CARNEGIE CLEAN ENERGY LIMITED APPENDIX 4D & INTERIM FINANCIAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2017

(previous corresponding period ending on 31 December 2016)

Please find attached Appendix 4D Preliminary Final Report as required pursuant to Listing Rule 4.2A.

Please note that this report has been prepared based upon reviewed financial information for the six months ended 31 December 2017.

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APPENDIX 4D

Australian Securities Exchange Half-Year Report

Name of Entity	Carnegie Clean Energy Limited
ABN	69 009 237 736
Reporting Period	31 December 2017
Previous Corresponding Reporting Period	31 December 2016

Results for Announcement to the Market

	$	Percentage increase / (decrease) over previous corresponding period
Revenue from Ordinary activities	2,996,514	134.28%
Profit / (loss) from ordinary activities after tax attributable to members	(9,078,415)	(15.90)%
Net profit / (loss) for the period attributable to members	(9,078,415)	(15.90)%

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	nil	n/a
Interim Dividend	nil	n/a

Record date for determining entitlements to the dividends (if any)	n/a

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

The directors of Carnegie Clean Energy do not intend to declare a dividend as no profit was made during the period ended 31st December 2017.

Dividends

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

Net Tangible Asset Backing

	Current Period	**Previous Corresponding Period**
Net tangible asset backing per ordinary security (cents per share)	0.42 cents	0.19 cents

Control Gained over Entities having a Material Effect

Name of Entity (or group of entities)	n/a

Gain of Control of Entities having a Material Effect

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

Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit/(Loss)	
	Current Period	Previous Period	Current Period	Previous Period
EMC Lendlease Joint Venture	50%	50%	-	-
Energy Made Clean Pty Ltd	100%	35%	-	($578,981)

Foreign Entities Accounting Framework

n/a

Audit/Review Status

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

Print name: Grant Mooney
Company Secretary
Date: 28 February 2018

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

INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

31 DECEMBER 2017

CONTENTS

Page No.

DIRECTORS' REPORT 3

AUDITOR'S INDEPENDENCE DECLARATION 6

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME 7

STATEMENT OF FINANCIAL POSITION 8

STATEMENT OF CHANGES IN EQUITY 9

STATEMENT OF CASH FLOWS 10

NOTES TO THE FINANCIAL STATEMENTS 11

DIRECTORS' DECLARATION 20

INDEPENDENT AUDIT REPORT 21

DIRECTORS' REPORT
31 DECEMBER 2017

The Directors present their report on Carnegie Clean Energy Limited ("the Company", or “Carnegie”) and its controlled entities, ("the Consolidated Group”, or “Group") for the half-year ended 31 December 2017.

DIRECTORS

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

Mr Jeffrey Harding	(Resigned 15 November 2017)
Dr Michael Edward Ottaviano	
Mr John Davidson	
Mr Kieran O’Brien	
Mr Michael Fitzpatrick	
Mr Grant Jonathan Mooney	
Mr John Leggate	(Resigned 21 December 2017)
Mr Terry Stinson	(Appointed 15 November 2017)
Mr Mark Woodall	(Appointed 15 November 2017)

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The consolidated loss of the Consolidated Group for the half year ended 31 December 2017 amounted to $9,102,193 (2016: consolidated loss $7,832,929).

REVIEW OF OPERATIONS

During the period to 31 December 2017, the Consolidated Group took significant steps to advance its solar and battery business, including:

- Progressed the 10MW Northam Solar Farm, with the selection of co-equity investors, Indigenous Business Australia (IBA) and Bookitja Pty Ltd. The detailed transaction documentation for the Partnership Agreement was completed subsequent to the half-year end. Additional associated activities were completed including confirmation of a binding grid connection offer and signing of the Electricity Transfer Access Contract (ETAC) and Interconnection Works Contract (IWC) with Western Power.

- Commenced the construction of the Garden Island Microgrid Project, a 2MW solar PV and 2MW/0.5MWh battery energy storage system (BESS), with a sod-turning ceremony attended by Hon. Joshua Frydenberg MP, Minister for the Environment and Energy. In January 2018, Carnegie completed the construction of the battery and solar components of the Garden Island Microgrid Project with work now moving onto completion of cabling, testing and commissioning.

- Energy Made Clean (EMC) secured a multimillion dollar contract from Lendlease Building Ltd as Managing Contractor on behalf of the Department of Defence to design, construct and install a Microgrid System at Delamere Air Weapons Range in the Northern Territory of Australia.

Strong progress was also made on the development of the CETO 6 wave energy technology, including:

- Awarded $15.75m grant funding from the Western Australian Government's Department of Primary Industries and Regional Development to deliver a Wave Energy Project in Albany. In parallel, the Australian Renewable Energy Agency (ARENA) transferred Carnegie's $11.7m undrawn CETO 6 Project funding from Garden Island to Albany. Carnegie will continue to use its Garden Island site for its own wave energy research and prototype testing as well as working with other wave energy developers at the site.

- Formally commenced work on the Albany Wave Energy Project including project design, wave buoy deployment and site surveys. This also includes ongoing collaboration with the newly established Wave Energy Research Centre, funded through a $3.75m grant to the University of Western Australia.

- Released details of the more powerful CETO 6 unit design incorporating multiple moorings and power take off (PTO) modules. The increased energy production from the newly designed CETO 6 unit is intended to result in more cost competitive unit able to compete with other mainstream renewable technologies, once it is manufactured in high volumes and incorporated in large projects.

Carnegie also undertook additional financing initiatives, including:

- Securing a $7.5m construction debt facility for the Northam Solar Farm Project, the detailed documentation for which was completed after the half-year end.

- Drawing $670,000 grant funding from the Australian Renewable Energy Agency (ARENA) to support the Garden Island Microgrid Project. An additional $1,630,000 milestone payment was received for the Project in January 2018.

SIGNIFICANT EVENTS SUBSEQUENT TO THE HALF-YEAR END

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

- On 24 January 2018, Carnegie received a $1.63m milestone progress payment from the Australian Renewable Energy Agency (ARENA) for the Garden Island Microgrid Project. The Project has now received $2.3m of a total $2.5m funding package from ARENA. Following the receipt of the milestone payment, Carnegie issued $1.6m in Convertible Notes to ARENA. The ARENA convertible notes will prima facie be unsecured debt with 0% interest over a 6 year term and can be converted by ARENA to ordinary shares in Carnegie at a conversion price of $0.053 per share.

- On 7 February 2018, Carnegie completed and executed documentation for a $7.5m debt facility with Asymmetric Credit Partners Pty Ltd, which is to be used to fund the construction of the 10MW Northam Solar Farm. As part of securing the construction funding, Carnegie undertook a corporate debt restructure including the wind up of its $2.8m unlisted convertible notes in October 2017. Under the terms of the convertible note conversion and wind up, upon successful execution of the detailed documentation for the Northam Solar Construction Finance Facility, Carnegie issued 19.6 million ordinary shares and 35 million unlisted five-year options with an exercise price of $0.06 to the note holders.

- On 12 February 2018, Carnegie announced that after a competitive process, the Western Australian Department of Jobs, Tourism, Science and Innovation (JTSI), in collaboration with LandCorp, awarded it in-principle approval to negotiate a lease for 250ha within the Buffer Zone of the Mungari Strategic Industrial Area, to build, own and operate a solar farm. The proposed solar farm will be up to 100MW and include up to 20MW of battery storage.

- On 14 February 2018, following a nationally competitive tender process, Energy Made Clean and its Joint Venture partner, Lendlease, were awarded the contract for the design, construction, operation and maintenance of a 5MW Solar Photovoltaic (PV) Project in Newcastle, NSW

- In February 2018, the Consolidated Group announced two significant new awards for Battery Energy Storage Systems (BESS) in Western Australia and South Australia:

    - Kalbarri Microgrid: Energy Made Clean and its Joint Venture partner Lendlease Services were awarded a $6.8m contract for the supply, delivery and installation of a 5MW Battery Energy System (BESS) located in Kalbarri, 500km north of Perth, for Western Power. The system will be supported by a trailing Operations and Maintenance (O&M) contract, serviced by the EMC Lendlease JV's dedicated maintenance team.

    - Elizabeth Microgrid: Carnegie was awarded a $3m South Australian Government grant to design, construct, operate and maintain a 2MW/500kWh Battery Energy Storage System (BESS) at the General Motors Holden Site in Elizabeth, South Australia.

- On 17 January 2018, Carnegie was notified by the Australian Taxation Office of the approval of $2,270,340 in Research and Development Tax Scheme Offsets. These offsets were accrued for in the FY2017 annual report.

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half year ended 31 December 2017 has been received and can be found on page 21.

Signed on 28 February 2018 in accordance with a resolution of the Board of Directors.



DR MICHAEL EDWARD OTTAVIANO
Managing Director



GRANT JONATHAN MOONEY
Director

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Carnegie Clean Energy Ltd for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 28 February 2018

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Group	
		31.12.2017 $	31.12.2016 $
Revenue			
Sales revenue	2	2,585,334	768,437
Royalty income	2	-	452,591
Share of loss of associate accounted for using the equity method	3	-	(578,981)
Net gain on financial instruments at fair value through profit and loss	9	328,669	-
Adjustment to fair value on the acquisition of the remaining interest in a former associate		-	(3,682,636)
Other income	2	411,180	57,989
		3,325,183	(2,982,600)
Cost Of Goods Sold			
Cost of sales - solar, battery energy storage systems, & microgrids		(4,447,318)	(678,988)
Gross Profit		(1,122,135)	(3,661,588)
Expenses			
Depreciation and amortisation expense	4	(751,113)	(84,784)
Occupancy expense		(490,018)	(167,569)
Consultancy expenses		(46,688)	-
Research expenses		(110,896)	(193,334)
Doubtful debt expense		(525,171)	(10,000)
Employee and directors' expenses		(2,947,585)	(2,302,955)
Fair value of additional shares and options issued	10	(1,783,158)	-
Employee share based payments		(3,352)	(70,910)
Finance costs		(370,294)	(254,168)
Company secretarial expenses		(33,000)	(48,000)
Administrative expenses		(1,183,079)	(1,036,545)
Other expenses from ordinary activities		(763)	(3,076)
Loss before income tax		(9,367,252)	(7,832,929)
Income tax benefit/(expense)		265,059	-
Loss for the period		(9,102,193)	(7,832,929)
Other comprehensive income			
Exchange differences on translating foreign controlled entities and foreign currencies		23,778	(271)
Total comprehensive loss for the period		(9,078,415)	(7,833,200)
Loss attributable to:			
Members of the parent entity		(9,102,193)	(7,832,929)
Total comprehensive loss attributable to:			
Members of the parent entity		(9,078,415)	(7,833,200)
Earnings per share			
Basic loss per share (cents per share)		(0.345)	(0.384)
Diluted loss per share (cents per share)		(0.345)	(0.384)

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 31 DECEMBER 2017

	Note	Consolidated Group	
		31.12.2017 $	30.06.2017 $
CURRENT ASSETS			
Cash and cash equivalents	5	4,760,766	16,202,143
Trade and other receivables	6	7,230,476	6,735,661
Inventories		1,616,234	1,389,218
Other assets		1,371	3,278
TOTAL CURRENT ASSETS		13,608,847	24,330,300
NON-CURRENT ASSETS			
Trade and other receivables	6	778,835	575,182
Available for sale financial assets		12,414	12,414
Property, plant and equipment	7	8,540,250	6,501,304
Intangibles	8	97,078,619	96,644,810
TOTAL NON-CURRENT ASSETS		106,410,118	103,733,710
TOTAL ASSETS		120,018,965	128,064,010
CURRENT LIABILITIES			
Trade and other payables	9	5,887,608	6,044,754
Short-term provisions		739,086	728,878
Short-term borrowings	10	-	2,785,468
TOTAL CURRENT LIABILITIES		6,626,694	9,559,100
NON-CURRENT LIABILITIES			
Trade and other payables	9	96,984	570,819
Long-term provision		165,866	273,399
Long-term borrowings	10	4,785,524	4,733,715
TOTAL NON-CURRENT LIABILITIES		5,048,374	5,577,933
TOTAL LIABILITIES		11,675,068	15,137,033
NET ASSETS		108,343,897	112,926,977
EQUITY			
Issued capital	11	188,864,893	185,212,910
Reserves		3,041,389	2,913,540
Accumulated losses		(83,562,385)	(75,199,473)
TOTAL EQUITY		108,343,897	112,926,977

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 HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated Group	Note	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Option Reserve	Total
Balance at 1.7.2016		154,019,255	(62,032,825)	2,167	3,958,179	95,946,776
Comprehensive loss						
Loss for the period		-	(7,832,929)	-	-	(7,832,929)
Other comprehensive income		-	-	(271)	-	(271)
Total comprehensive loss for the period		-	(7,832,929)	(271)	-	(7,833,200)
Transactions with owners						
Share capital issued during the period		11,885,714	-	-	-	11,885,714
Capital raising costs		(38,660)	-	-	-	(38,660)
Cancellation of convertible notes		-	717,147	-	(812,263)	(95,116)
Equity portion of convertible notes		-	(49,578)	-	-	(49,578)
Share based payment expense		-	-	-	70,910	70,910
Share based payment expired unexercised and exercised		-	84,981	-	(84,981)	-
Total transactions with owners		11,847,054	752,550	-	(826,334)	11,773,270
Balance at 31.12.2016		**165,866,309**	**(69,113,204)**	**1,896**	**3,131,845**	**99,886,846**
Balance at 1.7.2017		185,212,910	(75,199,473)	7,655	2,905,885	112,926,977
Comprehensive loss						
Loss for the period		-	(9,102,193)	-	-	(9,102,193)
Other comprehensive income		-	-	23,778	-	23,778
Total comprehensive loss for the period		-	(9,102,193)	23,778	-	(9,078,415)
Transactions with owners						
Share capital issued during the period		3,743,158	-	-	-	3,743,158
Options issued during the period		-	-	-	840,000	840,000
Capital raising costs		(91,175)	-	-	-	(91,175)
Share based payment expense		-	-	-	3,352	3,352
Share based payment expired unexercised and exercised		-	739,281	-	(739,281)	-
Total transactions with owners		3,651,983	739,281	-	104,071	4,495,335
Balance at 31.12.2017		**188,864,893**	**(83,562,385)**	**31,433**	**3,009,956**	**108,343,897**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Consolidated Group	
		31.12.2017 $	31.12.2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,346,696	1,147,592
Receipts from Royalties		-	498,795
Interest received		108,931	100,013
Interest paid		(327,247)	(44,516)
Payments to suppliers and employees		(11,996,421)	(6,323,395)
Receipts from R&D Tax Rebate		264,059	3,142,973
Receipts from Government grant funding		186,761	1,069,252
Net cash (used in)/provided by operating activities		(9,417,221)	(409,286)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for development of asset		(927,240)	(2,325,234)
Purchase of property, plant and equipment		(1,025,855)	(2,343,577)
Receipt of convertible notes		-	3,690,000
Payments for investment		-	264,313
Net cash (used in) investing activities		(1,953,095)	(714,498)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		(91,176)	(38,660)
Repayment of borrowings		-	(516,388)
Net cash provided by financing activities		(91,176)	(555,048)
Net (decrease)/increase in cash held		(11,461,492)	(1,678,832)
Cash and cash equivalents at beginning of financial year		16,202,143	8,200,500
Effect of exchange rate fluctuations on cash held		20,115	1,051
Cash and cash equivalents at end of financial year	5	4,760,766	6,522,719

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Group's annual financial statements for the financial year ended 30 June 2017.

The adoption of all new and revised Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated group.

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

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	31.12.2017	**31.12.2016**
	$	**$**
Sales revenue		
Solar, battery and microgrid	2,585,334	768,437
Other income		
Interest income	175,391	83,770
Realised gain on foreign exchange	65,897	(25,781)
Sundry	169,892	-
	411,180	57,989

NOTE 3: SHARE OF LOSS OF ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated Group	
	31.12.2017	31.12.2016
Share of loss	$	$
Energy Made Clean Group	-	578,981

NOTE 4: LOSS FOR THE PERIOD

The following expense items are relevant in explaining the financial performance for the reporting year:	Consolidated Group	
	31.12.2017	31.12.2016
	$	$
Amortisation – intellectual property	555,887	-
Depreciation – property, plant and equipment	195,226	84,784
	751,113	84,784

NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
Cash on hand	472	3,226
Cash at bank	4,760,294	16,198,917
	4,760,766	16,202,143

NOTE 6: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
CURRENT		
Trade receivables	2,350,346	1,647,427
Provision for doubtful debts	(646,542)	(100,000)
Prepayments	265,253	800,372
Accrued revenue	1,017,158	1,331,736
Amounts on retention	181,668	212,488
Other receivables*	3,677,747	2,736,503
Security deposits	384,846	107,135
	7,230,476	6,735,661
NON-CURRENT		
Security Deposits	778,835	575,182
	778,835	575,182

* Includes $2,897,557 in research and development tax offsets receivable of which $597,705 relates to the period ended 31 December 2017 (Refer to Note 8a)

Note 7: Property, plant and equipment

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
At cost	10,254,231	7,459,208
Accumulated depreciation	(1,713,981)	(957,904)
	8,540,250	6,501,304
Movements for the period		
Balance at the beginning of the period	6,501,304	494,724
Additions	2,235,118	5,448,136
Assets acquired as part of business acquisition	-	893,514
Disposals	-	(43,491)
Depreciation expense	(195,226)	(289,347)
Depreciation capitalised to intangible asset development	(946)	(2,232)
Balance at the end of the period	8,540,250	6,501,304

Note 8: Intangible Assets

Intangible assets can be broken down as follows:

a) Intangibles – CETO technology development asset

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
Initial acquisition cost of CETO Technology – 2009	55,989,877	55,989,877
Subsequent development expenditure – CETO Technology	78,595,833	72,301,647
Grants and R&D tax incentives received	(51,544,463)	(44,293,459)
	83,041,247	83,998,065
Movements for the period		
Subsequent development expenditure – CETO Technology	1,665,977	6,294,186
Other grants received	(78,577)	(1,847,436)
R&D tax incentive received/receivable	(597,705)	(5,403,568)
Balance as at 30 June	84,030,942	83,041,247

Note 8: Intangible Assets (continued)

b) Intangibles – Microgrid/battery technology development assets

	Consolidated Group	
	31.12.2017	**30.06.2017**
	$	**$**
Opening balance	4,735,471	-
Acquisition of Energy Made Clean	-	5,847,244
Amortisation expense	(555,886)	(1,111,773)
	4,179,585	4,735,471

c) Intangibles – Goodwill

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

	Consolidated Group	
	31.12.2017	**30.06.2017**
	$	**$**
CETO wave energy technology	4,434,046	4,434,046
Solar & battery engineering, procurement, and construction	4,434,046	4,434,046
	8,868,092	8,868,092

NOTE 9: TRADE AND OTHER PAYABLES

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
CURRENT		
Trade creditors	2,865,480	3,002,736
Accruals	2,263,985	2,381,704
Other*	758,143	660,314
	5,887,608	6,044,754
NON-CURRENT		
Trade creditors	96,984	570,819

*Included within trade and other payables is an amount of contingent cash consideration of $100,000 related to the acquisition of Energy Made Clean (EMC). The contingent cash consideration is payable to EMC's Managing Director and founder John Davidson and is dependent upon the achievement of reaching, or partially reaching, a target of $50 million revenue for the EMC business for the two-year period ending 30 June 2018.

The maximum contingent cash consideration payable under the EMC Share Sale Agreement is $1,000,000. The Directors have determined the fair value of the contingent cash consideration to be $100,000 at 31 December 2017. This was determined using a 10% probability weighting for achieving the revenue target and after discounting the future value of the cash payments. The 10% probability was determined by management through forward sales analysis of budgeted versus actual sales and the historical revenue achieved. At the time of EMC's acquisition, the fair value of the contingent cash consideration was determined to be $679,012 based on a 75% probability weighting. At 30 June 2017, this probability was revised to 50% resulting in the fair value of the contingent consideration being assessed as $428,670. This amount was disclosed as "non-current" at 30 June 2017.

The fair value of this contingent cash consideration has been determined in accordance with AASB 3.

NOTE 10: BORROWINGS

Convertible notes

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
CURRENT		
CCE convertible notes	-	2,785,468
NON-CURRENT		
EMC convertible notes	4,785,524	4,733,715
	4,785,524	7,519,183

NOTE 10: BORROWINGS (continued)

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
Balance at the beginning of the period	7,519,183	3,423,034
Placement of new convertible notes	-	5,000,000
Equity component of convertible notes	(14,532)	(32,113)
Conversion to equity during the period (i)	(2,800,000)	(890,000)
Unwinding of finance costs	80,873	144,578
Issue costs	-	(126,316)
	4,785,524	7,519,183

i. 2,800 convertible notes with an 8.0% coupon rate were converted into equity at $0.038 during the period ended 31.12.2017. During the December 2017 quarter, Carnegie announced that it had entered into a Partnership Agreement with Bookitja Pty Ltd and Indigenous Business Australia (IBA) as co-equity investors in relation to the 10MW Northam Solar Farm Project. As part of this, Carnegie signed a term sheet for a $7.5m construction debt facility for the Northam Solar Farm Project. The facility is to be provided by Asymmetric Credit Partners Pty Ltd, who were one of the existing convertible note holders. In order to secure the construction debt facility, Carnegie undertook a debt restructure whereby:

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

The conversion of the existing convertible notes occurred during October 2017, however the issue of the additional Carnegie shares and unlisted options occurred on 8 February 2018 (Refer to Note 14). The issue of the additional shares and options were considered to be an adjusting subsequent event and the fair values have therefore been recognised in this interim financial report. The fair values have been calculated at the same date as the existing convertible notes were converted into ordinary shares. The fair values were calculated as follows:

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

NOTE 11: ISSUED CAPITAL

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
2,673,159,995 (30.06.2017: 2,599,475,784) fully paid ordinary shares	188,864,893	185,212,910

NOTE 12: OPERATING SEGMENTS

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

The Group is organised into two operating segments:

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

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

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

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

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

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

31.12.2016	CETO wave energy technology/ microgrid BOO	Solar & battery engineering, procurement, and construction	Total segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	256,827	511,610*	768,437	-	768,437
Inter-segment	-	967,132*	967,132	(967,132)	-
	256,827	1,478,742*	1,735,569	(967,132)	768,437
Segment loss	(1,970,065)	(264,620)*	(2,234,684)	(5,598,516)	(7,833,200)
Total assets	107,228,039	9,775,968	117,004,007	(1,518,699)	115,485,308
Total liabilities	5,731,734	7,739,171	13,470,905	2,127,557	15,598,462

* Only for the month of December 2016, which represents the portion of the reporting period post consolidation.

NOTE 12: OPERATING SEGMENTS (continued)

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

NOTE 13: CAPITAL AND LEASING COMMITMENTS

There have been no changes to commitments or contingencies disclosed in the 30 June 2017 Annual Report other than the following. During October 2017, the Group entered into a new leasing commitment for the utilisation of land for the Northam Solar Farm. The commitments for the Northam Solar Farm lease are as follows:

	Consolidated Group	
	31.12.2017	30.06.2017
	$	$
Not later than 1 year	84,583	-
Later than 1 year but not later than 5 years	333,335	-
Later than 5 years	1,229,174	-
	1,647,092	-

NOTE 14: EVENTS AFTER THE REPORTING PERIOD

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

- On 24 January 2018, Carnegie received a $1.63m milestone progress payment from the Australian Renewable Energy Agency (ARENA) for the Garden Island Microgrid Project. The Project has now received $2.3m of a total $2.5m funding package from ARENA. Following the receipt of the milestone payment, Carnegie issued $1.6m in Convertible Notes to ARENA. The ARENA convertible notes will prima facie be unsecured debt with 0% interest over a 6 year term and can be converted by ARENA to ordinary shares in Carnegie at a conversion price of $0.053 per share.
- On 7 February 2018, Carnegie completed and executed documentation for a $7.5m debt facility with Asymmetric Credit Partners Pty Ltd, which is to be used to fund the construction of the 10MW Northam Solar Farm. As part of securing the construction funding, Carnegie undertook a corporate debt restructure including the wind up of its $2.8m unlisted convertible notes in October 2017. Under the terms of the convertible note conversion and wind up, upon successful execution of the detailed documentation for the Northam Solar Construction Finance Facility, Carnegie issued 19.6 million ordinary shares and 35 million unlisted five-year options with an exercise price of $0.06 to the note holders.

NOTE 14: EVENTS AFTER THE REPORTING PERIOD (continued)

- On 12 February 2018, Carnegie announced that after a competitive process, the Western Australian Department of Jobs, Tourism, Science and Innovation (JTSI), in collaboration with LandCorp, awarded it in-principle approval to negotiate a lease for 250ha within the Buffer Zone of the Mungari Strategic Industrial Area, to build, own and operate a solar farm. The proposed solar farm will be up to 100MW and include up to 20MW of battery storage.
- On 14 February 2018, following a nationally competitive tender process, Energy Made Clean and its Joint Venture partner, Lendlease, were awarded the contract for the design, construction, operation and maintenance of a 5MW Solar Photovoltaic (PV) Project in Newcastle, NSW
- In February 2018, the Consolidated Group announced two significant new awards for Battery Energy Storage Systems (BESS) in Western Australia and South Australia:
- Kalbarri Microgrid: Energy Made Clean and its Joint Venture partner Lendlease Services were awarded a $6.8m contract for the supply, delivery and installation of a 5MW Battery Energy System (BESS) located in Kalbarri, 500km north of Perth, for Western Power. The system will be supported by a trailing Operations and Maintenance (O&M) contract, serviced by the EMC Lendlease JV's dedicated maintenance team.
- Elizabeth Microgrid: Carnegie was awarded a $3m South Australian Government grant to design, construct, operate and maintain a 2MW/500kWh Battery Energy Storage System (BESS) at the General Motors Holden Site in Elizabeth, South Australia.
- On 17 January 2018, Carnegie was notified by the Australian Taxation Office of the approval of $2,270,340 in Research and Development Tax Scheme Offsets. These offsets were accrued for in the FY2017 annual report.

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

DIRECTORS' DECLARATION

The Directors of the consolidated entity declare that:

1. the financial statements and notes, as set out on pages 7 to 19, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards AASB 134: Interim Financial Reporting; and
   b. give a true and fair view of the financial position as at 31 December 2017 and of the performance for the half-year ended on that date of the consolidated entity.
2. In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Dr Michael E Ottaviano
Managing Director



Grant J Mooney
Director

Dated this 28 day of February 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carnegie Clean Energy Ltd and its controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410*: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Carnegie Clean Energy Ltd and its controlled entities' financial position as at 31 December 2017 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Carnegie Clean Energy Ltd and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



CROWE HORWATH PERTH



CYRUS PATELL
Partner

Signed at Perth, 28 February 2018

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