONTINUED)

2019	Continuing Operations	Discontinued Operations	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	556,350	4,261,083	4,817,433	-	4,817,144
Inter-segment	634,792	-	634,792	(634,792)	-
	<u>1,191,142</u>	<u>4,261,083</u>	<u>5,452,255</u>	<u>(634,792)</u>	<u>4,817,144</u>

2019	Continuing Operations	Discontinued Operations	Total segments	Adjustments and eliminations	Consolidated
Segment loss	(43,366,305)	(8,564,208)	(51,930,513)	-	(51,930,513)
Total assets	20,803,434	-	-	-	20,803,434
Total liabilities	11,412,625	-	-	-	11,412,625

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

	Group 2020 \$	2019 \$
Loss after income tax	(275,522)	(51,930,513)
Non-cash flows in loss		
Depreciation and amortisation	399,679	250,991
Impairment	-	37,877,887
Write-off of assets	-	25,171,525
Effect of discontinued operations	1,536,861	(9,657,555)
Share options & loan funded shares expensed	-	10,000
Doubtful Debts	7,800	41,310
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	1,946,518	(4,299,157)
Increase/(decrease) in inventory	-	(464,937)
(Decrease)/increase in development assets	(56,435)	1,669,148
Increase/(decrease) in trade payables and accruals	(4,997,040)	(2,129,676)
Increase/(decrease) in provisions	13,532	(922,435)
Net cashflow (used in) operations	<u>(1,424,607)</u>	<u>(4,383,412)</u>

CARNEGIE CLEAN ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**NOTE 23: CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES**

Consolidated	Convertible Notes	Lease Liability	Total
Balance as at 1 July 2019	6,039,987	-	6,039,987
Unwinding financing costs	110,013	-	110,013
Conversion to equity	(3,325,000)	-	(3,325,000)
Cancel old Convertible notes and reissued new Convertible notes	-	-	-
Acquisition of leases	-	159,761	159,761
Net cash used in financing activities	-	(31,277)	(31,277)
Balance as at 30 June 2020	2,825,000	128,484	2,953,484

NOTE 24: EVENTS AFTER THE REPORTING PERIOD

No 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 25: RELATED PARTY TRANSACTIONS

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

Transactions and balances with Director related entities

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

Balances outstanding with Director and Director related entities:

	2020	2019
	\$	\$
Mooney & Partners Pty Ltd	4,400	5,500
Amount owing from Solar Farm Carnarvon Pty Ltd	-	51,208
Asymmetric Arbitrage Ltd – 10 convertible notes ⁽¹⁾	250,000	-
HFM Investments Pty Ltd – 23 convertible notes ⁽²⁾	575,000	-
Log Creek Pty Ltd <88 Green A/c> - 20 convertible notes ⁽²⁾	500,000	-

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk

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

Group	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate Maturing		Non- interest Bearing \$	Total \$
			Within year	1 to 5 years		
30 June 2020:						
Financial assets:						
Cash and cash equivalents	0.81%	1,414,671	2,000,000	-	-	3,414,671
Receivables	-	-	-	-	169,815	169,815
Financial assets	-	-	-	-	12,414	12,414
		1,414,671	2,000,000	-	182,229	3,596,900
Financial liabilities:						
Accounts payable			-	-	256,785	256,785
Borrowings			-	2,825,000	-	2,825,000
			-	2,825,000	256,785	3,081,785

Group	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate Maturing		Non- interest Bearing \$	Total \$
			Within year	1 to 5 years		
30 June 2019:						
Financial assets:						
Cash and cash equivalents	0.00	218,678	-	-	36,928	255,606
Receivables	0.95	-	1,945,306	-	713,291	2,658,597
Financial assets	-	-	-	-	12,414	12,414
		218,678	1,945,306	-	762,633	2,926,617
Financial liabilities:						
Accounts payable			-	-	5,253,825	5,253,825
Borrowings			-	6,039,987	-	6,039,987
			-	6,039,987	5,253,825	11,342,812

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk

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

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. 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).

2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets:				
<i>Financial assets:</i>				
— Unlisted investments	-	-	12,414	12,414
	-	-	12,414	12,414
2019				
Financial assets:				
<i>Financial assets:</i>				
— 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.

NOTE 26: FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Sensitivity Analysis

At 30 June 2020, 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:

	2020	Group	2019
	\$		\$
Change in profit			
— Increase in interest rate by 1%	21		6,523
— Decrease in interest rate by 1%	(21)		(6,523)
Change in Equity			
— Increase in interest rate by 1%	21		6,523
— Decrease in interest rate by 1%	(21)		(6,523)

(e) **Liquidity Risk**

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

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets;
- investing only in surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

NOTE 27: SHARE BASED PAYMENTS

Types of share-based payment plans

Employee share option plan

Share options are granted to executives and staff at the discretion of the Board of Directors. Share options are only granted to 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.

Consultant & financier share options

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

Consultant & financier shares

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 27: SHARE BASED PAYMENTS (CONTINUED)

No shares or options were issued to consultants and financiers during the financial year ended 30 June 2020 (2019: nil). No other shares or share options were issued during the financial year (2019: Nil) in relation to the above share-based payment plans.

Total options outstanding and exercisable are as follows:

	Group Number of options	Weighted Average Exercise Price \$
Outstanding options as at 1 July 2019	45,000,000	0.05020
Granted	2,760,000,000	0.00143
Outstanding as at 30 June 2020	2,805,000,000	0.00143
Exercisable as at 30 June 2020	2,805,000,000	0.00143

The options outstanding as at 30 June 2020 had a weighted average exercise price of \$0.00143 and a weighted average remaining contractual life of 2.33 years. Exercise prices range from \$0.00125 to \$0.06 in respect to options outstanding as at 30 June 2020.

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.

STATEMENT OF FINANCIAL POSITION

	2020 \$	2019 \$
ASSETS		
Current assets	3,547,346	1,116,867
Non-current assets	17,666,720	15,068,574
TOTAL ASSETS	21,214,066	16,185,441
LIABILITIES		
Current liabilities	3,245,048	11,403,289
Non-current liabilities	100,440	49,484
TOTAL LIABILITIES	3,345,488	11,452,773
TOTAL NET ASSETS	17,868,578	4,732,668

EQUITY

Issued capital	203,221,135	194,372,911
Reserves	850,000	850,000
Accumulated losses	(186,202,557)	(190,490,243)
TOTAL EQUITY	17,868,578	4,732,668

STATEMENT OF COMPREHENSIVE INCOME

Total loss	(141,707)	(70,776,974)
Total comprehensive loss	(141,707)	(70,776,974)

CARNEGIE CLEAN ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: INVENTORY

	2020	Group 2019
	\$	\$
Balance at beginning of period	-	464,937
Add: Purchases during period	-	-
Less: loss of control of entity with inventory	-	(464,937)
Less: Cost of goods sold	-	-
Balance at end of period	-	-

NOTE 30: PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

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

	2020	2019
	\$	\$
Loan write off EMC	-	(11,798,583)
Net debtors/creditor write off EMC	-	(5,224,274)
Investment write off EMC	-	(8,148,668)
Investment write off EMC Engineering (subsidiary of EMC)	-	(85,000)
Loss for the financial year from discontinued operations	-	(5,258,049)
Gain on write off Accumulated Losses EMC	-	21,950,366
Cash from sale of Northam Solar Farm	(200,868)	-
Creditors, accruals and other liabilities	3,783,432	-
Payment to Creditor Trust as agreed for delay in relisting	(463,615)	-
KordaMentha administration fee	(1,400,000)	-
Cash transferred to creditors trust	(18,253)	-
Payment to Creditor Trust for Northam Solar Farm expired bank guarantee	(163,835)	-
Profit/(Loss) from discontinued operations	1,536,861	(8,564,208)

NOTE 31: ASSETS HELD FOR SALE

Northam Solar Farm Partnership

At 1 July 2018, the Company held a 50% interest in the Northam Solar Farm Joint Arrangement, a 10 MW solar power station with Indigenous Business Australia and Bookitja. As announced on 12 December 2018, the Company completed the partial sale of its 50% interest in the Joint Arrangement to Indigenous Business Australia (IBA) retaining 11.33%. The administrators sold the remaining 11.33% investment in October 2019 for \$200,868, and the funds were retained in the creditors trust by the administrators.

Loss on revaluation of investment held for sale – Northam Solar Farm

	2020	2019
	\$	\$
Net Assets as at 1 July 2018	-	3,016,909
Net change in fair value of assets FY 19	-	(123,868)
Less impairment charge	-	(2,692,173)
Disposal value	-	200,868

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 32: INTERESTS IN SUBSIDIARIES AND JOINT ARRANGEMENTS

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

	Country of Incorporation	Percentage Owned (%) ⁽¹⁾	
		2020	2019
Carnegie Recreational Watercraft Pty Ltd	Australia	100	100
CETO IP (Australia) Pty Ltd	Australia	100	100
CETO Wave Energy Ireland	Ireland	100	100
CETO Wave Energy UK	United Kingdom	100	100
CMA Nominees Pty Ltd	Australia	100	100
New Millennium Engineering Pty Ltd	Australia	100	100

NOTE 33: COMPANY DETAILS

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

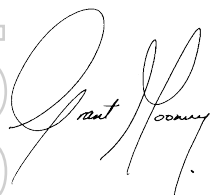
Carnegie Clean Energy Limited
 21 North Mole Drive
 NORTH FREMANTLE WA 6159

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 46, 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 2020 and of the performance for the year ended on that date of the Group;
2. the financial statements comply with International Financial Reporting Standards as set out in Note 1;
3. the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with the *Corporations Act 2001* and the *Corporations Regulations 2001*; and
4. the Managing Director and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
5. In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



GRANT J. MOONEY
Director



TERRY STINSON
Director

Dated this 26th day of August 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Carnegie Clean Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carnegie Clean Energy Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

hlb.com.au

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

For personal use only

Key Audit Matter
How our audit addressed the key audit matter

Fair value of intangible assets

 Note 13 – Intangible Assets

As at 30 June 2020, the Group has recorded intangible assets with a value of \$14,590,973 which relate to capitalised development costs and intellectual property associated with the CETO technology development asset. This asset is in the development phase and is not yet available for use.

Under AASB 136 *Impairment of Assets*, intangible assets that are not yet available for use are subject to an annual impairment assessment irrespective of whether indicators of impairment exist.

We consider the recoverability of intangible assets to have been a key audit matter as it involved complex matters involving subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.

Our procedures included but were not limited to the following:

- We reviewed the valuation obtained by management from an independent expert and the valuation approach adopted;
- We considered the ability to rely on the work of the independent expert;
- We considered material assumptions and calculations used to calculate the fair value of the asset;
- We reviewed management's assessment in relation to recoverable amounts; and
- We assessed the appropriateness of the disclosures included in the relevant notes to the financial report.

Going concern

 Note 1 of the financial report

The Group recorded a consolidated loss of \$275,522 which included a profit from discontinued operations of \$1,536,861 and had cash outflows from operating and investing activities of \$1,424,607 and \$664,169 respectively.

As at 30 June 2020 the Group had cash and cash equivalents of \$3,414,671 and has convertible notes due within 12 months.

If the going concern basis of preparation of the financial statements was inappropriate, the carrying amount of certain assets and liabilities may have significantly differed. In addition, management and the auditor must consider whether a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Disclosure is required in the financial report should significant doubt exist.

Due to the significant judgement involved with forecasting cash flows, this is considered a key audit matter.

Our audit procedures included but were not limited to the following:

- We considered the appropriateness of the going concern basis of accounting by evaluating the underlying assumptions in cash flow projections prepared by the Group including sensitivity analysis;
- We obtained representations from management surrounding assumptions within the forecast;
- We assessed and evaluated management's plans for future actions;
- We considered alternative sources of capital and financing for the repayment of the convertible notes and the ability of the Group to raise funds if required; and
- We examined the adequacy of disclosures made in the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

For personal use only

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

For personal use only

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Carnegie Clean Energy Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
26 August 2020



N G Neill
Partner

For personal use only