

ASX ANNOUNCEMENT

5 March 2019

APPENDIX 4D - HALF YEAR RESULTS SUMMARY

Carnegie Clean Energy Limited (ASX: CCE) hereby provides the Appendix 4D - Half Year Report. In summary, the Company has reported a loss of \$45.0 million which is largely attributable to a write down in the carrying value of intellectual property.

The half-yearly financials, lodged today, provide additional detail around the asset valuation adjustments. Lodgement of the Financial Report was late due to additional work required in the impairment of assets, changes to the disclosures regarding ownership structures and a new finance and management team. Supporting papers for these, and other changes to the business, were then discussed and analysed with our auditors in order for them to complete their rigorous review, which added additional time to the process.

Intangibles write down

As a result of the reduction in market capitalisation, caused largely by Energy Made Clean (EMC) business losses, major Shareholder on market share sales and negative media publicity surrounding the Albany Wave Energy Project Grant Funding, the Board has taken the opportunity to reduce the carrying value of Intangible Assets to be more in line with the Market Capitalisation of the Company and be consistent with prevailing accounting standards. Intangible Assets have been written down at 31 December 2018 to \$15 million, resulting in an impairment (write down) of approximately \$35 million.

Should the market capitalisation and other impairment indicators such as security of grant funding trend positively, the Company may look to reinstate part or all of the write down at 30 June.

EMC loss

In addition to the write down of Intellectual Property, the Company has recorded a \$6 million loss from operations in its solar micro-grid business, EMC.

Carnegie continues to operate the EMC business, albeit for a finite period of time on a substantially reduced cost structure while actively pursuing divestment opportunities for the EMC business and exploring all other options to reduce the cash burn. Potential acquirers are conducting due diligence inquiries through a data room provided by the Company.

Corporate Overheads

During the reporting period, Management actively pursued ways to further reduce overhead costs across Carnegie and the EMC Business to ensure that maximum capital is available for CETO technology development. Since 1 July 2018, corporate overheads reduced by approximately \$200,000 per month and head count across the group by 30 employees.

For more information:

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About Carnegie Clean Energy Limited

Carnegie Clean Energy Limited is an Australian, ASX-listed (ASX: CCE) wave energy technology developer and solar/battery microgrid project developer. Carnegie is the 100% owner and developer of the CETO Wave Energy Technology intellectual property and is also 100% owner of Australian battery/solar microgrid Engineering Procurement and Construction (EPC) company EMC. EMC specialises in the delivery of mixed renewable energy microgrid projects to islands and remote and fringe of grid communities.

APPENDIX 4D

Australian Securities Exchange Half-Year Report

Name of Entity	Carnegie Clean Energy Limited
ABN	69 009 237 736
Reporting Period	31 December 2018
Previous Corresponding Reporting Period	31 December 2017

Results for Announcement to the Market

	\$	Percentage increase / (decrease) over previous corresponding period
Revenue from Ordinary activities	2,199,967	(14.91)%
Profit / (loss) from ordinary activities after tax attributable to members	(45,046,138)	(396.19)%
Net profit / (loss) for the period attributable to members	(45,046,138)	(396.19)%
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	nil	n/a
Interim Dividend	nil	n/a
Record date for determining entitlements to the dividends (if any)	n/a	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:		
<p>The Company has reported a loss of \$45.0 million which is largely attributable to a \$35 million impairment write down in the carrying value of intellectual property and a \$6 million loss from the operations in its solar micro-grid business, Energy Made Clean.</p> <p>The directors of Carnegie Clean Energy do not intend to declare a dividend as no profit was made during the period ended 31st December 2018.</p>		

Dividends

Date the dividend is payable	n/a
Record date to determine entitlement to the dividend	n/a
Amount per security	n/a
Total Dividend	nil
Amount per security of foreign sourced dividend or distribution	n/a
Details of any dividend reinvestment plans in operation	There is no dividend reinvestment plan.
The last date for receipt of an election notice for participation in any dividend reinvestment plans	n/a

Net Tangible Asset Backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security (cents per share)	0.04 cent	0.42 cent

Control Gained over Entities having a Material Effect

Name of Entity (or group of entities)	n/a
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Gain of Control of Entities having a Material Effect

Name of Entity (or group of entities)	n/a
Date of the gain of control	n/a
The contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	
n/a	

Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit/(Loss)	
	Current Period	Previous Period	Current Period	Previous Period
EMC Lendlease Joint Venture	50%	50%	-	-
Energy Made Clean Pty Ltd	100%	100%	-	-

Foreign Entities Accounting Framework

n/a

Audit/Review Status

This report is based on accounts to which one of the following applies: (Mark with "YES" or "NO")			
The accounts have been audited	No	The accounts have been subject to review	Yes
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:			
Not Applicable			

Print name: Grant Mooney
 Company Secretary
 Date: 5 March 2019

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

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED
31 DECEMBER 2018

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CARNEGIE CLEAN ENERGY LIMITED

ABN 69 009 237 736

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

31 DECEMBER 2018

The Directors present their report together with the interim condensed consolidated financial statements on Carnegie Clean Energy Limited ("the Company", or "Carnegie") and its controlled entities, ("the Consolidated Group", or "Group") for the half-year ended 31 December 2018.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Mr Terry D Stinson	(Chairman)
Mr Michael Fitzpatrick	(Non-Executive Director)
Mr Grant Jonathan Mooney	(Non-Executive Director)
Mr Mark Woodall	(Resigned 30 November 2018)
Dr Michael Edward Ottaviano	(Resigned 30 September 2018)

Directors were in office for the entire period and up to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Group during the year were the development of the CETO Wave Energy Technology and the Energy Made Clean (EMC) solar, battery and microgrid business.

OPERATING RESULTS

The net loss after tax of the Consolidated Group for the half year ended 31 December 2018 amounted to \$45,046,138 (2018: consolidated loss \$9,102,193). The net loss after tax includes impairment of Assets of \$39,204,576 (2017: nil).

REVIEW OF OPERATIONS

During the period to 31 December 2018, the Consolidated Group's activities included the following:

CETO Wave Energy Technology

- Carnegie achieved its first milestone under the €1 million Enel Green Power Collaboration Agreement and received the associated milestone payment on 2 January 2019.
- Carnegie continued to progress the development of the CETO 6 technology, including advancing major 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.
- In October, Carnegie received a \$2.625 million milestone payment from the WA State Government as part of a variation to the first \$5.25 million AWEP project milestone. The Company was requested to provide a plan to WA State Government concerning its ability to fund the balance of the project expenditures. The funding plan was submitted subsequent to 31 December 2018.
- Garden Island Microgrid continued to progress, and at 31 December 2018 was over 98% complete in terms of construction costs.

Energy Made Clean (EMC)

- The Northam Solar Farm commenced exporting power to the grid and received Approval to Operate from Western Power. In addition, the solar and battery microgrid at the Delamere Air Weapons Range in the Northern Territory of Australia achieved Practical Completion.

CARNEGIE CLEAN ENERGY LIMITED
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DIRECTORS' REPORT
31 DECEMBER 2018

- Carnegie and Tag Pacific Limited (Tag) terminated the Sale and Purchase Agreement executed in June 2018 for the sale of EMC. Carnegie has subsequently been approached by a number of other interested parties and is exploring options for the EMC business including its sale.

Corporate

- Carnegie sold 38.7% of its interests in the Northam Solar Farm to project partner Indigenous Business Australia (IBA) for \$2,508,975, with funds applied towards Carnegie's remaining equity contribution to the Project Partnership.
- The Company continued with its efforts to reduce operating and overhead costs with a reduction in head count across the entire organisation of 35% from 81 to 53 employees.
- On 28 September 2018, Mr Jonathan Fievez was appointed as the Chief Executive Officer of Carnegie following the resignation of Dr Michael Ottaviano as Managing Director.
- Non-Executive Director Mr Mark Woodall retired as a Director of Carnegie at the Annual General Meeting on 30 November 2018.
- In November, Carnegie implemented a \$2 million unsecured finance facility to provide funding for operations. The facility has been provided by HFM Investments Pty Ltd, a company controlled by director Mr Michael Fitzpatrick.

SIGNIFICANT EVENTS SUBSEQUENT TO THE HALF-YEAR END

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

- The Company completed commissioning of the Garden Island Microgrid in February 2019. With commissioning complete, the system will shortly commence commercial operations upon receipt of the 'Approval to Operate'. Under the Company's Power Supply Agreement, the Department of Defence will purchase the power produced by the plant.
- The Company continued its efforts to sell the Energy Made Clean business and reduce operating and overhead costs.

DIRECTORS' REPORT
31 DECEMBER 2018

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year ended 31 December 2018 has been received and can be found on page 6.

Signed on 5 March 2019 in accordance with a resolution of the Board of Directors.



JONATHAN FIÉVEZ
Chief Executive Officer



TERRY D STINSON
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Carnegie Clean Energy Ltd for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Partner

Signed at Perth, 5 March 2019

CARNEGIE CLEAN ENERGY LIMITED
ABN 69 009 237 736
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**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	Consolidated Group	
		31.12.2018	31.12.2017
		\$	\$
Revenue			
Sales revenue	4	2,199,967	2,585,334
Net gain on financial instruments at fair value through profit and loss		-	328,669
Other income	4	605,560	411,180
		<u>2,805,527</u>	<u>3,325,183</u>
Cost of Goods Sold			
Cost of sales - solar, battery energy storage systems, & microgrids		(3,197,906)	(4,447,318)
Gross Loss		(392,379)	(1,122,135)
Expenses			
Depreciation and amortisation expense	5	(180,067)	(751,113)
Occupancy expense		(408,262)	(490,018)
Consultancy expenses		(141,186)	(46,688)
Research expenses		(142,198)	(110,896)
Doubtful debt expense		(37,409)	(525,171)
Employee and directors' expenses		(2,742,459)	(2,947,585)
Fair value of additional shares and options issued		-	(1,783,158)
Employee share based payments		-	(3,352)
Finance costs		(572,735)	(370,294)
Company secretarial expenses		(30,000)	(33,000)
Administrative expenses		(1,186,212)	(1,183,079)
Impairment charge	3	(39,204,576)	-
Other expenses from ordinary activities		(1,270)	(763)
Loss before income tax		(45,038,753)	(9,367,252)
Income tax benefit/(expense)		-	265,059
Loss for the period from continuing operations		<u>(45,038,753)</u>	<u>(9,102,193)</u>
Other comprehensive income			
Exchange differences on translating foreign controlled entities and foreign currencies		(7,384)	23,778
Total comprehensive loss for the period		<u>(45,046,138)</u>	<u>(9,078,415)</u>
<i>Loss attributable to:</i>			
Members of the parent entity		(45,038,753)	(9,102,193)
<i>Total comprehensive loss attributable to:</i>			
Members of the parent entity		<u>(45,046,138)</u>	<u>(9,078,415)</u>
Earnings per share			
Basic loss per share (cents per share)		(1.56)	(0.345)
Diluted loss per share (cents per share)		<u>(1.56)</u>	<u>(0.345)</u>

The accompanying notes form part of these financial statements.

CARNEGIE CLEAN ENERGY LIMITED
ABN 69 009 237 736
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	Consolidated Group	
		31.12.2018	30.06.2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	1,686,895	8,436,530
Trade and other receivables	7	3,302,409	5,012,448
Inventories		379,237	464,937
Derivatives		-	9,750
Other assets		55,250	-
Assets classified as held for sale	8	741,853	-
TOTAL CURRENT ASSETS		6,165,644	13,923,665
NON-CURRENT ASSETS			
Trade and other receivables	7	1,003,868	778,835
Available for sale financial assets		12,414	12,414
Property, plant and equipment	9	5,755,191	14,443,068
Intangibles	10b	15,000,000	49,900,000
TOTAL NON-CURRENT ASSETS		21,771,473	65,134,317
TOTAL ASSETS		27,937,117	79,057,982
CURRENT LIABILITIES			
Trade and other payables	11	5,823,643	7,383,500
Short-term provisions		874,724	991,764
Interest bearing liabilities	12	550,000	722,827
TOTAL CURRENT LIABILITIES		7,248,367	9,098,091
NON-CURRENT LIABILITIES			
Trade and other payables	11	-	64,576
Derivatives		-	18,050
Long-term provision		119,549	564,867
Long-term borrowings	12	4,389,987	8,087,047
TOTAL NON-CURRENT LIABILITIES		4,509,536	8,734,540
TOTAL LIABILITIES		11,757,903	17,832,631
NET ASSETS		16,179,214	61,225,351
EQUITY			
Issued capital	13	199,027,855	194,460,984
Reserves		-	4,574,255
Accumulated losses		(182,848,641)	(137,809,888)
TOTAL EQUITY		16,179,214	61,225,351

The accompanying notes form part of these financial statements.

CARNEGIE CLEAN ENERGY LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER
2018

Consolidated Group	Note	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Option Reserve	Total
Balance at 1.7.2017		185,212,910	(75,199,473)	7,655	2,905,885	112,926,977
Comprehensive loss						
Loss for the period		-	(9,102,193)	-	-	(9,102,193)
Other comprehensive income		-	-	23,778	-	23,778
Total comprehensive loss for the period		-	(9,102,193)	23,778	-	(9,078,415)
Transactions with owners						
Share capital issued during the period		3,743,158	-	-	-	3,743,158
Options issued during the period		-	-	-	840,000	840,000
Capital raising costs		(91,175)	-	-	-	(91,175)
Share based payment expense		-	-	-	3,352	3,352
Share based payment expired Unexercised and exercised		-	739,281	-	(739,281)	-
Total transactions with owners		3,651,983	739,281	-	104,071	4,495,335
Balance at 31.12.2017		188,864,893	(83,562,385)	31,433	3,009,956	108,343,897
Balance at 1.7.2018		194,460,984	(137,809,888)	(35,703)	4,609,958	61,225,351
Comprehensive loss						
Loss for the period		-	(45,038,753)	-	-	(45,038,753)
Other comprehensive income		-	-	(7,384)	-	(7,384)
Total comprehensive loss for the period		-	(45,038,753)	(7,384)	-	(45,046,138)
Transactions with owners						
Share capital issued during the period		-	-	-	-	-
Options issued during the period		-	-	-	-	-
Capital raising costs		-	-	-	-	-
Share based payment forfeited		871,471	-	-	(871,471)	-
Share based payment expired Unexercised and exercised		3,695,400	-	-	(3,695,400)	-
Total transactions with owners		4,566,871	-	-	(4,566,871)	-
Balance at 31.12.2018		199,027,855	(182,848,641)	(43,087)	43,087	16,179,214

The accompanying notes form part of these financial statements.

CARNEGIE CLEAN ENERGY LIMITED
ABN 69 009 237 736
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated Group	
		31.12.2018	31.12.2017
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,390,051	2,346,696
Receipts from Royalties		-	-
Interest received		14,085	108,931
Interest paid		(572,735)	(327,247)
Payments to suppliers and employees		(9,256,626)	(11,996,421)
Net cash (used in)/provided by operating activities		(8,425,225)	(9,868,041)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development of asset		(369,895)	(927,240)
Purchase of property, plant and equipment		(4,430)	(1,025,855)
Proceeds from disposal of assets		126,958	-
Receipt of convertible notes		-	-
Receipts from R&D Tax Rebate		2,157,137	264,059
Receipts from Government grant funding		2,951,691	186,761
Net cash (used in) investing activities		4,861,461	(1,502,275)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		-	(91,176)
Proceeds from borrowings		1,108,380	-
Repayment of borrowings		(1,400,000)	-
Net cash provided by financing activities		(291,620)	(91,176)
Net (decrease)/increase in cash held		(3,855,384)	(11,461,492)
Cash and cash equivalents at beginning of financial year		5,615,766	16,202,143
Effect of exchange rate fluctuations on cash held		(73,487)	20,115
Cash and cash equivalents at end of financial year	6	1,686,895	4,760,766

The accompanying notes form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The half-year financial statements are general purpose financial statements prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial statements and any public announcements made during the half year.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

b) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Group's annual financial statements for the financial year ended 30 June 2018.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

c) Going Concern

As at 31 December 2018, the Group's current liabilities exceeded its current assets by \$1,082,723 and the Group's recorded consolidated loss after tax was \$45,038,753 for the six months ended on that date (30 June 2018 consolidated loss after income tax of \$63,393,052). These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is primarily dependent upon:

- Raising sufficient funds from a planned capital raising;
- Continued support from HFM Investments Pty Ltd through the provision of loan facilities;
- Being able to successfully renegotiate the conversion terms relating to the \$4.3m EMC Convertible Notes debt due to mature on 11 January 2020.

At the date of these financial statements, the Group has:

- Commenced planning to raise capital in the short term via a new equity issue;
- Received a cash offer to purchase its remaining interest in the Northam Solar Farm;
- Received confirmation from HFM Investments Pty Ltd that they will not seek repayment of their unsecured loan before 31 March 2019 which is anticipated to be after the completion of the proposed capital raising;
- Held preliminary high-level discussions with the EMC Convertible Noteholders.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors believe that at the date of signing the financial report there are reasonable grounds to believe that having regard to the matters set out above, the Group will continue as a going concern. However, should any of the matters detailed above not be successfully concluded, the Group may be unable to meet its debts as and when they fall due and realise its assets and settle its liabilities in the ordinary course of business at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTE 2: NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the new policies resulting from the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. As required by AASB 134, the nature and effect of these changes are disclosed below.

AASB 15 Revenue from Contracts with Customers

AASB 15 and its related amendments supersede AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of adopting AASB 15 is set out below.

CARNEGIE CLEAN ENERGY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 2: NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Overall impact

The Group's revenue comprises two main streams relating to the construction of solar and battery microgrid projects, being:

- Construction activities; and
- Operations and maintenance activities;

The Group undertook an analysis of the impact of the new revenue standard based on a review of the terms of its principal revenue streams with the focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15.

Under AASB 111, revenue from construction activities was recognised by reference to the stage of completion of the contract activity at the end of the reporting period. The proportion of revenue recognised was based on the proportion of costs incurred compared to forecast total costs as the end of the reporting period, with revenue being recognised in full only when the performance obligation of project completion had been met.

Under AASB 118 revenue in respect to operations and maintenance activities was recognised over the period of the performance obligation specified in the contract.

For the Group's principal revenue stream, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under AASB 15, is the same as that under AASB 111 and AASB 118.

As a result of the above, there were no changes to the Group's existing revenue recognition policy. In addition, there were no impacts on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of cashflows or earnings per share ('EPS').

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 January 2018 and has adjusted the comparative information for the period beginning 1 July 2017, where necessary. There were no material impacts on the comparative balances other than a change in classification of some receivables.

The effects of adopting AASB 9 are set out below.

(i) Classification and measurement

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 2: NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

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.

(ii) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to 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 amortised cost 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.

NOTE 3: IMPAIRMENT OF NON-CURRENT ASSETS

The Group performs a review of non-current asset values at each reporting period and whenever events occur or changes in circumstances indicate that the carrying amount of an asset group may be impaired. Market conditions are monitored for indications of impairment for all of the Group's operating assets and where such indications are identified, a formal impairment assessment is performed.

The Group has identified the following indicators of impairment at 31 December 2018:

- the carrying amount of the net assets of the Group is greater than the Company's market capitalisation;
- announced proposed changes to the Federal research and development (R&D) tax incentive scheme;
- increased costs associated with the construction of the Garden Island Microgrid Project;
- decreasing cost of electricity to purchasers;
- decreasing value of Large-scale Generating Certificates; and
- delays in the Albany Wave Energy Project schedule

As a result the Group assessed the recoverable amounts of the following Cash-Generating Units ('CGU'):

- CETO 6 Unit technology;
- Garden Island Microgrid Project;
- Northam Solar Farm Joint Arrangement; and
- Lendlease Joint Arrangement

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Impairment testing

At 31 December 2018 the Group has evaluated whether the recoverable amount of the respective CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs of disposal ("FVLCOD") or its value in use ("VIU").

At 30 June 2018, the fair value of the CETO 6 Unit technology was determined by the Company engaging a suitably qualified independent consultant to prepare an independent valuation report. The approach adopted by the consultant was the relief of royalty method (RRM). The basic principle of the RMM is that if you do not own the intellectual property (IP), you would need to pay to licence it from the IP owner. By virtue of owning the asset, the IP owner is "relieved" from the responsibility of licencing the IP from a third party. The value is therefore benchmarked to the hypothetical cost to license such IP from a third party.

In assessing impairment of CETO 6 Unit technology for the half-year ended 31 December 2018, the Group has applied professional judgement in assessing materiality and using estimates, averages and computational shortcuts in accordance with paragraph 23 of AASB 136 – Impairment of Assets. The Group has determined an estimated value of the CETO 6 Unit technology with reference to the market capitalisation between 1 July 2018 and 31 December 2018.

For the Garden Island Microgrid Project ("GIMG") the Group has used a VIU model for the purpose of impairment testing. VIU is determined as the present value of the future cash flows expected to be derived from the GIMG.

For the Northam Solar Farm Joint Arrangement("NSFJA") and the Lendlease Joint Arrangement ("LLJA") the Group has used the FVLCOD.

Impairment charges recognised

The following information relates to impairment charges included in profit or loss:

Segment/ CGU	Class of asset	Method	Dec 2018 \$	Dec 2017 \$
CETO Technology	Intangibles	FVLCOD (estimate)	32,436,691	-
GIMG	Property, Plant & Equipment	VIU	2,173,907	-
NSFPJA	Asset classified as held for sale	FVLCOD	2,275,056	-
LLJA	Asset classified as held for sale	FVLCOD	2,318,922	-
			39,204,576	-

The inputs used in deriving the recoverable amount of each CGU is categorised in accordance within the following levels of the fair value hierarchy:

CGU	Level 3(i)	Recoverable Amount \$
CETO 6 Unit	15,000,000	15,000,000
GIMG	4,800,000	4,800,000
NSFPJA – held for sale	741,853	(2,275,056)
LLJA – held for sale	-	(2,318,922)

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- (i) Level 3 inputs are unobservable inputs used to measure fair value. In our calculations the inputs used are based on unobservable market data. Due to the unobservable market data the inputs are considered Level 3.

CETO Technology (NOTE 9)

The recoverable amount of the CET6 Unit technology was determined by application of paragraph 23 of AASB 136 – Impairment of Assets, using an estimate of FVLCOD based on the recent market capitalisation of the Group. Some of the factors the board considered in making this estimate include the current market conditions in which the technology is placed, a review of recent share price activity and consideration of the status of the current funding model for continued development.

GIMG (NOTE 9)

The recoverable amount of the GIMGP was determined using a VIU model determined as the present value of the future cash flows expected to be derived. In preparing the cash flow model, some of the factors the board considered include, the current market conditions in which the GIMGP will operate, consideration of expected power generation from simulation modelling, future tariffs earned and estimated future values of Large-scale Generating Certificates.

A key input into the recoverable amount of the CGU was the application of a discount rate to the independent cash flows. The board have applied a discount rate of 7.5% to reflect the current risk profile of the project.

A 2% increase or decrease to the discount rate used would result in a corresponding \$1 million increase or decrease in the impairment charge.

Another key input is the estimated revenue growth factor of 2.5%. This is based on the boards view of future inflationary forces.

HELD FOR SALE (NSFPJA and LLJA) (NOTE 8a and NOTE 8b)

The recoverable amount of the interest in the NSFPJA and the LLJA was determined using a market-based approach, reflecting the value which could be expected to be realised through a sale.

In assessing the fair value of the held for sale assets, the board have taken into consideration discussions and information received from interested parties.

Inputs in determining the classification level within the fair value hierarchy are reassessed at each reporting date as part of the impairment process. The inputs used within calculations are assessed and discussed internally to determine the extent to which they can be compared to observable market information and classified accordingly.

NOTE 4: REVENUE AND OTHER INCOME

	Consolidated Group	
	31.12.2018	31.12.2017
	\$	\$
<i>Sales revenue</i>		
Solar, battery and microgrid	2,199,967	2,585,334
<i>Other income</i>		
Interest income	14,085	175,391
Realised loss on foreign exchange	(12,501)	65,897
R & D Tax Credits Received	603,976	-
Sundry	-	169,892
	605,560	411,180

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 5: DEPRECIATION AND AMORTISATION EXPENSE

	Consolidated Group	
	31.12.2018	31.12.2017
	\$	\$
Amortisation – intellectual property	-	555,887
Depreciation – property, plant and equipment	180,067	195,226
	180,067	751,113

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
Cash on hand	597	428
Cash at bank (i)	1,686,298	8,436,102
	1,686,895	8,436,530

- (i) Includes \$1,268,938 (2018: nil) which can only be used for eligible expenditure on the Albany Wave Energy Project.

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
CURRENT		
Trade receivables	1,906,251	753,590
Provision for doubtful debts	(96,099)	(100,000)
Prepayments	53,411	239,336
Accrued revenue	81,225	887,971
Amounts on retention	-	323,925
Other receivables*	515,054	1,790,285
Security deposits	842,567	1,117,339
	3,302,409	5,012,446
NON-CURRENT		
Security deposits	1,003,868	778,835
	1,003,868	778,835

* (FY18: \$1,415,947) in research and development tax offsets receivable.

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NOTE 8: NON-CURRENT ASSETS HELD FOR SALE

a) 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 Company expects to realise the remaining 11.33% investment within the next 12 months.

Loss on revaluation of investment held for sale

Northam Solar Farm	Note	
Net Assets at 1 July 2018 (50%)		3,016,909
Add: gain on disposal of 38.67%		302,630
Less: impairment		<u>(2,577,686)</u>
Value of investment classified as a non-current asset and held for sale		741,853
 Impairment charge	 3	 (2,275,056)

b) EMC and LendLease Services Pty Ltd Joint Venture

In December 2017 EMC entered into a joint arrangement with LendLease Services Pty Ltd. This was previously classified as Joint Operations under AASB 11.

EMC is currently negotiating with LendLease Services Pty Ltd to exit the JV. At 31 December 2018 management have assessed the Joint Operation to be held as a non-current asset (disposal group) held for sale. The Group expects to exit the Joint Operation within the next 12 months.

As required by AASB 5, the asset will be carried at the lower of its carrying value and fair value.

Net Assets at 1 July 2018 (50%)		266,748
Write-off of carrying value to fair value		<u>(266,748)</u>
Revised carrying value at 31 December 2018		<u>-</u>
Impairment charge		
Write off carrying value of JV to fair value		(266,748)
Less: Accrued liability at 31 December 2018		<u>(2,052,174)</u>
Impairment charge	3	<u>(2,318,922)</u>
 Total impairment charge		 <u><u>(4,593,978)</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group	
		31.12.2018	30.06.2018
		\$	\$
<i>Movements for the period</i>			
Balance at the beginning of the period (i)		8,231,693	6,501,304
Additions		4,430	8,406,785
Assets acquired as part of business acquisition			14,193
Disposals		(126,958)	(20,078)
Impairment of Garden Island Microgrid	3	(2,173,907)	-
Depreciation expense		(180,067)	(455,104)
Depreciation capitalised to intangible asset development		-	(4,032)
Balance at the end of the period (ii)		5,755,191	14,443,068

(i) Adjusted for the matters outlined in note 3.

(ii) \$4,800,000 relates to the self-constructed Garden Island Microgrid Project assets held at 31 December 2018.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 9: PROPERTY PLANT AND EQUIPMENT (continued)

	Note	\$
Garden Island Microgrid (GIMG)		
GIMG cost at 1 July 2018		7,354,358
Self-construct profit adjustment		(380,451)*
Revised cost at 1 July 2018		6,973,907
Impairment charge	3	(2,173,907)
Fair value at 31 December 2018		4,800,000

*adjusting for previously recognised profit from inter group construction of the GIMG

NOTE 10: INTANGIBLE ASSETS

a) *Impairment on assets*

	Note	Consolidated Group	
		31.12.2018	30.06.2018
		\$	\$
CETO Technology		32,436,691	34,934,267
EMC Goodwill		-	3,623,698
Garden Island Microgrid (GIMG)		2,173,907	-
		34,610,598	38,557,965

b) *Intangibles – CETO technology development asset*

		Consolidated Group	
		31.12.2018	30.06.2018
		\$	\$
Initial acquisition cost of CETO Technology – 2009		55,989,877	55,989,877
Subsequent development expenditure – CETO Technology		81,919,459	78,595,834
Grants and R&D tax incentives received		(53,075,069)	(51,544,464)
Impairment		(34,934,267)	-
		49,900,000	83,041,247
<i>Movements for the period</i>			
Subsequent development expenditure – CETO Technology		1,060,319	3,323,625
Other grants received		(2,951,691)	(104,912)
R&D tax incentive received/receivable		(571,937)	(1,425,693)
Impairment		(32,436,691)	(34,934,267)
Balance as at end of Reporting Period		15,000,000	49,900,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 10: INTANGIBLE ASSETS (continued)

c) *Intangibles – Microgrid/battery technology development assets*

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
Opening balance	-	4,735,471
Acquisition of Energy Made Clean	-	-
Amortisation expense	-	(1,111,773)
Write-off*	-	(3,623,698)
	-	-

For 30 June 2018 financial statements, Management assessed the useful lives of these assets and concluded that the pattern in which the assets' future economic benefits are expected to be consumed by the consolidated entity do not correlate to the amortisation rate. Management therefore assessed the net realisable value of the microgrid/battery technology development assets, relating to intellectual property and know-how developed by the Energy Made Clean Group, as having a nil recoverable value.

d) *Intangibles – Goodwill*

The carrying amount of goodwill acquired on the acquisition of Energy Made Clean is allocated to the following cash-generating units:

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
CETO Wave Energy technology	-	4,434,046
Solar & battery engineering, procurement, and construction	-	4,434,046
Write-off*	-	(8,868,092)
	-	-

For 30 June 2018 financial statements, Management assessed the net realisable value of the Energy Made Clean related goodwill as having a nil recoverable value and consequently wrote-off the assets to nil. This write-off of goodwill is in accordance with the accounting standard requirements regarding the allocation of impairment losses recognised at the cash generating unit level and the hierarchy to which such impairment losses need to be applied.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
CURRENT		
Trade creditors	633,145	1,364,064
Accruals	4,929,530	3,428,983
Other	260,968	2,590,543
	5,823,643	7,383,500
NON-CURRENT		
Other	-	64,576
	-	64,576

NOTE 12 BORROWINGS

a) *Convertible notes*

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
CURRENT		
CCE convertible notes	-	-
NON-CURRENT		
EMC convertible notes	4,389,987	4,337,047
	4,389,987	4,337,047

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 12: BORROWINGS (continued)

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
Balance at the beginning of the period	4,337,047	7,519,183
Placement of new convertible notes (ii)	-	-
Equity component of convertible notes	-	-
Conversion to equity during the period (i) (ii)	-	(3,300,000)
Unwinding of finance costs	52,940	117,864
Issue costs (ii)	-	-
	4,389,987	4,337,047

b) Loan facilities

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
Project construction debt financing		3,750,000
Revolving R&D Debt Facility (iii)	-	722,827
HFM Investments Pty Ltd Facility (iv)	550,000	-
	550,000	4,472,827

- i. On 18 November 2013, the Company completed a capital raising of \$4.0 million by issuing 4,000 unlisted Convertible Notes at an issue price of \$1,000 each ("Senior Notes"). Other financial assets as at 30 June 2016 consisted of amounts held under guarantee for the repayment of 3,690 outstanding Senior Notes (Totalling \$3,690,000). These Senior Notes were cancelled and reissued on 17 November 2016 such that they no longer require amounts held under guarantee. The reissued notes have an 8.0% coupon rate (original notes: 0%) and a 3.8 cents conversion price convertible to equity at any time at the discretion of the Senior Note holder.

In October 2017, Carnegie announced that it had entered into a Partnership Agreement with Bookitja Pty Ltd and Indigenous Business Australia (IBA) as co-equity investors in relation to the 10MW Northam Solar Farm Project. As part of this arrangement, Carnegie signed a term sheet for a \$7.5 million construction debt facility for the Northam Solar Farm Project. The facility is provided by Asymmetric Credit Partners Pty Ltd, who were one of the existing convertible note holders. In order to secure the construction debt facility, Carnegie undertook a debt restructure whereby:

- o the existing \$2.8 million convertible notes would be wound up and converted at the rate of \$0.038, resulting in the issue of 73,684,211 ordinary Carnegie shares;
- o existing convertible note holders would be issued (at no cost) an additional 19,649,123 Carnegie shares within 7 days of signing detailed transaction documentation;
- o and existing convertible note holders would be issued a further 35,000,000 unlisted Carnegie options (expiring in 5 years with a fixed exercise price of \$0.06 per share), within 7 days of signing detailed transaction documentation.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 12: BORROWINGS (continued)

The conversion of the existing convertible notes occurred during October 2017, however the issue of the additional Carnegie shares and unlisted options occurred on 8 February 2018. The fair values of these shares and options were calculated at the same date as the existing convertible notes were converted into ordinary shares. The fair values were calculated as follows:

Additional Carnegie Shares issued	\$ 943,158
Unlisted options issued	<u>\$ 840,000</u>
Amount recognised in Profit/Loss	<u>\$1,783,158</u>

- ii. On 11 January 2017, the Company completed a capital raising of \$5.0 million by issuing 500 unlisted Convertible Notes at an issue price of \$10,000 each. These notes have an 8.0% coupon rate and a 4.0 cents conversion price convertible to equity at any time at the discretion of the note holder. As at the reporting date there are 450 notes on issue which mature on 11 January 2020.
- iii. The R&D facility from CBA was repaid in full in December 2018 through the refund of the R&D credit for the Financial Year 2018 by the ATO.
- iv. On 20 November 2018, the Company secured a \$2m unsecured finance facility from HFM Investments Pty Ltd, a company controlled by director Michael Fitzpatrick. The facility may be drawn down subject to mutual agreement and shall incur a coupon rate of 8% per annum until 28 February 2019, and 18% thereafter.

c) *Senior loan facility*

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

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
Total facilities		
Post-construction debt refinancing (i)	2,100,000	2,100,000
Revolving R&D debt facility (i)	4,000,000	4,000,000
Project construction debt financing (ii)	-	3,750,000
	<u>6,100,000</u>	<u>9,850,000</u>
Used at the reporting date		
Current		
Revolving R&D debt facility (i)	-	800,000
Less: Unamortised borrowing costs	-	(77,173)
	<u>-</u>	<u>722,827</u>
Non-current		
Project construction debt financing (ii)	-	3,750,000
	<u>-</u>	<u>3,750,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 12: BORROWINGS (continued)

Unused at the reporting date

Post-construction debt refinancing (i)	2,100,000
Revolving R&D debt facility (i)	4,000,000
	6,100,000

- (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.
- (ii) In accordance with the loan agreement between Asymmetric Credit Partners Pty Ltd and the consolidated entity, the \$7.5 million facility was assigned to the Northam Solar Project Partners on 18 April 2018. The amounts drawn down at 30 June 2018 represent the consolidated entity's 50% interest in the Northam Solar Project. Due to the sale of an additional 38.7% interest in Northam Solar Farm Partnership, and the recognition of the asset as an investment, the amount drawn down of \$7.5 million is shown as a liability within the investment.

NOTE 13: ISSUED CAPITAL

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
2,881,452,450 (30.06.2018: 2,881,452,450) fully paid ordinary shares	199,027,855	194,460,984

During the period to 31 December 2018, 60,100,000 unlisted options expired with an option value of \$3,695,400 and a further 35,000,000 shares issued to Dr Michael Ottaviano were returned to the Company's treasury pursuant to the existing Management Incentive Equity Plan with a value of \$871,471.

In accordance with AASB 3, the value of these options have been transferred from the option reserve to issued capital. At 31 December 2018, there are no outstanding unlisted options.

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NOTE 14: 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:

- 1) The CETO Wave Energy technology/microgrid build, own, operator, which:
 - is developing and commercialising technology for zero-emission electricity generation from ocean swell, and
 - the production and selling of energy through the ownership of microgrids; and
- 2) Solar and battery engineering, procurement, and construction, which designs and installs solar, battery, and microgrid infrastructure for sale.

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.

The following tables present revenue and profit information for the Group's operating segments for the six months ended:

31.12.2017	CETO Wave Energy technology/ microgrid BOO	Solar & battery engineering, procurement, and construction	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	2,536	2,582,798	2,585,334	-	2,585,334
Inter-segment	-	1,330,965	1,330,965	(1,330,965)	-
	2,536	3,913,763	3,916,299	(1,330,965)	2,585,334
Segment loss	(4,538,717)	(4,597,488)	(9,136,205)	34,012	(9,102,193)
Total assets	116,333,530	16,330,962	132,664,491	(12,645,526)	120,018,965
Total liabilities	4,667,484	15,758,661	20,426,145	(8,751,076)	11,675,069

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 14: OPERATING SEGMENTS (continued)

31.12.2018	CETO Wave Energy technology/ microgrid BOO	Solar & battery engineering, procurement, and construction*	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	144,988	2,054,979	2,199,967	-	2,199,967
Inter-segment	-	1,139,174	1,139,174	(1,139,174)	-
	144,988	3,194,153	3,339,141	(1,139,174)	2,199,967
Segment loss	(37,551,911)	(1,711,370)	(39,263,281)	(5,782,857)	(45,046,138)
Total assets	42,362,816	4,903,973	47,266,789	(19,329,672)	27,937,117
Total liabilities	(3,878,964)	(6,473,959)	(10,352,923)	22,110,826	(11,757,903)

NOTE 15: CONTINGENT LIABILITIES AND COMMITMENTS

Commitments or contingencies disclosed in the 30 June 2018 Annual Report have reduced due to the sale of several leased assets and the completion of commitments. Current commitments are all under 12 months.

	Consolidated Group	
	31.12.2018	30.06.2018
	\$	\$
Not later than 1 year	145,037	732,497
Later than 1 year but not later than 5 years	-	310,855
Later than 5 years	-	513,683
	<u>145,037</u>	<u>1,557,035</u>

There were no changes to contingent liabilities as at 30 June 2018.

NOTE 16: RELATED PARTY TRANSACTIONS

Company secretarial services have been provided by Mooney & Partners Pty Ltd, a company associated with Mr Grant Mooney during the period. These transactions were under normal commercial terms and the total fees paid were \$30,000.

Mr Michael Fitzpatrick provided a \$2 million unsecured loan facility during the period as disclosed in Note 11. At 31 December 2018, the loan was drawn down to \$550,000.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

- The Company completed commissioning of the Garden Island Microgrid in February 2019. With commissioning complete, the system will shortly commence commercial operations upon receipt of the 'Approval to Operate'. Under the Company's Power Supply Agreement, the Department of Defence will purchase the power produced by the plant.
- The Company continued its efforts to sell the Energy Made Clean business and reduce operating and overhead costs.

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

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DIRECTORS' DECLARATION

The Directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 7 to 28, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards AASB 134: Interim Financial Reporting; and
 - b. give a true and fair view of the financial position as at 31 December 2018 and of the performance for the half-year ended on that date of the consolidated entity.
2. In the Directors' 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.



JONATHAN FIÉVEZ
Chief Executive Officer



TERRY D STINSON
Chairman

Dated this 5th day of March 2019

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CARNEGIE CLEAN ENERGY LTD**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carnegie Clean Energy Ltd and its controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year ended on that date, and notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Carnegie Clean Energy Ltd and its controlled entities' financial position as at 31 December 2018 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Carnegie Clean Energy Ltd and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carnegie Clean Energy Ltd and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of matter:

Material Uncertainty Related to Going Concern

We draw attention to Note 1c in the financial report, which indicates that the consolidated entity incurred a net loss of \$45,038,753 during the half year ended 31 December 2018 and has net current liabilities at that date of \$1,082,723. As stated in Note 1c, these events and conditions, along with other matters as set forth in Note 1c, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Impairment of non-current assets

We draw attention to Note 3 of the financial report, which describes the basis on which non-current assets have been impaired. Our conclusion is not modified in respect of this matter.



CROWE HORWATH PERTH



SEAN MCGURK

Partner

Signed at Perth, 5 March 2019