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

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2023**

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DIRECTORS' REPORT
30 JUNE 2023

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 2023.

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 and non-executive director experience with innovation companies globally. He was formerly the Chief Executive Officer and Managing Director of Orbital Corporation Ltd, until his resignation as a director on 18 November 2019. He was a former Vice President and General Manager at Siemens AG, Chief Executive Officer and Managing Director at Synerject, Vice President at Manufacturing Outboard Marine Corporation, and Director Advanced Product and Process Development at Mercury Marine, a division of Brunswick Corp.

Mr Stinson is currently a Non-Executive Chair Talga Group Ltd, appointed February 9, 2017, and Engentus Pty Ltd, appointed April, 2021. As well as Non-Executive Director of Aurora Labs, appointed 26 February 2020.

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

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

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

Mr Fitzpatrick is an Alternative Director of Foresight Australia Limited (previously Infrastructure Capital Group), manager of Australian Infrastructure Fund Limited, a billion dollar renewables fund owning wind, solar and hydro assets.

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

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

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

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

He is a Director of Gibb River Diamonds Limited, appointed 14 October 2008, Accelerate Resources Limited, appointed 1 July 2017, Talga Group Limited, appointed 20 February 2014, Aurora Labs Limited appointed 25 March 2020 and Riedel Resources Limited appointed 31 October 2018. He was a previous Director of Greenstone Resources Limited (formally Barra Resources Limited), until his resignation on 18 August 2021, and SRJ Technologies Limited, until his resignation on 17 January 2023. Mr Mooney is also a member of Chartered Accountants Australia and New Zealand.

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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 Canco Group advising on investment strategy and portfolio management. Prior to his family investment roles, Mr Shields worked for Deutsche Bank in equity and derivatives sales and trading, and for Macquarie Bank as an equity analyst and in institutional equity sales and trading.

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

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

	ORDINARY SHARES	OPTIONS
Terry Stinson (i)	19,700,000	285,000,000
Michael Fitzpatrick (ii)	1,021,535,417	860,000,000
Grant Mooney (iii)	350,000,000	100,000,000
Anthony Shields (iv)	776,985,492	1,070,000,000

- i. Mr Stinson has an interest in 19,700,000 ordinary shares and 285,000,000 options which are held by Terry Stinson <Stinson Family Trust>.
- ii. Mr Fitzpatrick is a Director of Log Creek Pty Ltd and therefore is deemed to have an interest in 584,099,520 ordinary shares held by Log Creek Pty Ltd <88 Green Venture A/C>, and 437,435,897 ordinary shares and 400,000,000 options held by Log Creek Pty Ltd. Mr Fitzpatrick is a Director of HFM Investments Pty Ltd and therefore is deemed to have an interest in 460,000,000 options held by HFM Investments Pty Ltd.
- iii. Mr Mooney is a Director of Ocean Flyers Pty Ltd and is therefore deemed to have an interest in 100,000,000 ordinary shares. Mr Mooney also holds 250,000,000 ordinary shares and 100,000,000 options in his own name.
- iv. Mr Shields is a Director of Asymmetric Credit Partners Pty Ltd and therefore is deemed to have an interest in 776,985,492 ordinary shares and 970,000,000 options held by Asymmetric Credit Partners Pty Ltd and 100,000,000 options are held by A&J Shields Pty < A&J Shields Family account>.

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The net loss the Group for the financial year ended 30 June 2023 was \$630,396 (2022: loss of \$1,924,680 which included a gain from discontinued operations of \$369,337).

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2023. No dividends were paid during the financial year.

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REVIEW OF OPERATIONS

During the year to 30 June 2023, the Group's activities included the following:

Product Validation Roadmap

- During the year, Carnegie progressed its products in line with the Product Validation Roadmap for core CETO and MoorPower product development released in June 2022. The Roadmap outlines activities that have been and continue to be delivered during 2023 and beyond to validate Carnegie's products. This validation process is an important stage in the commercialisation pathways of our products.
- Carnegie has made strong progress to validate its core CETO and MoorPower technologies through delivery of projects that have support from key partners and funding bodies. CETO Wave Energy Ireland's continued participation in the EuropeWave PCP Programme and Carnegie's MoorPower Projects are key mechanisms being utilised to validate the technologies in this Roadmap. These activities are supported by the Company's strong partner ecosystem, which includes Hewlett Packard Enterprise and Blue Economy Cooperative Research Centre (CRC).

CETO Wave Energy Product

- CETO is Carnegie's core technology, a submerged point absorber type wave energy converter which converts ocean waves into zero-emission electricity. The CETO technology was progressed as intended via the Digital Development Pathway and Product Validation Roadmap during the year.
- The technical and commercial promise of the CETO technology is reaffirmed by the successful selection in the competitive €22.5m EuropeWave PCP Programme for the advancement of wave energy technologies. Carnegie's wholly owned subsidiary CETO Wave Energy Ireland (CWEI), along with a strong consortium of partners, was selected to deliver Phase 1 and subsequently, was awarded a Phase 2 contract in September 2022. During the year, under these EuropeWave contracts, CWEI completed the Phase 1 and Phase 2 activities. Subsequent to the year end, CWEI was awarded Phase 3 contract to build and operate a CETO scaled prototype at the Biscay Marine Energy Platform (BiMEP) test site in the Basque Region of Spain.
- As part of the EuropeWave Phase 1 Project, completed in July 2022, the team:
 - Advanced the design of a CETO prototype intended to lead to the full design, manufacture, deployment and operations of a CETO prototype at a European site in Phase 3. This provides a clear validation pathway for the CETO technology.
 - Completed tank testing of a CETO model and equipment at the Cantabria Coastal Ocean Basin in Spain. The project team conducted over 200 tests during the campaign and was pleased with CETO's performance in the simulated wave conditions. The testing was independently evaluated to validate CETO's energy capture efficiency in European wave conditions.
- As part of the EuropeWave Phase 2 Project, completed in June 2023, the team:
 - Completed the Front End Engineering Design (FEED) of the CETO prototype that will support the deployment and operations of a CETO prototype at a European site in Phase 3. This provides a clear validation pathway for the CETO technology.
 - Completed tank testing to validate the performance of Carnegie's advanced controllers and CETO's novel survival strategy for extreme sea states at the Cantabria Coastal Ocean Basin in Spain. The team worked in collaboration with Hewlett Packard Enterprise to successfully validate the new reinforcement learning controller, a first for the wave energy industry. Reinforcement learning is an area of artificial intelligence in which a machine learning based controller is built with the ability to self-learn. This advanced controller has significant potential to improve the efficiency of the device and provide additional safety in extreme seas.

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CETO Wave Energy Technology (continued)

Phase 2 testing also validated the survivability of CETO in extreme conditions by testing novel survivability approaches that can significantly reduce CAPEX. The testing was independently evaluated following completion.

- Undertook PTO testing to support de-risking of the novel PTO to be deployed in Phase 3. In addition to testing undertaken during Phase 2, additional testing through the IMPACT Project is ongoing and results will feed into Phase 3 activities.
- Collaborated with DNV to undertake technology qualification activities and deliver a certification plan.
- At the end of the financial year, the team worked to prepare its tender for consideration to continue to Phase 3 of the EuropeWave Programme. This tender was submitted in early July 2023 with successful contract award announced subsequent to year end, in September 2023.

Of the five contractors who delivered Phase 2, three contractors were selected to deliver Phase 3, in which the EuropeWave Buyers Group contracts the parties to complete final design then manufacture, deploy and operate their prototype at the open-water test site of Biscay Marine Energy Platform (BiMEP) in Spain or the European Marine Energy Centre (EMEC) in Scotland. CWEI has selected BiMEP as the deployment site. Phase 3 activities commence in September 2023 and run through to May 2026.

- The team progressed development of the Mooring Tensioner, a component which provides passive tension required for rotary electric power take-off systems, such as is required for CETO and MoorPower. The MoTWEC (Mooring Tensioner for the Wave Energy Converters) Project is supported by the Blue Economy CRC and being delivered in collaboration with partners.

Project partner Advanced Composite Structures Australia (ACS-A) and Carnegie have designed a Mooring Tensioner prototype that was manufactured by ACS-A. Carnegie designed and constructed a test rig that capable of undertaking functional and fatigue testing on the prototype. The Mooring Tensioner test rig was commissioned, and testing is ongoing at Carnegie's private research facility in Western Australia.

MoorPower Wave Energy Product

- MoorPower is a CETO derived wave energy product designed to deliver a sustainable energy supply for marine industries operating at a fixed moored location, reducing the reliance on diesel.
- The \$3.4m MoorPower Scaled Demonstrator Project that the team has been undertaking during the financial year has support from the Blue Economy CRC and is being delivered in collaboration with a strong consortium of partners, including Huon Aquaculture and Tassal Group. Aquaculture industry partners Huon and Tassal could become the first adopters of the MoorPower commercial product.
- During the year, the MoorPower team completed the design of the MoorPower scaled demonstrator, acquired a barge to be utilised for the demonstrator, prepared the barge for installation of the MoorPower system, manufactured and procured the MoorPower system components and commenced testing of the core elements of the prototype at its research facility. Final testing and assembly works are underway in advance of deployment just offshore from Carnegie's research facility in Western Australia.

Garden Island Microgrid

- Under Carnegie's Power Supply Agreement, the Department of Defence continues to purchase all power produced by the Garden Island Microgrid.

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Garden Island Microgrid (continued)

- During and subsequent to the year, the team continued to work through some equipment and operational issues which have constrained the output of the system during the year and achieved resolution on several issues:
 - Operations and Maintenance Contractor, Secure Energy, replaced four hundred (400) solar panels and some structural framing on the array during the year. This work was undertaken following the receipt of an insurance claim paid due to a storm event.
 - Subsequent to end of year, Carnegie and a supplier agreed, without admission of liability, to settle a dispute related to the provision of solar panels to the Garden Island Microgrid on terms set out in a Deed of Settlement and Release. As part of the Settlement, the supplier paid to Carnegie the sum of \$1,534,648 in consideration for releases provided by both parties.

Corporate

- Carnegie Clean Energy established a new wholly owned subsidiary in Spain, Carnegie Technologies Spain Ltd. This new subsidiary will support R&D and commercialisation projects for Carnegie's product portfolio in Europe.
- In November 2022, the Company delivered an Investor Webinar which provided an overview of Carnegie's strategy and progress hosted by CEO Jonathan Fievez and Chairman Terry Stinson.
- The Annual General Meeting was held on November 22, 2022. All resolutions were passed.

FINANCIAL POSITION

The net assets of the Group increased by \$490 thousand from \$20.73 million to \$21.22 million as at 30 June 2023. This is predominantly the options exercised and also the result of the net loss for the period during the period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has been no other significant change in the state of affairs of the Group to the date of this report.

SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

- On 28 August 2023 the Company and a supplier to its Garden Island project have agreed to settle a dispute related to the provision of solar panels. The terms are set out in a Deed of Settlement and Release with key term being payment to Carnegie from the supplier. Carnegie has received the sum of \$1,534,648 on 25 August 2023 in consideration for releases provided by both parties. This amount has been accrued in the financial statements as other income.
- On 6 September 2023 the Company announced that its wholly owned subsidiary, CETO Wave Energy Ireland, was awarded a €3,746,531 Phase 3 EuropeWave contract to build and operate a CETO wave energy prototype at a European Test Site. As the top ranked contractor, the team was able to select its preferred deployment site at the Biscay Marine Energy Platform in the Basque region of Spain. The contracted project runs from 2023 to 2026 with CETO deployment forecast for 2025.

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

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Strategy

The company has two major focus areas: commercialising the CETO and MoorPower technologies. In the interest of astute capital management, Carnegie has looked for, and found, programmes and organisations to financially support these developments.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES (continued)

Strategy (continued)

For CETO, the strategy has been to secure a continuation of the EuropeWave programme since it aligns perfectly with the technology roadmap and provides the vast majority of funding to complete the companies first ocean deployment in Europe. Europe is the most attractive jurisdiction for wave energy deployments currently given the targets set by the EU and the support on offer.

The focus on EuropeWave paid off with a contract awarded for phase 3 in early September. Additionally, the work on phase 2 and the bid for phase 3 was ranked first amongst the three finalists selected, giving Carnegie first choice of the deployment sites on offer.

The strategy going forward is to use the success of EuropeWave to attract a partner to drive development of the follow-on project. Importantly the EuropeWave programme also provides the 3rd party assessment of the technology and the company, crucial inputs to the investment decisions of a project partner.

For MoorPower, the strategy has also been to demonstrate the technology in order to build confidence within the pool of potential customers. This is why the company has, with the support of the Blue Economy CRC, formed and executed a project to deploy a scaled demonstration of the MoorPower system on a barge.

The MoorPower Scaled Demonstrator project has completed all design phases and is now in construction with deployment to occur in October 2023. Once sufficient operational time has been achieved with adequate results the securing of the second phase can commence. This involves working with project partners, Huon and Tassal, together with the Blue Economy CRC to form the project that will see the MoorPower system at commercial scale installed on a working feed barge.

Risks

The need for renewable energy is only increasing. Governments are progressively recognising the growing risk that climate change and other related pollutants pose to health and security. There are various mechanisms in place in the major markets of the USA and Europe that support the energy transition with specific elements that focus on the emerging field of ocean energy. Whilst this support is currently growing, risks are present due the reluctance of governments and agencies to take a long term view in the face of the worsening crisis. Technologies that are mature may potentially take a larger share of the support available as they are deployable at scale today.

At the project level, risks are present with finalising the design and securing supply of critical components. While the designs of both CETO and MoorPower seek to predominantly use of-the-shelf items, some are bespoke and a limited number of suppliers exist to provide them. This could delay the deployment or result in poor performance or reliability once in service.

With MoorPower deployment occurring imminently the risks associated operating a vessel at sea come into play. From a strategic risk perspective, poor reliability would not give comfort to the future project partners that this project seeks to achieve.

ESG factors are predominantly positive for the company but some risks remain. With deployed equipment there is a risk that they break free and do environmental damage to an area where they rest. Given there are negligible fluids or chemicals onboard both CETO and MoorPower, any damage is likely to be minor. This would however impact the social licence that wave energy acquires fairly easily due to its minimal visual impact.

Conclusion

Carnegie is positioned incredibly well to capitalise on the global ambition to decarbonise energy production at all levels. At utility scale, project developers and utilities are both aiming to be at the forefront of this emerging technology and are actively looking for the leading companies in the field. Governments are looking to ensure that they secure the sovereign capability that comes with the first mover advantage.

For MoorPower customers, the demands for ESG reporting, particularly around emissions, are leading them to look for diesel replacements. This is evident in the first market for MoorPower, the aquaculture feed barge market.

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FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES (continued)
Conclusion (continued)

Having two demonstration projects underway in Europe and Australia, Carnegie is now in a phase of high visibility which will rapidly build credibility with the supporting agencies and future customers. This is also likely to stimulate investors and build upon the strong financial position the company is in today.

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:

- 250,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.125 cent per share on or before 28 October 2024,
- 520,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 3 February 2024,
- 600,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 24 February 2024,
- 860,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.15 cent per share on or before 23 March 2024,
- 85,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.3 cent per share on or before 25 November 2023,
- 150,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.36 cent per share on or before 13 October 2024,
- 16,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.36 cent per share on or before 15 September 2023, and
- 400,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.36 cent per share on or before 22 November 2024.
- 430,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.3 cent per share on or before 28 September 2024.
- 100,000,000 options outstanding in respect of unissued ordinary shares exercisable at 0.3 cent per share on or before 25 November 2024.

No person entitled to exercise options had or has any right by virtue of the option to participate in any share issue of the company or any other body corporate.

INDEMNIFYING OFFICERS

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

REMUNERATION REPORT - AUDITED

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

Remuneration Policy

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

REMUNERATION REPORT – AUDITED (Continued)

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

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Board of Directors after seeking professional advice from independent external consultants. The Board of Directors benchmarks the Company's salaries payable to senior management by reference to independent industry data to ensure that the Company is consistent with prevailing market conditions. All executives receive a base annual salary (which is based on factors such as length of service and experience). The Board of Directors has chosen to adopt an equity-based approach to remunerating executive staff and employees. The Company utilised the Employee Share Option Plan as adopted by shareholders in November 2020 as the mechanism by which options may be issued to executive management and staff to adequately incentivise these individuals.

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

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

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

Company Performance, Shareholder Wealth and KMP Remuneration

	2019*	2020	2021	2022	2023
	\$	\$	\$	\$	\$
Revenue	534,034	117,668	60,955	321,938	383,737
Net loss after tax	(51,930,513)	(275,522)	(934,845)	(1,924,680)	(630,396)
Share price at year end	n/a*	0.001	0.002	0.001	0.002

* The Company was in suspension on the ASX at 30 June 2019, so no share price was quoted.

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

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REMUNERATION REPORT – AUDITED (Continued)

Company Performance, Shareholder Wealth and KMP Remuneration (continued)

Details of Remuneration for Year Ended 30 June 2023

	Actual rewards received in the period						% of Remuneration Performance Based
	Short-term benefits		Post Employment Benefits - Super	Other long term benefits	Share based payments**	Total	
	Cash salary, leave paid and fees	Non Cash Benefits					
Terry Stinson	\$ 70,000	\$ -	\$ 7,350	\$ -	\$ 60,000	\$ 137,350	43.68%
Anthony Shields	\$ 50,000	\$ -	\$ 5,250	\$ -	\$ -	\$ 55,250	-
Michael Fitzpatrick	\$ 50,000	\$ -	\$ 5,250	\$ -	\$ -	\$ 55,250	-
Grant Mooney*	\$ 110,000	\$ -	\$ 5,250	\$ -	\$ -	\$ 115,250	-
Jonathan Fievez^	\$ 306,418	\$ -	\$ 32,174	\$ -	\$ 90,000	\$ 428,592	21.00%
Total	\$ 586,418	\$ -	\$ 55,274	\$ -	\$ 150,000	\$ 791,692	18.95%

* Fees include \$60,000 paid to Mooney & Partners Pty Ltd, a company associated with Grant Mooney, for company secretarial services.

^Fees include \$26,250 bonus for the year.

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

Details of Remuneration for Year Ended 30 June 2022

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

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

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

Performance Rights and Options Issued as Part of Remuneration for the Year Ended 30 June 2023

The following options were issued to KMP during the year as follows:

KMP	Vested & Granted Number	Grant Date	Expiry Date	Exercise Price	Grant Date Value	Exercised	Forfeited	Balance at 30 June 2023
				\$	\$	\$	\$	\$
Anthony Shields	-	-	-	-	-	-	-	-
Grant Mooney	-	-	-	-	-	-	-	-
Terry Stinson	100,000,000	22/11/22	25/11/24	0.003	60,000	-	-	100,000,000
Mike Fitzpatrick	-	-	-	-	-	-	-	-
Jonathan Fievez	150,000,000	28/09/22	28/09/24	0.003	90,000	-	-	150,000,000

Refer to Note 25 for details of valuation model inputs to determine the fair value of options at grant date.

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 \$280,875 per annum, excluding mandatory superannuation contributions;
- (ii) a cash bonus of up to 30% of the annual gross salary may be payable annually at the discretion of the Directors.
- (iii) express provisions protecting the Company's confidential information and intellectual property;
- (iv) Mr Fievez may terminate the agreement by giving 3 months' notice in writing to the Company; and
- (v) The Company may terminate the agreement (without cause) by giving Mr Fievez 3 months' notice in writing (or make payment in lieu of notice), unless the Company is terminating as a result of serious misconduct (or other similar grounds) by Mr Fievez, in which case no notice is required.

Messrs Fitzpatrick, Mooney and Shields each receive an annual remuneration as Non-Executive Directors of \$50,000 (exclusive of mandatory superannuation contributions and GST) while Mr Stinson (Chairman) receives \$70,000 per annum (exclusive of mandatory superannuation contributions and GST). These salaries took effect from 1 January 2022.

Their appointment shall cease if:

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

The Company has entered into an agreement for the provision of Company secretarial services by Mooney & Partners Pty Ltd, a company associated with director Mr Grant Mooney. The agreement provides for the provision of Company Secretarial Services to the Company for \$60,000 per annum plus GST. Mooney and the Company can terminate the agreement by giving 3 months' notice to either party.

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

Other transactions with KMP and/or their related parties.

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

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REMUNERATION REPORT – AUDITED (Continued)

Options and Rights Holdings

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

	Balance 30 June 2022	Granted as Compensation	Rights & Options exercised	Net Change Other	Balance 30 June 2023
Michael Fitzpatrick	1,720,000,000	-	-	(860,000,000)	860,000,000
Grant Mooney	100,000,000	-	-	-	100,000,000
Anthony Shields	1,235,000,000	-	(140,000,000)	(25,000,000)	1,070,000,000
Terry Stinson	185,000,000	100,000,000	-	-	285,000,000
Jonathan Fievez	250,000,000	150,000,000	-	(100,000,000)	300,000,000
Total	3,490,000,000	250,000,000	(140,000,000)	(985,000,000)	2,615,000,000

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

Terms & Conditions for Each Instrument

KMP	Vested & Granted Number	Grant Date	Value per Instrument at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Jonathan Fievez	150,000,000	13 Oct 21	0.0007 cent	0.36 cent	13 Oct 2021	13 Oct 2024
Anthony Shields	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024
Grant Mooney	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024
Michael Fitzpatrick	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024
Terry Stinson	100,000,000	23 Nov 21	0.0013 cent	0.36 cent	23 Nov 2021	22 Nov 2024
Jonathan Fievez	150,000,000	28 Sep 22	0.0006 cent	0.30 cent	28 Sep 2022	28 Sep 2024
Terry Stinson	100,000,000	22 Nov 22	0.0006 cent	0.30 cent	22 Nov 2022	25 Nov 2024

Shareholdings

Number of Shares held by KMP

	Balance 30 June 2022	Received as Compensation	Rights & Options Exercised	Net Change Other	Balance 30 June 2023
Terry Stinson	19,700,000	-	-	-	19,700,000
Michael Fitzpatrick	1,021,535,417	-	-	-	1,021,535,417
Grant Mooney	350,000,000	-	-	-	350,000,000
Anthony Shields	636,985,492	-	140,000,000	-	776,985,492
Jonathan Fievez	30,000,000	-	-	-	30,000,000
Total	2,058,220,909		140,000,000	-	2,198,220,909

END OF REMUNERATION REPORT

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

DIRECTORS' REPORT
30 JUNE 2023

DIRECTORS' MEETINGS

There were 5 Directors' meetings held during the financial year ended 30 June 2023. Attendances were as follows:

Director	No. Meetings attended	No. Meetings held during time in office
Terry Stinson	5	5
Grant Mooney	5	5
Michael Fitzpatrick	5	5
Anthony Shields	5	5

There were also four (4) circular resolutions passed by the Board of Directors during the financial year.

NON-AUDIT SERVICES

The auditors were not engaged for any non-audit services during the financial year ended 30 June 2023.


AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 15.

Signed on 14 September 2023 in accordance with a resolution of the Board of Directors.



GRANT 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 2023, 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
14 September 2023



N G Neill
Partner

hlb.com.au

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group 2023 \$	2022 \$
Continuing Operations:			
Revenue	2	383,737	321,938
Gross Profit		383,737	321,938
Other income:			
Other income	2	1,834,592	34,993
		2,218,329	356,931
Expenses			
Professional fees		(209,313)	(244,090)
Depreciation and impairment expense	3	(442,929)	(283,528)
Employee and Directors' expenses		(1,042,620)	(653,950)
Employee share-based payments		(263,989)	(621,017)
Finance costs		(10,907)	(5,875)
Occupancy and administration		(547,224)	(414,452)
Net loss on disposal of fixed assets		-	(2,343)
Research expenses		(346,207)	(420,422)
Other expenses from ordinary activities		14,464	(5,271)
Loss before income tax		(2,848,725)	(2,650,948)
Income tax benefit/(expense)		-	-
Loss after tax from continuing operations		(630,396)	(2,294,017)
Profit from discontinued operations	27	-	369,337
Loss after tax from continuing and discontinued operations		(630,396)	(1,924,680)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange gains/(losses) on translating overseas controlled entities and foreign currencies		47,087	(8,997)
Total comprehensive loss for the year		(583,309)	(1,933,677)
Earnings per share from continuing operations			
Basic loss per share (cents per share)	7	(0.004)	(0.015)
Diluted loss per share (cents per share)	7	(0.004)	(0.015)
Earnings per share from discontinued operations			
Basic loss per share (cents per share)	7	N/A	0.002
Diluted loss per share (cents per share)	7	N/A	0.002

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Group 2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	8	2,003,868	4,095,035
Trade and other receivables	9	3,188,988	138,692
TOTAL CURRENT ASSETS		5,192,856	4,233,727
NON-CURRENT ASSETS			
Trade and other receivables	9	554,951	539,729
Other financial assets	10	12,414	12,414
Property, plant, and equipment	11	2,281,009	2,084,953
Leased assets – right of use	12	107,838	173,395
Intangibles assets	13	14,339,213	14,475,353
TOTAL NON-CURRENT ASSETS		17,295,425	17,285,844
TOTAL ASSETS		22,488,281	21,519,571
CURRENT LIABILITIES			
Trade and other payables	14	913,282	406,777
Short-term provisions	15	212,931	153,765
Lease liability	16	73,223	69,358
TOTAL CURRENT LIABILITIES		1,199,436	629,900
NON-CURRENT LIABILITIES			
Long-term provisions	15	26,794	57,739
Lease liability	16	37,694	98,257
TOTAL NON-CURRENT LIABILITIES		64,488	155,996
TOTAL LIABILITIES		1,263,924	785,896
NET ASSETS		21,224,357	20,733,675
EQUITY			
Share capital	17	209,071,177	208,261,175
Reserves	18	899,518	1,564,990
Accumulated losses		(188,746,338)	(189,092,490)
TOTAL EQUITY		21,224,357	20,733,675

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Group	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Convertible Note/Option Reserve	Total
Balance at 1 July 2021					
Comprehensive loss	207,661,175	(187,177,810)	37,087	925,883	21,446,335
Loss for the year	-	(1,924,680)	-	-	(1,924,680)
Other comprehensive loss	-	-	(8,997)	-	(8,997)
Total comprehensive loss for the year	-	(1,924,680)	(8,997)	-	(1,933,677)
Transactions with owners					
Expired options transferred	-	10,000	-	(10,000)	-
Shares issued from exercise of options	600,000	-	-	-	600,000
Share-based payment expense	-	-	-	621,017	621,017
Total transactions with owners	600,000	10,000	-	611,017	1,221,017
Balance at 30 June 2022	208,261,175	(189,092,490)	28,090	1,536,900	20,733,675
Balance at 1 July 2022	208,261,175	(189,092,490)	28,090	1,536,900	20,733,675
Comprehensive loss					
Loss for the year	-	(630,396)	-	-	(630,396)
Other comprehensive income	-	-	47,087	-	47,087
Total comprehensive loss for the year	-	(630,396)	47,087	-	(583,309)
Transactions with owners					
Expired options transferred	-	976,548	-	(976,548)	-
Shares issued from exercise of options	810,002	-	-	-	810,002
Share-based payment expense	-	-	-	263,989	263,989
Total transactions with owners	810,002	976,548	-	(712,559)	1,073,991
Balance at 30 June 2023	209,071,177	(188,746,338)	75,177	824,341	21,224,357

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 2023

	Note	Group 2023 \$	Group 2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		422,113	354,133
Interest received		47,126	7,596
Payments to suppliers and employees		(2,186,596)	(1,110,027)
Receipts from sale of gold royalty rights		-	1,100,000
Receipts from R&D Tax Rebate		-	608,836
Net cash provided by/(used in) operating activities	21	(1,717,357)	960,538
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development of asset		(497,102)	(809,567)
Purchase of property, plant and equipment		(622,410)	(201,833)
Proceeds from sale of property, plant and equipment		-	349
Net cash (used in) investing activities		(1,119,512)	(1,011,051)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		810,002	600,000
Payments for lease liabilities		(64,300)	(87,623)
Net cash provided by financing activities		745,702	512,377
Net increase/(decrease) in cash held		(2,091,167)	461,864
Cash and cash equivalents at beginning of financial year		4,095,035	3,633,171
Cash and cash equivalents at end of financial year	8	2,003,868	4,095,035

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Carnegie Clean Energy Limited ("the Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2023 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 14 September 2023.

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 2023, the Directors have reviewed all of the revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting year. The Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company's business and, therefore, no change necessary to the Group accounting policies.

Accounting Policies

Principles of Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax

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

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

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. The capitalised development costs are an intangible asset not yet ready for use and are therefore not currently subject to amortisation.

Impairment of intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of intangible assets (continued)

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

Property, Plant and Equipment

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

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

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

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

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

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

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentive received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or rate are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Lease liabilities (continued)**

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following; future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Financial Instruments*Recognition and derecognition*

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

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

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

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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

Borrowings

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial Instruments (Continued)**

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

Foreign Currency*Functional and presentation currency*

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

Transaction and balances

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

Employee Benefits

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

Share-based payments

Equity-settled and cash-settled share-based compensation are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Share-based payments (continued)**

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Provisions

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

Cash and Cash Equivalents

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

Revenue and Other Income

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

Sale of Goods

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenue and Other Income (continued)***Rendering of services*

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

Interest

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

Royalty income

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

Trade and Other Payables

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

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

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

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

Government Grants and Research and Development Tax Incentives

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

Earnings/(loss) per share

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

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

Fair Value Measurement

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

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

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

Contributed Equity

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

Financial Assets

The Group has no significant financial assets held at fair value, 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.

Allowance for expected credit losses

The allowance for expected credit losses assessment required a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. New Accounting Standards applicable for future periods are not expected to have a material impact on the Group.

Significant accounting judgements, estimates and assumptions

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

Impairment of development asset

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. Annual impairment testing is also carried out for all intangible assets (refer to Note 13).

The CETO development asset is an intangible asset which is not yet available for use which the Group tests annually for impairment. Refer to Note 13 for details of the significant assumptions and judgements utilised in this assessment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgements, estimates and assumptions (continued)

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using the Black Scholes valuation method taking into consideration the terms and conditions upon which the instruments are granted (refer to Note 25).

NOTE 2. REVENUE AND OTHER INCOME

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

	Group	
	2023	2022
	\$	\$
<i>Sales revenue</i>		
Garden Island Microgrid/Electricity sales (point in time)	383,737	321,938
<i>Other income</i>		
Interest income	50,449	14,919
Insurance claim income	235,079	4,487
Rental income	14,416	15,587
Amount received under Deed of Settlement and release	1,534,648	-
	1,834,592	34,993

NOTE 3. DEPRECIATION AND IMPAIRMENT EXPENSE

		Group	
	Notes	2023	2022
		\$	\$
Depreciation – property, plant, and equipment	11	14,412	8,187
Depreciation and impairment - property, plant, and equipment	11	355,358	200,722
Depreciation and impairment – right of use asset	12	73,159	74,619
		442,929	283,528

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4. INCOME TAX EXPENSE

	Group	
	2023	2022
	\$	\$
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:		
	Group	
	2023	2022
	\$	\$
— (Loss) from continuing operations	(630,396)	(2,294,017)
— Profit/(Loss) from discontinued operations	-	369,337
— Total (Loss) for the year	(630,396)	(1,924,680)
— Income tax at 25% (2022: 25%)	(157,599)	(481,170)
Add/(Deduct): Tax effect of:		
— Other non-allowable items	33,094	535
— Non-deductible R&D costs	86,552	2,390
— Share options expenses during the year	65,998	155,254
— Movement in deferred tax balances not recognised	(20,998)	318,637
— Prior year tax losses utilised	(24,905)	-
— Effect of lower foreign tax rates	17,858	4,353
	-	-

The Group has tax revenue losses carried forward of \$52,651,437 (2022: \$50,954,081) and capital tax losses carried forward of \$1,239,028 (2022: \$1,239,028). The tax losses do not expire under current tax legislation. Deferred tax asset has not been recognised in respect of tax losses carried forward as a formal assessment of the recoverability of the tax losses under the current tax legislation has not been performed.

NOTE 5. INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2023. Refer to note 23 for details of other transactions with KMP and associated balances payable and receivable.

Names and positions held 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 Mooney	Non-Executive Director and Company Secretary
Anthony Shields	Non-Executive Director
Jonathan Fievez	Chief Executive Officer

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

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

	2023	Group	2022
	\$		\$
Short term employee benefits	586,418		537,556
Share based payments	150,000		625,000
Post-employment benefits	55,274		48,358
	791,692		1,210,914

NOTE 6. AUDITORS' REMUNERATION

	2023	Group	2022
	\$		\$
• Remuneration of the current auditor of the Group for auditing or reviewing the Group's financial reports	66,819		59,525
	66,819		59,525

NOTE 7. EARNINGS/(LOSS) PER SHARE

	2023	Group	2022
	\$		\$
Basic loss per share (cents per share) from continuing operations	(0.004)		(0.015)
Diluted loss per share (cents per share) from continuing operations	(0.004)		(0.015)
Basic earnings (loss) per share (cents per share) from discontinued operations	N/A		0.002
Diluted earnings (loss) per share (cents per share) from discontinued operations	N/A		0.002

	2023	Group	2022
	\$		\$
(a) Loss used in the calculation of basic and diluted EPS – continuing operations	(630,396)		(2,294,017)
Profit/(loss) used in the calculation of basic and diluted EPS – discontinuing operations	-		369,337
(b) Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	15,473,477,820		15,008,327,135

As at 30 June 2022 and 30 June 2023, the outstanding options were not dilutive as the Group made net losses in both years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 8. CASH AND CASH EQUIVALENTS

	Group	
	2023	2022
	\$	\$
Cash on hand	167	273
Cash at bank	803,701	1,094,762
Term deposits	1,200,000	3,000,000
	<u>2,003,868</u>	<u>4,095,035</u>

NOTE 9. TRADE AND OTHER RECEIVABLES

Group	Gross Amount	Past due but not impaired (days overdue)			Within trade terms
2023		1-30	31-60	61+	
	\$	\$	\$	\$	\$
CURRENT					
Trade receivables	868,230	-	-	-	868,230
Net trade receivables	<u>868,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,230</u>
Prepayments	63,816	-	-	-	63,816
Other receivables*	2,256,942	-	-	-	2,256,942
	<u>3,188,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,188,988</u>
NON-CURRENT					
Security deposits	554,951	-	-	-	554,951
	<u>554,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,951</u>

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 10. OTHER FINANCIAL ASSETS

	Group	
	2023	2022
	\$	\$
Non-current financial assets	12,414	12,414
Non-current financial assets comprise:		
Unlisted investment, shares in other corporations	12,414	12,414

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

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	Group	
	2023	2022
	\$	\$
<i>Plant and equipment:</i>		
At cost	3,612,083	3,178,818
Accumulated depreciation	(1,331,074)	(1,093,865)
Total plant and equipment	2,281,009	2,084,953

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			
	Microgrid/ Battery asset 2023	Plant and Equipment 2023	Microgrid/ Battery asset 2022	Plant and Equipment 2022
	\$	\$	\$	\$
Balance at the beginning of year	2,070,492	14,461	2,075,648	17,300
Additions	507,869	57,958	195,566	5,697
Sales	-	-	-	(349)
Write offs	(129,406)	-	-	-
Depreciation expense	(225,953)	(14,412)	(200,722)	(8,187)
Carrying amount at the end of year	2,223,002	58,007	2,070,492	14,461

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NOTE 12. RIGHT-OF-USE ASSETS

	Group	
	2023	2022
	\$	\$
Cost	208,676	208,074
Accumulated amortisation	(100,838)	(34,679)
Closing balance at end of the period	107,838	173,395

	Group	
	2023	2022
	\$	\$
Reconciliation - Premises		
Balance at the beginning of period	173,395	39,940
Additions	7,602	208,074
Amortisation expense	(73,159)	(74,619)
Closing Balance at end of the period	107,838	173,395

NOTE 13. INTANGIBLE ASSETS

Intangibles – CETO technology development asset

	Group	
	2023	2022
	\$	\$
<i>Movements for year ended 30 June</i>		
Opening Balance	14,475,353	14,274,621
Subsequent development expenditure – CETO Technology	2,075,703	1,213,793
Other grants received	(1,578,602)	(626,131)
R&D tax incentive 2022	(633,241)	(608,836)
Reversal of accrual for R&D prior year	-	221,906
Balance as at 30 June	14,339,213	14,475,353

The CETO technology has yet to be commercialised and is in the development phase. As it is not yet ready for use, it is necessary to test the asset annually for impairment. The recoverable amount is determined as the fair value and the 'relief from royalty' methodology (RRM) is used to determine this amount. Management has considered the RRM as being the most appropriate methodology to value CETO technology as:

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

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

The determination of fair value is based on 'fair value' as defined under *AASB 13: Fair Value Measurement*. In the current year management has prepared a valuation model using the RRM. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13. INTANGIBLE ASSETS (CONTINUED)

The development asset in its entirety is classified as level 3 in the fair value hierarchy.

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

- Expected revenue generated from the sale of CETO IP units, based on a minority market share of the world's installed wave energy capacity;
- Remaining useful life of the IP will have a life beyond the remaining patent period as new technology is developed and patented. As such, a 15-year forecast period with a terminal value has been utilised in the financial model;
- A royalty rate range of 3% to 5% with a mid-point of 4% has been applied. To determine a royalty rate range, royalty rates associated with the renewable energy sector were considered and selected;
- 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, the valuation model calculated a net-present-value (recoverable amount) range that was higher than the carrying value of the development asset at 30 June 2023. Therefore, no impairment is required.

NOTE 14. TRADE AND OTHER PAYABLES

	Group	
	2023	2022
	\$	\$
Trade creditors	559,049	221,096
Accruals	354,233	185,681
	913,282	406,777

NOTE 15. PROVISIONS

	Group	
Current	2023	2022
	\$	\$
Annual, Long Service Leave and Other Employee Provisions	212,931	153,765
	212,931	153,765
Non-current		
Long Service Leave and Other Employee Provisions	26,794	57,739
	26,794	57,739

Provision for Employee Benefits

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16. LEASE LIABILITY

Premises	Group	
	2023	2022
	\$	\$
Current liabilities	73,223	69,358
Non-current liabilities	37,694	98,257
Total lease liability	110,917	167,615

Reconciliation	Group	
	2023	2022
	\$	\$
Opening balance at beginning of period	167,615	47,162
Liabilities incurred during the year (i)	3,865	208,074
Principal repayments	(60,563)	(87,621)
Closing Balance 30 June	110,917	167,615

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

NOTE 17. SHARE CAPITAL

	Group	
	2023	2022
	\$	\$
15,642,573,710 (2022: 15,102,573,710) fully paid ordinary shares	209,071,177	208,261,175

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

a. Ordinary shares (number)	2023	2022
	No.	No.
At the beginning of reporting period	15,102,573,710	14,702,573,710
Shares issued during the year		
Exercise of options 26 July 2021	-	200,000,000
Exercise of options 25 November 2021	-	200,000,000
Exercise of options 18 October 2022	200,000,000	-
Exercise of options 26 October 2022	200,000,000	-
Exercise of options 27 October 2022	140,000,000	-
At reporting date	15,642,573,710	15,102,573,710

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 17. SHARE CAPITAL (CONTINUED)

	2023	2022
	\$	\$
b. Ordinary shares (\$)		
At the beginning of reporting period	208,261,177	207,661,177
Exercise of options 26 July 2021	-	300,000
Exercise of options 25 November 2021	-	300,000
Exercise of options 18 October 2022	300,000	-
Exercise of options 26 October 2022	300,000	-
Exercise of options 27 October 2022	210,000	-
At reporting date	<u>209,071,177</u>	<u>208,261,177</u>

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. 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 the changes in these risks and in the market. This includes the management of share issues. Options were exercised during the year.

NOTE 18. RESERVES

	2023	Group 2022
	\$	\$
a. Foreign Currency Translation Reserve		
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and foreign currencies.	75,176	28,090
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.	824,342	1,536,900
Total	<u>899,518</u>	<u>1,564,990</u>

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AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****NOTE 19. BUSINESS RISK**

The net loss of the Group for the financial year ended 30 June 2023 was \$630,396 (2022: net loss \$1,924,680, which included a profit on discontinued operations of \$369,337). As at 30 June 2023, the Group had net assets of \$21,224,357 (2022: \$20,733,675).

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

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

NOTE 20. OPERATING SEGMENTS

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

The Group is organised into two operating segments:

- Discontinued operations
- Continuing operations

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

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

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.

2023	Continuing Operations	Discontinued Operations	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	383,737	-	383,737	-	383,737
	383,737	-	383,737	-	383,737
Segment profit/(loss)	(630,396)	-	(630,396)	-	(630,396)
Total assets	22,488,281	-	22,488,281	-	22,488,281
Total liabilities	(1,263,924)	-	(1,263,924)	-	(1,263,924)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 20. OPERATING SEGMENTS (CONTINUED)

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

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

	Group	
	2023	2022
	\$	\$
Loss after income tax	(630,396)	(1,924,680)
Less Non-cash flows in loss		
Depreciation and amortisation	442,929	283,528
Effect of discontinued operations	-	(369,337)
Movements in non-operating cashflows	65,100	-
Grant funding capitalised	633,241	608,836
Loss on disposal of asset	-	2,343
Share based payments	263,989	621,017
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(3,057,757)	1,260,021
Increase/(decrease) in trade payables and accruals	506,369	73,151
Increase/(decrease) in provisions	59,168	36,322
Net cashflow from operations	(1,717,357)	960,538

NOTE 22. EVENTS AFTER THE REPORTING PERIOD

- On 28 August 2023 the Company and a supplier to its Garden Island project have agreed to settle a dispute related to the provision of solar panels. The terms are set out in a Deed of Settlement and Release with key term being payment to Carnegie from the supplier. Carnegie has received the sum of \$1,534,648 on 25 August 2023 in consideration for releases provided by both parties. This amount has been accrued in the financial statements as other income.
- On 6 September 2023 the Company announced that its wholly owned subsidiary, CETO Wave Energy Ireland, was awarded a €3,746,531 Phase 3 EuropeWave contract to build and operate a CETO wave energy prototype at a European Test Site. As the top ranked contractor, the team was able to select its preferred deployment site at the Biscay Marine Energy Platform in the Basque region of Spain. The contracted project runs from 2023 to 2026 with CETO deployment forecast for 2025.

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AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****NOTE 22. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)**

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

NOTE 23. RELATED PARTY TRANSACTIONS

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The Group has not recorded any impairment on receivables relating to amounts owed by related parties. There were no loans receivable or payable with related parties at year end.

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 in the remuneration report. These transactions were undertaken on an arms-length basis under normal commercial terms.

Director Grant Mooney and Chief Executive Officer Jonathan Fievez jointly own solar energy microgrid operation and maintenance company, Secure Energy Pty Ltd (previously EMC Asset Management Pty Ltd) (Secure Energy). Secure Energy provides operation and maintenance services to Carnegie to maintain the Garden Island Solar Battery System. For the period, Secure Energy was paid \$559,279 (2022: \$215,501) inclusive of GST for those services. The Company has established a Committee comprising independent directors Anthony Shields and Terry Stinson to negotiate commercial terms of contracts with Secure Energy.

Secure Energy also subleases office space from Carnegie at the Rous Head facility in Fremantle, Western Australia. The lease is on commercial terms and was negotiated between Secure Energy and the Committee. Rent and outgoings paid to Carnegie during the year totalled to \$27,016 (2022: \$25,793) including GST.

Balances outstanding with Director and Director related entities:

	Payable 2023 \$	Payable 2022 \$	Receivable 2023 \$	Receivable 2022 \$
Mooney & Partners Pty Ltd	5,500	5,500	-	-
Secure Energy Pty Ltd	140,778	11,494	(1,786)	(4,786)

NOTE 24. FINANCIAL RISK MANAGEMENT*Financial Risk Management Policies*

The Board of Directors has responsibility for, amongst other issues, monitoring and managing financial risk exposures of the Group. The board monitors the Group's financial risk management policies and exposures and approves the financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Risk Management Policies (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		Non- interest Bearing	Total
30 June 2023:			Maturing Within	1 to 5		
<i>Financial assets:</i>	%	\$	year \$	years \$	\$	\$
Cash and equivalents	2.69%	224,446	1,200,000	-	579,422	2,003,868
Receivables	-	-	-	-	3,188,988	3,188,988
Financial assets	-	-	-	-	12,414	12,414
Non-current security deposits	0.06%	554,951	-	-	-	554,951
		779,397	1,200,000	-	3,780,824	5,760,221
<i>Financial liabilities:</i>						
Accounts payable		-	-	-	913,282	913,282
		-	-	-	913,282	913,282

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

(b) Credit Risk

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

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings.

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AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****NOTE 24. FINANCIAL RISK MANAGEMENT (CONTINUED)***Financial Risk Management Policies (continued)***(c) Net fair value**

The net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the Financial Statements.

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

Financial Instruments Measured at Fair Value

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

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

2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets:				
<i>Financial assets:</i>				
— Unlisted investments	-	-	12,414	12,414
	-	-	12,414	12,414
2022				
Financial assets:				
<i>Financial assets:</i>				
— Unlisted investments	-	-	12,414	12,414
	-	-	12,414	12,414

(d) Sensitivity Analysis*Interest Rate Risk*

The Group is not subject to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk arises 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25. SHARE BASED PAYMENTS

Types of share-based payment plans

Employee share option plan

Share options are granted to executives and staff at the discretion of the Board of Directors. Share options are only granted to Directors after approval by shareholders. The plan is designed to align participants' interests with those of shareholders by increasing value of the Company's shares. Under the plan, the exercise price of the options is set by the Board of Directors at the time of issue.

Consultant share options

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

Consultant shares

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25. SHARE BASED PAYMENTS (CONTINUED)

Total options outstanding and exercisable are as follows;

2023

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
8 Feb 2018	24 Jan 2024	\$0.06000	35,000,000	-	-	(35,000,000)	-
28 Oct 2019	28 Oct 2022	\$0.00150	1,400,000,000	-	-	(1,400,000,000)	-
28 Oct 2019	28 Oct 2024	\$0.00125	250,000,000	-	-	-	250,000,000
21 Jul 2020	20 Jul 2022	\$0.00200	100,000,000	-	-	(100,000,000)	-
21 Jul 2020	20 Jul 2022	\$0.00200	75,500,000	-	-	(75,500,000)	-
12 Jan 2021	12 Jan 2024	\$0.00150	200,000,000	-	(140,000,000)	(60,000,000)	-
3 Feb 2021	3 Feb 2024	\$0.00150	520,000,000	-	-	-	520,000,000
24 Feb 2021	24 Feb 2024	\$0.00150	600,000,000	-	-	-	600,000,000
24 Mar 2021	23 Mar 2024	\$0.00150	860,000,000	-	-	-	860,000,000
24 Mar 2021	25 Nov 2022	\$0.00300	85,000,000	-	-	-	85,000,000
15 Sep 2021	15 Sep 2023	\$0.00360	16,000,000	-	-	-	16,000,000
13 Oct 2021	13 Oct 2024	\$0.00360	150,000,000	-	-	-	150,000,000
23 Nov 2021	22 Nov 2024	\$0.00360	400,000,000	-	-	-	400,000,000
23 Sep 2022	28 Sep 2024	\$0.00300	-	150,000,000	-	-	150,000,000
28 Oct 2022	28 Sep 2024	\$0.00300	-	280,000,000	-	-	280,000,000
22 Nov 2022	25 Nov 2024	\$0.00300	-	100,000,000	-	-	100,000,000
			4,691,500,000	530,000,000	140,000,000	(1,670,500,000)	3,411,000,000
Weighted average exercise price			0.00226	0.00300	0.0015	0.00336	0.00201

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 25. SHARE BASED PAYMENTS (CONTINUED)

2022

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
8 Feb 2018	24 Jan 2024	\$0.06000	35,000,000	-	-	-	35,000,000
10 Oct 2018	10 Oct 2021	\$0.01600	10,000,000	-	-	(10,000,000)	-
28 Oct 2019	12 Jan 2024	\$0.00150	1,600,000,000	-	(200,000,000)	-	1,400,000,000
28 Oct 2019	28 Oct 2024	\$0.00125	250,000,000	-	-	-	250,000,000
21 Jul 2020	20 Jul 2022	\$0.00200	100,000,000	-	-	-	100,000,000 ¹
21 Jul 2020	20 Jul 2022	\$0.00200	79,500,000	-	-	(4,000,000)	75,500,000 ¹
12 Jan 2021	12 Jan 2024	\$0.00150	200,000,000	-	(200,000,000)	-	-
3 Feb 2021	3 Feb 2024	\$0.00150	520,000,000	-	-	-	520,000,000
24 Feb 2021	24 Feb 2024	\$0.00150	600,000,000	-	-	-	600,000,000
24 Mar 2021	23 Mar 2024	\$0.00150	860,000,000	-	-	-	860,000,000
24 Mar 2021	25 Nov 2022	\$0.00300	85,000,000	-	-	-	85,000,000
15 Sep 2021	15 Sep 2023	\$0.00360	-	16,000,000	-	-	16,000,000
13 Oct 2021	13 Oct 2024	\$0.00360	-	150,000,000	-	-	150,000,000
23 Nov 2021	22 Nov 2024	\$0.00360	-	400,000,000	-	-	400,000,000
			4,339,500,000	566,000,000	(400,000,000)	(14,000,000)	4,491,500,000
Weighted average exercise price			0.00204	0.00360	0.0014	0.01200	0.00226

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTE 25. SHARE BASED PAYMENTS (CONTINUED)**

The options outstanding as at 30 June 2023 had a weighted average exercise price of \$0.00201 and a weighted average remaining contractual life of 1.16 years. Exercise prices range from \$0.00125 to \$0.0036 in respect to options outstanding as at 30 June 2023.

For the options granted during the financial year, the valuation model inputs used to determine the fair value at the grant date are as follows.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23 Sept 2022	28 Sep 2024	\$0.0015	\$0.003	110%	0%	3.58%	\$0.0006
28 Oct 2022	28 Sep 2024	\$0.0015	\$0.003	110%	0%	3.58%	\$0.0006
22 Nov 2022	25 Nov 2024	\$0.0015	\$0.003	110%	0%	3.13%	\$0.0006

NOTE 26. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared applying policies that are consistent with those of the Group.

	2023 \$	2022 \$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	3,980,692	3,958,856
Non-current assets	12,550,426	11,713,558
TOTAL ASSETS	16,531,118	15,672,414
LIABILITIES		
Current liabilities	817,364	457,595
Non-current liabilities	64,488	155,997
TOTAL LIABILITIES	881,852	613,592
TOTAL NET ASSETS	15,649,266	15,058,822
EQUITY		
Issued capital	209,071,177	208,261,177
Reserves	824,342	1,536,900
Accumulated losses	(194,246,253)	(194,739,255)
TOTAL EQUITY	15,649,266	15,058,822
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(loss) for the year	483,546	(1,890,653)
Total comprehensive income/(loss) for the year	483,546	(1,890,653)

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AND CONTROLLED ENTITIES**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023****NOTE 27. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**

On 14 March 2019, EMC was placed into voluntary administration. After holding meetings with creditors, the Administrators placed EMC into liquidation. In addition, the loss from Northam Solar farm was also classified as a discontinued operation. During the previous financial year, both the Carnegie Creditors trust and EMC creditors trusts made final distributions to Carnegie.

	2023	2022
	\$	\$
Accrual of Northam Solar Farm bank account to be transferred to creditors trust	-	14,950
Distribution from Carnegie creditors trust	-	141,000
Distribution from EMC Pty Ltd	-	213,387
Profit/(Loss) from discontinued operations	-	369,337

NOTE 28. INTERESTS IN SUBSIDIARIES

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

	Country of Incorporation	Percentage Owned (%)	
		2023	2022
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
Carnegie Technologies Spain Ltd	Spain	100	-
CMA Nominees Pty Ltd	Australia	100	100
New Millennium Engineering Pty Ltd	Australia	100	100
Pacific Coast Wave Energy Corp	Canada	95	95

NOTE 29. COMPANY DETAILS

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

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

CARNEGIE CLEAN ENERGY LIMITED

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 16 to 46, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the financial position as at 30 June 2023 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 Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
5. In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



GRANT MOONEY
Director



TERRY STINSON
Director

Dated this 14th day of September 2023

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 2023, 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 2023 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 (including Independence Standards)* ("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.

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Key Audit Matter	How our audit addressed the key audit matter
Carrying value of intangible assets Refer to Note 13	
<p>As at 30 June 2023, the Group has recorded intangible assets with a value of \$14,339,213 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.</p> <p>Under AASB 136 <i>Impairment of Assets</i>, intangible assets that are not yet available for use are subject to an annual impairment assessment irrespective of whether indicators of impairment exist. We consider the recoverability of intangible assets to be a key audit matter as it involved complex matters including subjectivity and judgement, it is material to the users' understanding of the financial statements as a whole and it required significant auditor attention and communication with those charged with governance.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> – Discussed with management the appropriateness of the methodology and assumptions used in determining the recoverable amount; – Considered the determination of the cash-generating unit; – Considered the basis for the cash flow forecasts in the value-in-use modelling. This included consideration of the historical accuracy of previous estimates; – Compared the discount rate, growth rates and other economic assumptions to available internal and external data; – Determined if the valuation supported the carrying value of the intangible assets. This process included sensitivity analysis performed over key variables; – Performed our own assessment of impairment indicators based on the provisions of AASB 136 <i>Impairment of Assets</i>; and – Assessed the adequacy of financial statement disclosures.

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 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Carnegie Clean Energy Limited for the year ended 30 June 2023 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
14 September 2023



N G Neill
Partner