CARNEGIE CORPORATION LTD
ABN 69 009 237 736
AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2003

CONTENTS

DIRECTORS' REPORT
30 June 2003

The Directors present their report on Carnegie Corporation Ltd ("the Company" or "Parent entity") and its controlled entities, ("the Economic Entity") for the financial year ended 30 June 2003.

DIRECTORS

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

Alan Robert Burns *(Chairman).* Mr Burns has been actively involved in the natural resources industry in Australia and worldwide for over twenty years. In this period Mr Burns and the companies he has been associated with have participated in the exploration and development of oil and gas fields, both onshore and offshore, and gold and diamond mines in Australia. He is also Chairman of Hardman Resources Limited.

Mr Burns has also won a number of international awards for commercial engineering inventions and the Pursuit Marine Drive project, which was a profitable development for Carnegie, is one of Mr Burns' inventions.

Alan Gerard Hopkins *B.Bus, CA (Managing Director).* Mr Hopkins has more than twenty years experience in senior management and commercial management roles. He served as Managing Director of Moonstone Diamond Corporation NL and was a founding Australian executive for the major international engineering group, Edward L. Bateman Pty Ltd. This was during a period of exceptional growth where professional staff levels grew from 2 to over 100 with corresponding increases in revenue. At Grants Patch Mining Limited he contributed to a significant "turnaround" success story culminating in the company's market capitalisation increasing from AU$10 million to in excess of AU$100 million and the bringing on stream of multiple operations.

Mr Hopkins particular skills are in the identification and acquisition of opportunities, the development of strategic growth plans and milestones, the establishment of operations, fundraising, promotions and especially the overall coordination and general management of activities to ensure that the company's primary goals are achieved. He has extensive international experience and has successfully negotiated pioneering large-scale agreements in many countries around the world.

Bruce William McLeod *B.Sc, M.Com (Non-Executive Director).*
Mr McLeod has had extensive experience in the Australian capital markets. He has been involved in raising debt and equity capital for a number of property projects and businesses, as well as the takeover and rationalization of listed and unlisted companies. Prior to this he was Executive Director for an International Bank in Australia, responsible for the financial and capital markets operations. In the early 1980's he spent several years in the stockbroking industry in New Zealand before moving to Australia. Mr. McLeod is Managing Director of Hudson Timber Products Limited, Chairman of Imperial One Limited and a director of Hudson Investment Group Limited, International Concert Attractions Limited and BeMax Resources NL.

Ian Fisher *(Director – appointed 17 January 2003).*
Mr Fisher has had an active interest in the ocean and the preservation thereof. He is the immediate past Chairman of the Jacques Cousteau Society of Australia. The Society's main aim is to educate people about the ocean and its contribution to life. Mr Fisher is the Deputy Chairman of a West Australian government Regional Investment Group. He has also been involved in the furniture retail industry for some 24 years. He is a director and shareholder of a group of cattle stations in the Kimberley.

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

	Ordinary Shares	Options
Alan Robert Burns *	4,366,784	-
Alan Gerard Hopkins	16,700,813	-
Bruce William McLeod	-	-
Ian Fisher **	1,300,000	-

* Mr A R Burns is a Director of Hardman Resources Limited and therefore is deemed to have an interest in 4,366,784 ordinary shares held by Hardman Resources Limited.

** Mr I Fisher is a Director of Notezy Pty Ltd and therefore is deemed to have an interest in 1,300,000 ordinary shares held by Notezy Pty Ltd.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year were the evaluation and marketing of its mineral sands project, and the ongoing development of new technology projects. For further information in relation to the economic entity's activities, please refer to Review of Operations.

OPERATING RESULTS

The consolidated profit of the economic entity for the financial year ended 30 June 2003 after providing for income tax amounted to $918,643 (2002: $2,605,845 loss).

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2003. No dividends were paid during the financial year.

REVIEW OF OPERATIONS

The economic entity continued its exploration activities both in Australia and internationally. In addition the economic entity undertook research and development evaluation work on new technologies.

During the financial year and to the date of this report, the economic entity:

i. commenced treatment of the high grade zircon stockpile in the Gambia under a joint venture with Astron Limited.

ii. began evaluation of stage 2 development of the Gambia zircon project commenced under the Carnegie/Astron Joint Venture;

iii. disposed of 1,542,000 shares in Pursuit Dynamics Plc for total cash consideration of $1,144,169;

iv. entered into a Joint Venture agreement with Pacific Hydro Limited ("PHY") for the development of the Wave Energy project with PHY contributing up to $1,500,000 to the project.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the economic entity during the financial year.

SIGNIFICANT EVENTS SUBSEQUENT TO END OF YEAR

At the date of this report, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the consolidated financial statements, that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

LIKELY DEVELOPMENTS

Information as to the likely developments in the operations of the economic entity and the expected results of those operations in subsequent financial years have not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the economic entity.

ENVIRONMENTAL REGULATION

The economic entity is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities. The economic entity has obtained approval from the National Environmental agency in the Gambia for its environmental management plan for the planned processing of the Company's Zircon stockpile.

SHARE OPTIONS

At the date of this report, there were no options outstanding in respect of unissued ordinary shares.

No options were exercised during the year.

INDEMNIFYING OFFICER OR AUDITOR

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

DIRECTORS' MEETINGS

There were 2 Directors' meetings held during the financial year ended 30 June 2003. Attendances were as follows:

Director	Number Attended	Number Eligible to Attend
Alan Robert Burns	2	2
Alan Gerard Hopkins	2	2
Bruce William McLeod	2	2
Ian Fisher (appointed 17 January 2003)	1	1

There were also a total of 8 circular resolutions passed by the Board of Directors during the financial year.

An Audit Committee of the Board of Directors was established in May 2003. As at the date of this report, 2 meetings of the Audit Committee had taken place.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Directors and Executive Officers are remunerated based on the provision of consulting services provided to the Company for executive management and for their services as Directors and Executive Officers. A Remuneration Committee comprising non executive directors has been established to review salary levels on performance of executive directors and officers. Directors fees are determined by the Company in general meeting and other consulting services are remunerated at levels independently agreed by the Remuneration Committee.

There are no executive officers other than the Executive Director.

Details of remuneration provided to Directors during the financial year are as follows:

	Consulting Services $	Motor Vehicle Benefits $	Total $
Directors:			
A R Burns	60,000	18,000	78,000
A G Hopkins	180,564	12,084	192,648
B W McLeod	15,000	-	15,000
Ian Fisher	6,795	-	6,795

Consulting services includes fees paid to related parties of the Directors.

There are no contracts to which a Director is a party or under which the Director is entitled to a benefit other than as disclosed in the financial report.

Signed on 24th September 2003 in accordance with a resolution of the Board of Directors.

ALAN GERARD HOPKINS
Director

IAN FISHER
Director

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Notes	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CURRENT ASSETS					
Cash assets	18	788,022	385,253	787,518	384,994
Receivables	5	13,306	2,463	13,306	2,463
Other financial assets	6	507,395	-	507,395	-
TOTAL CURRENT ASSETS		1,308,723	387,716	1,308,219	387,457
NON CURRENT ASSETS					
Receivables	5	-	-	-	-
Other financial assets	6	1,280,304	1,090,308	1,280,564	1,090,568
Plant and equipment	7	70,461	86,565	63,561	76,940
Other	8	1,099,153	1,148,113	1,099,153	1,148,113
TOTAL NON CURRENT ASSETS		2,449,918	2,324,986	2,443,278	2,315,621
TOTAL ASSETS		3,758,641	2,712,702	3,751,497	2,703,078
CURRENT LIABILITIES					
Payables	9	59,380	82,359	59,380	82,359
Interest bearing liabilities	10	4,099	4,099	4,099	4,099
Provisions	11	14,330	9,955	14,330	9,955
TOTAL CURRENT LIABILITIES		77,809	96,413	77,809	96,413
NON CURRENT LIABILITIES					
Interest bearing liabilities	10	22,750	26,850	22,750	26,850
Other	10	-	-	7,592,547	7,593,253
TOTAL NON CURRENT LIABILITIES		22,750	26,850	7,615,297	7,620,103
TOTAL LIABILITIES		100,559	123,263	7,693,106	7,716,516
NET ASSETS/(LIABILITIES)		3,658,082	2,589,439	(3,941,609)	(5,013,438)
EQUITY					
Contributed equity	12	13,483,350	13,053,250	13,483,350	13,053,250
Reserves	13	-	280,100	-	280,100
Accumulated losses	14	(9,825,268)	(10,743,911)	(17,424,959)	(18,346,788)
TOTAL EQUITY		3,658,082	2,589,439	(3,941,609)	(5,013,438)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Economic Entity		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$
Revenues from Ordinary Activities	2	1,177,080	4,292,643	1,162,017	435,114
Write back of provision for write down of investments		1,116,840	-	1,116,840	-
Employee benefits expense		(45,076)	(63,452)	(45,076)	(63,452)
Depreciation and amortisation expense		(20,110)	(29,650)	(17,385)	(24,200)
Occupancy expenses		(65,885)	(53,746)	(65,885)	(53,746)
Provision for write down of investments		-	(3,477,302)	-	(3,477,302)
Cost of current investments disposed net of provision		(419,443)	(2,077,499)	(419,449)	(2,077,499)
Consultancy expenses		(217,895)	(62,349)	(217,895)	(62,349)
Doubtful debt expense		-	-	(118,580)	(499,933)
Research and development expense		(118,330)	(534,261)	-	-
Write off of capitalised exploration expenditure		(192,299)	(114,451)	(192,299)	(75,855)
Administration expense		(195,665)	(373,013)	(195,665)	(373,013)
Other expenses from ordinary activities		(100,574)	(112,765)	(84,794)	(111,056)
Profit/(loss) from Ordinary Activities before Income Tax Expense	3	918,643	(2,605,845)	921,829	(6,383,291)
Income tax expense relating to ordinary activities	4	-	-	-	-
Profit/(loss) from Ordinary Activities after Related Income Tax Expense		918,643	(2,605,845)	921,829	(6,383,291)
Total changes in equity other than those resulting from transactions with owners as owners		918,643	(2,590,845)	921,829	(6,398,291)
Basic earnings/(loss) per share (cents per share)	24	0.39	(1.33)		
Diluted earnings/(loss) per share (cents per share)	24	0.39	(1.33)		

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		6,686	21,712	6,215	21,712
Payments to suppliers and employees		(619,979)	(593,225)	(617,597)	(592,484)
Payments for exploration expenditure		(143,339)	(239,399)	(143,339)	(239,399)
Payments for research and development		(151,187)	(508,715)	-	-
Proceeds from reimbursement of research and development		15,063	43,125	-	-
Receipts from operations		11,383	13,268	11,383	13,268
NET CASH FLOWS USED IN OPERATING ACTIVITIES	18(a)	(881,373)	(1,263,234)	(743,338)	(796,903)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments under hire purchase agreements		(6,271)	(6,186)	(6,271)	(6,186)
Payments for property, plant and equipment		(4,006)	(15,918)	(4,006)	(15,918)
Proceeds from disposal of property, plant and equipment		250	-	250	-
Payment for subsidiary net of cash acquired		-	-	-	(251)
Proceeds from sale of investments		1,144,169	400,134	1,144,169	400,134
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		1,134,142	(326,959)	1,134,142	138,380
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital raising costs		(10,000)	(15,000)	(10,000)	(15,000)
Proceeds from issue of shares and options		160,000	721,485	160,000	721,485
Loans to controlled entities		-	-	(138,280)	(466,330)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		150,000	706,485	11,720	240,155
NET INCREASE (DECREASE) IN CASH HELD		402,769	(178,719)	402,524	(178,969)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		385,253	564,468	384,994	564,459
Foreign Exchange losses for the year		-	(496)	-	(496)
CASH AT THE END OF THE FINANCIAL YEAR	18(b)	788,022	385,253	787,518	384,994

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Boards and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical cost. Except where stated, the financial report does not take into account changing money values or current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the economic entity of Carnegie Corporation Ltd and controlled entities, and Carnegie Corporation Ltd as an individual parent entity. Carnegie Corporation Ltd is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Plant and Equipment

Plant and equipment are carried at cost less, where applicable, any accumulated depreciation. Depreciation is on a prime cost basis over the expected useful life to the economic entity of the fixed assets, in line with current tax rates, and is recognised as an expense. Assets are written off as they are fully depreciated.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows used in determining the recoverable amounts of plant and equipment have not been discounted to their present value.

Depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	13 – 40%

(b) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development costs include expenditure on prospects at an exploratory or development stage. These costs include costs of acquisition, exploration, determination of recoverable reserves, economic feasibility studies and all technical and administrative overheads directly associated with those projects.

These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

The economic entity adopts the "area of interest" method of accounting, whereby all exploration and development costs relating to an area of interest are capitalised and carried forward until abandoned. In the event that an area of interest is abandoned, or if the Directors consider the expenditure to be of no value,

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

accumulated exploration costs are written off in the period in which the decision is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Exploration expenditure incurred prior to approval of an application is included in the aggregate amount of mineral exploration expenditure.

Costs of site restoration are expensed as incurred. Cost necessitated by exploration and evaluation activities are treated as exploration and evaluation expenditure. Cost necessitated by development and production are treated as mine operation costs.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

(c) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the operating profit or loss from ordinary activities, adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit or loss and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation, the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Principles of Consolidation

The consolidated accounts comprise the financial report of Carnegie Corporation Ltd and all of its controlled entities. Control exists where Carnegie Corporation Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Carnegie Corporation Ltd to achieve the objectives of Carnegie Corporation Ltd. A list of the controlled entities is contained in Note 16 to the financial report.

All inter-entity balances and unrealised profits from transactions between group companies have been eliminated on consolidation. Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(e) Investments

Listed shares held for trading are carried at cost. The carrying amount of listed shares is reviewed annually by Directors to ensure that it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular companies. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts, except where stated. Dividends and interest are brought to account when received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

(f) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other 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.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(g) Receivables

A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

(h) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and deposits held at call with banks, net of bank overdrafts.

(i) Foreign Currency Translation

Amounts receivable and payable which are denominated in foreign currencies have been converted at the exchange rate ruling at balance date. Revenue and expense items denominated in foreign currencies have been converted at the exchange rate ruling at the time of the relevant transaction. Gains and losses on conversion whether realised or unrealised have been brought to account in the Statement of Financial Performance.

(j) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(k) Revenue

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

The gross proceeds of the non-current asset sales are included as revenue as the date at which control of the asset passes to the buyer, usually when an unconditional contract of sale is executed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Leases

Leases and Hire Purchase Agreements of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(m) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows in the statement.

(n) Research and Development Expenditure

Research and Development costs are charged to profit (loss) from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

(o) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of mining stocks includes direct material, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

(p) Interests in Joint Ventures

The economic entity's share of assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position. Details of the economic entity's interests are shown in Note 17.

(q) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Payables

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
NOTE 2: REVENUE				
Revenue from operating activities:				
Interest received from other persons	6,215	21,712	6,215	21,712
Rent received	11,383	13,268	11,383	13,268
Non-operating activities:				
Proceeds on disposal of current investments	1,144,169	400,134	1,144,169	400,134
Proceeds on disposal of property, plant and equipment	250	-	250	-
Proceeds from sale of research and development project	-	3,814,404	-	-
Reimbursement income from research and development project	15,063	43,125	-	-
Total revenue	1,177,080	4,292,643	1,162,017	435,114

NOTE 3: PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

Profit/(loss) from ordinary activities before income tax has been determined after:				
(a) Expenses				
Depreciation of non-current assets:				
- Plant and equipment	20,110	29,650	17,385	24,200
Total Depreciation	20,110	29,650	17,385	24,200
Movement in provisions:				
Writedown of amounts receivable from - controlled entities	-	-	118,580	499,933
Writedown of Non Current Investments	-	3,477,302	250	3,477,302
Net movement in provisions	-	3,477,302	118,830	3,977,235
Net loss on loss of control of controlled entities	-	-	6	-
Net loss on disposal of investments	-	1,677,315	-	1,677,315
Foreign Exchange loss	-	496	-	496
Research and Development costs	118,330	534,261	-	-
Exploration expenditure written off	192,299	114,451	192,299	75,856
(b) Revenue and Net Gains				
Net gain on disposal of investments	724,726	-	724,726	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 4: INCOME TAX EXPENSE

The amount of income tax attributable to the financial year differs from the amount of prima facie tax payable on the operating profit/(loss). The difference is reconciled as follows:

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Prima facie income tax from Ordinary Activities before income tax, charge/(benefit) on profit/(loss) at 30% (2002: 30%)	275,593	(781,754)	276,549	(1,914,987)
Tax effect of permanent and other differences:				
Revenue tax losses transferred from group		-		879,793
Revenue losses utilised	-	-	-	-
Other items	(206,997)	(294,182)	(215,619)	(294,182)
Prima facie income tax benefit adjusted for permanent and other differences	68,596	(1,075,936)	60,930	(1,329,376)
Future income tax expense not brought to account	(68,596)	1,075,936	(60,930)	1,329,376
Income tax attributable to net operating profit/(loss)	-	-	-	-
Future income tax benefits not brought to account comprise:				
Tax losses carried forward	3,330,916	2,418,533	3,180,990	2,255,212
Timing differences	159,587	1,152,732	34,792	1,140,296
Foreign tax losses	440,801	440,802	221,949	221,949
	3,931,304	4,012,067	3,437,731	3,617,457

Future income tax benefits are not brought to account as the benefits will only be realised if the conditions for deductibility set out below occur. The benefit will only be obtained if:

(a) the Company and the economic entity derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for these losses to be realised;

(b) the Company and economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(c) no changes to tax legislation adversely affect the Company and economic entity in realising the benefit from the deductions for the losses.

NOTE 5: RECEIVABLES

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Current				
Sundry debtors	13,306	2,463	13,306	2,463
Non Current				
Amounts receivable from controlled entities	-	-	3,408,962	3,290,632
Less provision for writedown	-	-	(3,408,962)	(3,290,632)
	-	-	-	-

The parent entity has advanced working capital to controlled entities. The amounts are unsecured, interest free and repayable on demand. The Directors have reviewed the financial position of each entity and consider it prudent to provide for those loans where there does not exist, at this stage, any ability to repay.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
NOTE 6: OTHER FINANCIAL ASSETS				
Current				
Shares in other corporations listed on organised markets, at cost (Note 6 (a))	969,476	-	969,476	-
Less provision for diminution	(462,081)	-	(462,081)	-
	507,395	-	507,395	
Non Current				
Shares in other corporations listed on organised markets, at cost (Note 6(a))	2,446,266	5,551,359	2,446,266	5,551,359
Less provision for diminution	(1,165,962)	(4,461,051)	(1,165,962)	(4,461,051)
	1,280,304	1,090,308	1,280,304	1,090,308
Shares in controlled entities, at cost (Note 16)	-	-	1,881	497,850
Less provision for diminution	-	-	(1,621)	(497,590)
	-	-	260	260
	1,280,304	1,090,308	1,280,564	1,090,568
Tradeable Investments - at cost				
The aggregate cost of tradeable investments are:				
Organised markets	1,787,699	1,090,308	1,787,699	1,090,308
	1,787,699	1,090,308	1,787,699	1,090,308
Market value of listed investments	2,224,726	3,161,893	2,224,726	3,161,893

(a) Shares in other corporations listed on a dealing facility include 2,466,300 shares in Pursuit Dynamics Plc listed on the Alternate Investment Market (AIM) of the London Stock Exchange.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Plant and equipment – at cost	157,377	153,371	136,474	132,468
Less accumulated depreciation	(86,916)	(66,806)	(72,913)	(55,528)
Total Plant and Equipment	70,461	86,565	63,561	76,940

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:

Balance at the beginning of year	86,565	108,497	76,940	93,422
Additions	4,006	7,718	4,006	7,718
Depreciation expense	(20,110)	(29,650)	(17,385)	(24,200)
Carrying amount at year end	70,461	86,565	63,561	76,940

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

NOTE 8: OTHER - NON CURRENT ASSETS

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
NON CURRENT				
(i) Exploration Expenditure Costs carried forward in respect of areas of interest in: - exploration and evaluation phases				
Balance brought forward	1,148,113	997,664	1,148,113	959,069
Costs transferred to production phase	(25,293)	-	(25,293)	-
Expenditure incurred during period - capitalised	143,339	264,900	143,339	264,900
Expenditure written off during period	(192,299)	(114,451)	(192,299)	(75,856)
	1,073,860	1,148,113	1,073,860	1,148,113
Production Phase	25,293	-	25,293	-
	25,293	-	25,293	-
Total Exploration Expenditure	1,099,153	1,148,113	1,099,153	1,148,113

(ii) In accordance with the Company's accounting policies in Note 1(b) the directors have considered the carrying value of capitalised exploration expenditure and believe the potential of the areas of interest justifies the capitalised values. Ultimate recoupment of the expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the interests.

(iii) The economic entity's title to certain mining tenements is subject to Ministerial approval and may be subject to successful outcomes of native title issues. (Refer Note 26(b)).

The recovery of the costs of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their development and exploration or alternatively their sale.

NOTE 9: PAYABLES

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Sundry creditors and accrued expenses	59,380	82,359	59,380	82,359

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 10: INTEREST BEARING LIABILITIES AND OTHER LIABILITIES

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
(a) Interest Bearing Liabilities				
Current				
Hire purchase liability				
- secured	4,099	4,099	4,099	4,099
Non current				
Hire purchase liability				
- secured	22,750	26,850	22,750	26,850
(b) Other Liabilities				
Non current				
Loan from controlled entity				
- unsecured	-	-	7,592,547	7,593,253

NOTE 11: PROVISIONS

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
CURRENT				
Employee benefits	14,330	9,955	14,330	9,955
(a) Number of employees at year end	4	4	4	4
(b) Aggregate employee benefits	14,330	9,955	14,330	9,955

NOTE 12: CONTRIBUTED EQUITY

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
(a) Issued and Paid Up Capital				
235,338,535 (2002: 219,338,535) ordinary shares, fully paid	13,483,350	13,053,250	13,483,350	13,053,250
Movement:				
▪ Opening balance	13,053,250	12,281,265	13,053,250	12,281,265
▪ Placement of 6,042,558 ordinary fully paid shares and 3,021,279 attaching options on 13 September 2001 at an issue price of 3.5 cents each to raise $211,485 in working capital	-	211,485	-	211,485
▪ Issue of 2,000,000 ordinary fully paid shares on 21 December 2001 in lieu of cash for public relations services.	-	40,000	-	40,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 12: CONTRIBUTED EQUITY (Cont'd)

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
▪ Issue of 850,000 ordinary fully paid shares on 13 September 2001 to Audax Resources NL in lieu of cash for Joint Venture contributions.	-	25,500	-	25,500
▪ Placement of 12,500,000 ordinary fully paid shares on 21 December 2002 at an issue price of 2 cents each to raise $250,000 in working capital.	-	250,000	-	250,000
▪ Placement of 13,000,000 ordinary fully paid shares on 4 April 2002 at an issue price of 2 cents each to raise $260,000.	-	260,000	-	260,000
▪ Issue of 16,000,000 ordinary shares during November 2002 at an issue price of 1 cent each to raise $160,000 in working capital.	160,000	-	160,000	-
▪ Transfer of balance of Option Issue Reserve to Issued Capital on expiry of options	280,100	-	280,100	-
	13,493,350	13,068,250	13,493,350	13,068,250
Less:				
Transaction cost relating to share issues	(10,000)	(15,000)	(10,000)	(15,000)
Closing balance	13,483,350	13,053,250	13,483,350	13,053,250

Terms and conditions

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options on issue

30 June 2003

Expiry date	31 August 2003	31 December 2002
Exercise price	5 cents	20 cents
On issue at the beginning of the financial year	24,500,000	88,893,279
Issued during the financial year	-	-
Expired or exercised during the financial year	-	88,893,279
Outstanding at balance date	24,500,000	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

NOTE 12: CONTRIBUTED EQUITY (Cont'd)

30 June 2002

Expiry date	31 August 2003	31 December 2002
Exercise price	5 cents	20 cents
On issue at the beginning of the financial year	-	85,872,000
Issued during the financial year	24,500,000	3,021,279
Expired or exercised during the financial year	-	-
Outstanding at balance date	24,500,000	88,893,279

NOTE 13: RESERVES

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Option Issue Reserve	-	280,100	-	280,100
Movement – Option Issue Reserve:				
▪ Opening balance	280,100	280,100	280,100	280,100
▪ Transfer to Contributed Equity	(280,100)	-	(280,100)	-
▪ Closing Balance	-	280,100	-	280,100

The Option Issue Reserve records the placement of options to acquire shares in the economic entity. During the financial year this balance was transferred to issued capital.

NOTE 14: ACCUMULATED LOSSES

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Accumulated losses at the beginning of the financial year	(10,743,911)	(8,138,066)	(18,346,788)	(11,963,497)
Net profit/(loss) attributable to the members of the Parent Entity	918,643	(2,605,845)	921,829	(6,383,291)
Accumulated losses at the end of the financial year	(9,825,268)	(10,743,911)	(17,424,959)	(18,346,788)

NOTE 15: TOTAL EQUITY RECONCILIATION

Total equity at the beginning of the financial year	2,589,439	4,423,299	(5,013,438)	597,868
Total changes in equity recognised in the statement of financial performance	918,643	(2,605,845)	921,829	(6,383,291)
Transactions with owners as owners: Contributions of equity net of transaction costs	150,000	771,985	150,000	771,985
Total equity at the end of the financial year	3,658,082	2,589,439	(3,941,609)	(5,013,438)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 16: CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Name	Country of Incorporation	Percentage Owned	
Subsidiaries of Parent Entity – Carnegie Corporation Ltd:		2003 ~ %	2002 ~ %
Carnegie Minerals Australia Pty Ltd	Australia	100	100
Carnegie Minerals (Gambia) Limited	The Gambia	100	100
Pecan Holdings Pty Ltd (refer (c) below)	Australia	-	100
Northling Pty Ltd (refer (c) below)	Australia	-	100
New Millenium Engineering Pty Ltd	Australia	100	100
Carnegie Recreational Watercraft Pty Ltd	Australia	100	100
Crosswest Investments Pty Ltd	Australia	100	100
Skylane Pty Ltd (refer (b) below)	Australia	50	-

(b) Controlled entities acquired
During the year, the Company acquired a 50% controlling interest in Skylane Pty Ltd for total consideration of $250.

(c) Loss of control of controlled entities
On 1 July 2002, the Company deregistered subsidiary companies Pecan Holdings Pty Ltd and Northling Pty Ltd.

(d) Controlled Entities with Ownership Interest of 50% or less
Crosswest Investments Pty Ltd holds 50% of the ordinary shares of Skylane Pty Ltd. The remaining 50% are held by Alan Burns, a Director of Carnegie Corporation Ltd. Carnegie Corporation Ltd is deemed to make all the financial and operating decisions of Skylane Pty Ltd and therefore exercise control.

NOTE 17: JOINT VENTURES

The Parent Entity has a 50% interest in the Carnegie Astron Joint Venture, whose principal activity is the exploration, mining and sale of mineral sands in The Gambia. There are no assets employed in, or liabilities incurred by the joint venture other than those disclosed elsewhere in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 18: NOTES TO THE STATEMENT OF CASH FLOWS

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
(a) Reconciliation of Net Cash Flows from Operating Activities to Profit/(loss) from ordinary activities after Income Tax				
Profit/(loss) from ordinary activities after income tax	918,643	(2,605,845)	921,829	(6,383,291)
Non-cash flows in profit from ordinary activities				
Writedown of amounts receivable from controlled entities and associated corporations	-	-	118,580	499,933
Writedown in value of investments	-	3,477,302	250	3,477,302
Research and development expenditure written off	118,330	534,261	-	-
Exploration expenditure written off	192,299	114,451	192,299	75,856
Proceeds from part disposal of marine drive project	-	(3,814,404)	-	-
Write back of provision for writedown of investments	(1,116,840)	-	(1,116,840)	-
Net Gain on disposal of investments	(724,726)	-	(724,726)	-
Net Loss on disposal of investments	-	1,677,315	-	1,677,315
Net gain on disposal of plant and equipment	(250)	-	(250)	-
Net Loss on loss of control of controlled entities	-	-	6	-
Depreciation	20,110	29,650	17,385	24,200
Satisfaction of expenses through issue of shares (Public Relations Services)	-	40,000	-	40,000
Changes in assets and liabilities				
- decrease/(increase) in debtors	(10,843)	13,075	(10,843)	13,075
- (increase)/decrease in other non current assets	(259,492)	(762,878)	(122,424)	(255,132)
- increase/(decrease) in creditors and accruals	(22,979)	31,463	(22,979)	31,463
- movement in provisions	4,375	2,376	4,375	2,376
Net Cash used in Operating Activities	(881,373)	(1,263,234)	(743,338)	(796,903)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 18: NOTES TO THE STATEMENT OF CASH FLOWS (Cont'd)

(b) Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cashflows is reconciled to items in the statement of financial position as follows:

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Cash on hand	1,132	887	628	628
Cash at bank	786,890	384,366	786,890	384,366
	788,022	385,253	787,518	384,994

NOTE 19: STATEMENT OF OPERATIONS BY SEGMENT

The economic entity operates in the following industries and geographical segments:

Business Segments:
Mineral exploration: Undertaking of mineral exploration in Australia and overseas.
Technology: Design and development of new technologies.

Geographical Segments:
Australia: Undertaking design and development of new technologies in Perth.
Africa: Exploration, evaluation and processing of the Company's Zircon stockpile in The Gambia.

	Mineral Exploration		Technology		Consolidated	
	2003	2002	2003	2002	2003	2002
	$	$	$	$	$	$
(a) Business Segments						
Total Revenue	17,848	34,980	1,159,232	4,257,663	1,177,080	4,292,643
Segment result	(919,492)	(6,422,427)	1,838,135	3,816,582	918,643	(2,605,845)
Segment assets	1,803,013	2,703,078	1,955,628	9,624	3,758,641	2,712,702
Segment liabilities	100,559	123,263	-	-	100,559	123,263
Other						
- asset acquisitions	4,006	7,718	-	-	4,006	7,718
- depreciation	17,385	24,200	2,725	5,450	20,110	29,650

	Australia		Africa		Consolidated	
	2003	2002	2003	2002	2003	2002
	$	$	$	$	$	$
(b) Geographical Segments						
Total Revenue outside economic entity	1,177,080	4,292,643	-	-	1,177,080	4,292,643
Segment result	918,643	(2,605,845)	-	-	918,643	(2,605,845)
Segment assets	2,718,272	1,766,372	1,040,369	946,330	3,758,641	2,712,702
Segment liabilities	100,559	123,263	-	-	100,559	123,263
Other						
- asset acquisitions	4,006	7,718	-	-	4,006	7,718
- depreciation	20,110	29,650	-	-	20,110	29,650

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

NOTE 20: REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Remuneration of Directors

The following were Directors of the parent entity during the financial year:
A R Burns
A G Hopkins
B W McLeod
I Fisher (appointed 17 January 2003)

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
The aggregate of the income paid or payable, or otherwise made available, in respect of the financial year to all Directors of the Company or controlled entities, directly or indirectly, by the Company, controlled entities or by any related party is:	292,443	268,413	292,443	268,413

The number of Directors of the Company whose total income paid or payable, or otherwise made available, in respect of the financial year, directly or indirectly, by the Company or by any related party falls within the following bands:

			2003 No.	2002 No.
$10,000	-	$19,999	2	-
$20,000	-	$29,999	-	1
$60,000	-	$69,999	1	1
$150,000	-	$159,999	-	-
$180,000	-	$189,999	1	1

(b) Remuneration of Executives

There are no executive officers other than the Executive Director whose remuneration is included in Note 20 (a).

NOTE 21: AUDITORS' REMUNERATION

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Amounts received, or due and receivable, by the auditors for audit or review of the financial report	14,047	8,580	9,797	5,720

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

NOTE 22: RELATED PARTY TRANSACTIONS

(a) Transactions with Director related entities

- Consultancy, accounting and general management services have been provided by entities associated with A G Hopkins, B W McLeod and Ian Fisher during the financial year. These amounts have been included in the disclosures at Note 20. The transactions were undertaken under normal commercial terms.

- Technical consulting services have been provided by entities associated with Alan Burns during the financial year. The transactions were undertaken under normal commercial terms. Payments made to Mr Burns and his related entities include the following:

	$
Consulting fees	60,060
Reimbursement of expenditure (1)	23,287
	83,347

(1) During the year, Marine Research Pty Ltd and Crocodile Science Pty Ltd, companies controlled by A R Burns, received payments relating to the review and development of technology projects.

(b) Directors' Shareholdings	2003 No.	2002 No.
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in members of the economic entity:		
Carnegie Corporation Ltd.		
Ordinary shares (i) (ii)	22,367,597	19,336,310
Ordinary share options	17,000,000	17,000,000

(i) A R Burns is a Director of Hardman Resources Limited and therefore is deemed to have interest in 4,366,784 ordinary shares held by Hardman Resources Limited.

(ii) I Fisher is a Director of Notezy Pty Ltd and therefore is deemed to have interest in 1,300,000 ordinary shares held by Notezy Pty Ltd.

During the period, Directors and their related entities acquired 3,231,287 ordinary shares and sold 1,500,000 ordinary shares on market.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 23: FINANCIAL INSTRUMENTS

(a) Interest rate risk

The economic entity'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 and the effective weighted average interest rates in classes of financial assets and liabilities is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Rate Maturing Within year	Fixed Rate Maturing 1 to 5 years	Non-interest Bearing	Total
	%	$	$	$	$	$
30 June 2003:						
Financial assets:						
Cash	4.5	288,022	500,000	-	-	788,022
Receivables	-	-	-	-	13,306	13,306
Other financial assets	-	-	-	-	1,787,699	1,787,699
		288,022	500,000	-	1,801,005	2,589,027
Financial liabilities:						
Accounts payable	-	-	-	-	59,380	59,380
Interest bearing liabilities	7.25	-	4,099	22,750	-	26,849
		-	4,099	22,750	59,380	86,229

	Average Effective Interest Rate	Floating Interest Rate	Fixed Rate Maturing Within year	Fixed Rate Maturing 1 to 5 years	Non-interest Bearing	Total
	%	$	$	$	$	$
30 June 2002:						
Financial assets:						
Cash	4.0	385,253	-	-	-	385,253
Receivables	-	-	-	-	2,463	2,463
Other financial assets	-	-	-	-	1,090,308	1,090,308
		385,253	-	-	1,092,771	1,478,024
Financial liabilities:						
Accounts payable	-	-	-	-	82,359	82,359
Interest bearing liabilities	7.25	-	4,099	26,850	-	30,949
		-	4,099	26,850	82,359	113,308

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

NOTE 23: FINANCIAL INSTRUMENTS (Cont'd)

(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.

(c) Net fair value

The net fair value of financial assets and financial liabilities approximate their carrying 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 and forming part of the financial statements.

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. 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. No financial assets or financial liabilities are readily traded on organised markets in standardised form other than investments.

NOTE 24: EARNINGS PER SHARE

	Economic Entity	
	2003	**2002**
Basic earnings/(loss) per share	0.39 cents	(1.33) cents
Diluted earnings/(loss) per share	0.39 cents	(1.33) cents
(a) Reconciliation of earnings to Net Profit or Loss		
Net Profit/(loss)	918,643	(2,605,845)
Earnings used in the calculation of basic EPS	918,643	(2,605,845)
Earnings used in the calculation of dilutive EPS	918,643	(2,605,845)
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings/(loss) per share	237,511,140	195,871,591
Diluted weighted average number of shares on issue at end of financial year	237,511,140	195,871,591

(c) Classification of securities – diluted earnings per share is calculated after classifying options on issue at 30 June 2003 and likely to be exercised as potential ordinary shares. As at 30 June 2003, there are no potentially dilutive shares as all options are out of the money.

NOTE 25: SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

At the date of this report, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the consolidated financial statements, that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26: CONTINGENT LIABILITIES

(a) In accordance with normal industry practice the economic entity has entered into farm-in agreements with other parties for the purpose of exploring and developing its mineral interests and the development of new technologies. A contingent liability exists in respect of contributions due to be paid by farm-in partners of the economic entity to pursuant to these farm-in agreements.

(b) In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of native title. The full impact that the Mabo decision may have on tenements held by the economic entity is not yet known. The economic entity is aware of native title claims that have been lodged with the National Native Title Tribunal ("the Tribunal") over several areas in Western Australia in which the economic entity holds interests. The native title claims have been accepted by the Tribunal for determination under section 63(1) of the *Native Title Act 1993* (Commonwealth).

NOTE 27: COMMITMENTS FOR EXPENDITURE

(a) In order to maintain an interest in the mining and exploration tenements in which the economic entity is involved, the economic entity is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the economic entity are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

The aggregate amount payable not later than one year as at balance date is $239,952 (2002: $542,500) consolidated and $239,952 (2002: $292,500) parent entity. Financial commitments for subsequent periods will be determined at a future date.

(d) Operating Lease Commitment

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Not later than 1 year	67,416	68,622	67,416	68,622
Later than 1 year but not later than 5 years	67,416	-	67,416	-
	134,832	68,622	134,832	68,622

The property lease is a non-cancellable lease with an expiry term of 2 years, expiring on 19 June 2003. There is an option to renew the lease for an additional period of 2 years from 20 June 2003 to 19 June 2005.

NOTE 28: ECONOMIC CONTINGENCY

Mineral exploration and technology research and development is a speculative endeavour and no guarantee of results is given. The allocation and requirement for funds is dependent on results from exploration and associated expenditure commitments as well as technology research and development.

The Company will continue to provide financial support, where possible, to the controlled entities to continue the operations of those entities.

The Company maintains a prudent approach to exploration and research and development and assesses its areas of interest on a regular basis. Decisions are made after an assessment of results to continue exploration, seek farm-out partners or abandon the project.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 29: COMPANY DETAILS

The registered office of the Company is:

Carnegie Corporation Ltd
1st Floor
16 Ord Street
WEST PERTH WA 6005

The principal place of business is:
Carnegie Corporation Ltd
1st Floor
16 Ord Street
WEST PERTH WA 6005

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 5 to 27 are in accordance with the Corporations Act 2001:

   (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 2003 and of the performance for the year ended on that date of the Company and Economic Entity; and

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.

ALAN GERARD HOPKINS
Director

IAN FISHER
Director

24 September 2003

INDEPENDENT AUDIT REPORT
TO MEMBERS OF CARNEGIE CORPORATION LIMITED

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Carnegie Corporation Limited (the company) and Carnegie Corporation Limited (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

We have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Carnegie Corporation Limited is in accordance with:

(a) the Corporations Act 2001, including:

- i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003, and of their performance for the year ended on that date; and
- ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Grant Thornton

GRANT THORNTON
CHARTERED ACCOUNTANTS

Sean McGurk

SEAN MCGURK
Partner

Signed at Perth this 24th day of September 2003

ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 10 September 2003.

Spread of Holdings			Ordinary Shares
1	-	1,000	34,343
1,001	-	5,000	483,655
5,001	-	10,000	1,655,264
10,001	-	100,000	47,866,331
100,001	-	and over	185,298,942
			235,338,535

Number of shareholders: 1,771

Number of shareholders holding less than a marketable parcel: 676

STATEMENT OF QUOTED SECURITIES

Listed on the Australian Stock Exchange are 235,338,535 fully paid shares.

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

The register of securities is held at Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross, Western Australia 6153.

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES

Ordinary Fully Paid Shares:

Shareholder Name	No. of Shares	Percentage of Capital
Alan Gerard Hopkins	11,500,000	4.89%
Brett Armstrong	11,000,000	4.67%
ANZ Nominees Limited	9,636,902	4.09%
Sunvest Corporation Limited	6,250,000	2.66%
Imperial Investments Pty Ltd	5,783,490	2.46%
Ridgescan Pty Ltd <Alan G Hopkins Super Fund A/c>	5,200,813	2.21%
Pursuit Dynamics Plc	5,056,837	2.15%
Beachline Holdings Pty Ltd	4,500,000	1.91%
Hardman Resources NL	4,366,784	1.86%
Bones Australia Pty Ltd	4,160,000	1.77%
Matice Pty Limited	3,090,700	1.31%
Bond Street Custodians Limited	2,780,000	1.18%
Bollingbrook Pty Ltd	2,700,000	1.15%
Peter Dillon	2,020,000	.86%
Andrew Parlby Walton	2,000,000	.85%
Pylewell Holdings Pty Ltd	1,505,000	.64%
Zhang Wu Qing + Zheng	1,450,000	.62%
Masters Investments Pty Ltd	1,400,000	.59%
Pannin Pty Ltd	1,385,000	.59%
Notezy Pty Ltd	1,300,000	.55%
	87,085,526	37.01%

SUBSTANTIAL SHAREHOLDERS

Shareholder	Number of Shares
Alan Gerard Hopkins	16,700,813

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney

REGISTERED OFFICE

The registered office of the Company is at 1st Floor, 16 Ord Street, West Perth 6005. The telephone number is (08) 9486 4466.

CORPORATE GOVERNANCE

Carnegie Corporation Ltd is a mineral exploration and a technology research and development company.

Unless otherwise stated, the practices detailed in this statement have been in place for the entire reporting period.

Board of Directors / Executive Management

The Board comprise an Executive Director, two Non-Executive Directors and a Non-Executive Chairman. Full details of the Company's Board of Directors and their relevant experience and skills are detailed within the Directors' Report. The Company's Constitution requires that one third of the members of the Board retire by rotation each year but are eligible for re-election.

Any new Director appointed holds office only until the next general meeting and is then eligible for re-election. The Board will ensure that any such person to be appointed as a Director possesses an appropriate level of qualifications, expertise and experience. Due to its size, the Company does not have a Nomination Committee.

The Directors are aware of their responsibilities and obligations to protect shareholder's funds. Due care is taken to explain both the positive and negative aspects in all reports to highlight the inherent risks involved in exploration and other activities.

Independence of Board Members

The Board of Directors comprises two Non-Executive Directors, Messrs Ian Fisher and Bruce McLeod, both of whom are considered by the Board of Directors as independent for the purposes of the Australian Stock Exchange Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations".

Management of Strategic Business Operations / Internal Control

The Board of Directors determine the strategic direction of the Company by regularly monitoring and evaluating the performance and status of each of the Company's projects and activities, with the objective of maximising and enhancing the reputation and performance of the Company to increase shareholder value.

Advice on the performance of the Company's projects and investments is also provided by consultants and employees, where required.

Internal control is achieved through evaluation of and compliance with established internal procedures for matters such as authorisation of expenditure, review of personnel performance and achievement of stated goals.

The Directors have also implemented a system of executive project committees to monitor the day to day activities of the Company's projects.

Remuneration Committee

The Board has established a Remuneration Committee for the purposes of making recommendations to the Company's Board of Directors on remuneration packages and policies applicable to senior executives and the Directors themselves.

The functions of a Remuneration Committee would generally include review of;

- policies for salaried personnel and directors remuneration annually;
- the basis of the calculation for senior executives' and directors' remuneration annually to ensure that it appears reasonable;
- current industry practice and the professional executive recruitment organisations' publications;
- different methods for remunerating senior executives and directors;
- existing or proposed share option schemes;
- superannuation payments;
- retirement and termination payments;
- fringe benefits;
- professional indemnity and liability insurance policies;
- related party transaction disclosure in the financial statements;
- communication with major shareholders and institutional investors to gauge their views on remuneration packages; and
- annual leave policies (and long service leave).

The Remuneration Committee consists of the non-executive Directors and the Company Secretary. All members are considered independent. Access is also available to the Company's auditors and senior managers, and the ability to consult independent experts when necessary.

The Remuneration Committee reports a summary of the findings of each Committee Meeting to the Board of Directors. All Directors receive a copy of the Minutes of the Remuneration Committee meetings.

During the financial year the Remuneration Committee met on one occasion to undertake a remuneration review of all staff and executive management with findings provided to the Board of Directors which were subsequently adopted. Ian Fisher (Non-Executive Director) and Grant Mooney (Company Secretary) were in attendance with findings subsequently endorsed by Bruce McLeod (Non-Executive Director).

In relation to non-executive directors, there are presently no schemes for retirement benefits, other than statutory superannuation.

The Directors are remunerated based on the provision of consulting services provided to the Company for executive management and for their services as Directors. The Directors fees are determined by the Company in general meeting and other consulting services are remunerated at levels independently agreed by the Remuneration Committee.

Audit and Audit Committee

During May 2003 the Company has established an Audit Committee with an established Charter.

The Audit Committee comprises Ian Fisher (Non Executive Director) and Grant Mooney (Company Secretary).

The Audit Committee has met twice since its establishment with both members in attendance. The Company's auditors and accountant attend only upon invitation.

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

The Company has appointed, with their consent, Grant Thornton as its auditors.

Identification and Management of Risk

The Board's collective experience should assist in enabling accurate identification of the principal risks which may affect the Company's business. Identifying key operational risks and their management, will be recurring items for deliberation at Board meetings.

Independent Professional Advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Ethical Standards

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices.

Share Trading

A formal policy has been adopted which is to ensure compliance with the "insider trading" provisions of the Corporations Act by executive staff who may be in possession of sensitive information concerning the Company's affairs, prior to release to the market.