Carnegie Corporation Ltd

ACN 009 237 736

REPORT TO SHAREHOLDERS
FOR THE QUARTER ENDED 31st DECEMBER 2004

This report summarises the activities of Carnegie Corporation Ltd ("Carnegie" or "the Company") during the quarter ended 31st December 2004.

HIGHLIGHTS

WAVE ENERGY PROJECT (Seapower Pacific P/L)

- Construction of the "in sea" prototype (the CETO unit) is complete. Pre launch testing results were very positive and in line with expectations.
- A comprehensive review of the planned sea trial programme has been completed. The budget for an expanded programme has been developed with financing arrangements well advanced.
- The project is receiving strong interest from international renewable energy groups and this is expected to provide support for the imminent sea trial programme.

MINERAL SANDS (50/50 JV's with Astron Ltd)

The Gambia

- The dredging trials at Sanyang have recommenced. A good water supply has been established on site, which is proving sufficient to support the current dredging operations.
- The terms of reference for the Environmental Impact Assessment (EIA) were received from The Gambian National Environmental Agency. Consultants have been appointed and the preparation of the EIA is underway.

Senegal

- The Company was granted an Exclusive Licence over an extensive coastal area that the Company considers is highly prospective for mineral sands in southern Senegal.

1. WAVE ENERGY PROJECT

During the quarter, the construction work on the "in sea prototype" was completed and it was officially designated as the CETO unit.

With all the structural welding done, the only item remaining is cosmetic touch up painting to ensure the CETO unit looks it's best for the launch scheduled to take place at the end of March / early April 2005, subject to slipway availability. At that time, weather, and sea conditions should be at their calmest.

The design and construction of the CETO unit has a state of the art control and monitoring system. This system includes controls that open and close valves etc from the remote shore based station. Testing of the operation of this system was completed, providing confidence that when the unit is in an underwater environment, the device should respond to commands without error.

The system also contains "sensors" to monitor and measure various ocean parameters that have an influence on energy production. A major task that began during the quarter (and is being continued in the next quarter) is the adoption and development of a data analysis package that compliments the data collection and storage system. This process is now well advanced and we expect to be able to measure and compare the energy available with the energy captured and the energy produced.

This is a fundamental tool that will greatly assist the development of commercial units through the optimization of the design of the CETO units to suit prevailing sea state conditions. This feature of our design has the potential to provide a strong competitive edge in the market.

Significant interest in the project has been received from the overseas renewable energy sector and this has the potential to grow as a result of the financial incentives available to such producers.

For further information on this project please refer to the Company's website www.carnegiecorp.com.au

2. MINERAL SANDS, THE GAMBIA - *West Africa (50 /50 JV with Astron Ltd)*

During the quarter, dredging trials were resumed at the Sanyang Deposit. These trials had been temporarily halted in the previous quarter so the wet season's impact on the water table could be assessed. The resumed dredging operations are now also supported by an adequate on site water supply from an additional on site borehole successfully drilled and tested during the temporary break by the Gambian Department of Water Resources.

A second shipment of a preliminary upgraded mineral concentrate was sent for final processing in China in December 2004.

Additional equipment has also now arrived in Banjul as part of a programme of technical improvements being undertaken on the dredge and spiral plants. These improvements arose from the intermediate trial results and the subsequent recommendations of the processing consultants who visited the site operations.

In October 2004, Carnegie presented to the Gambian Government a proposed general mining plan for developing the Sanyang, Batukunku and Kartung mineral sands deposits. The key aspect of the proposed plan was the flexible combination of low-cost dry and wet mining methods to be applied to the variable geological and hydro geological conditions of the Gambian deposits.

Further detailing of the mine plan is scheduled for the next quarter with an independent Australian mining consultant visiting the Gambian trial operations and mineral deposits in February 2005.

In November 2004, Carnegie started the process of the statutory Environmental Impact Assessment (EIA) of the future mining project. The Gambian National Environment Agency (NEA) has provided Carnegie with the official terms of reference for the EIA study, which is now underway involving a group of independent Gambian environmental consultants.

The submission of the mining plan and the EIA were required for the Gambian Government to complete their processing of Carnegie's application to convert the current prospecting license to a mining lease.

The Gambian resources were classified according to the Australian JORC Code standards and computer modelling has resulted in a resource statement for the Sanyang, Batukunku and Kartung mineral sands deposits at a 1% HM cut-off grade as follows:

Deposit	Tonnes (millions)		Grade (%)
Sanyang:	**11.0**	@	**6.02% HM**
Batukunku:	**7.2**	@	**3.98% HM**
Kartung:	**0.6**	@	**4.77% HM**
Total	**18.8**	@	**5.20% HM**

For further information on this project please refer to the company's website www.carnegiecorp.com.au

3. MINERAL SANDS, Senegal (50/50 JV with Astron Ltd)

During the quarter, Carnegie was granted an exclusive exploration license over 750 square kilometres of coastal area that is highly prospective for mineral sands in southern Senegal extending southwards from The Gambian border.

Heavy mineral concentrations have been identified over the full length of the exploration license. The heavy minerals occur in beach strandlines ranging in width from 400 metres from the coast up to 10 kilometres in the southern most portions.

Strandlines are clearly identified on aerial photos and Landsat images and provide a target with the potential to host large scale heavy mineral deposits.

Limited historical work has been undertaken in the license area but fieldwork conducted in one small area in the 1950's reported the mineralised sand as being extremely rich in heavy minerals (average heavy mineral grades 50% +).

Carnegie plans to undertake a rapid auger drilling program over the extended target area to be followed up by Banka drilling below the water table in those areas where mineralisation is intersected.

This project provides the Company with exceptional potential to significantly increase its reserve base and is logistically very close to its existing operations located 4 kilometres to the north in The Gambia where Carnegie has successfully operated a joint venture with industrial minerals company Astron Limited.

This 50 / 50 joint venture will now extend to include the Senegal licence with Carnegie the operator and Astron contributing 50% of the funding.

This co-operation has the following key benefits:

- An integrated project approach can be adopted across The Gambian & Senegal borders.
- A more aggressive exploration program can be launched due to the now inbuilt dual funding.
- Existing processing facilities over the border in The Gambia can be easily deployed to accelerate any bulk processing operations to be undertaken in Senegal.
- Existing project administration infrastructure in The Gambia provides an excellent regional base for progressing the now larger scale project.
- Chinese capital cost advantages may be brought to bear to the project.
- Provides direct access to the increasing demand in the Chinese market.

As a result of this new acquisition, emerging valuable heavy mineral production in The Gambia is now joined with exceptional exploration potential in adjoining Senegal to provide a significant coastal project. In addition, the close commercial relationship with market leader Astron Limited provides strong leverage to rising Chinese demand.

4. OTHER REGIONAL MINERAL OPPORTUNITIES

The Gambian Government is reviewing the Company's application for an additional 1,550 km^2 Exclusive Prospecting License to evaluate occurrences of industrial minerals identified in the coastal region of The Gambia.

5. CARNEGIE RECREATIONAL WATERCRAFT

The Company commenced construction of a full size working prototype of its "patent applied for" watercraft design and expect to test the unit in the coming quarter.

Other Projects

There was no significant work undertaken on other projects during the quarter.

CARNEGIE CORPORATION LTD

ALAN G. HOPKINS
MANAGING DIRECTOR   January 28th, 2005

In accordance with ASX listing requirements, the geological information supplied in this report has been based on information provided by geologists who have had in excess of five years experience in their field of activity.

FOR FURTHER INFORMATION PLEASE CONTACT

CARNEGIE CORPORATION LTD

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CARNEGIE CORPORATION LTD

ABN	Quarter ended ("current quarter")
69 009 237 736	31 December 2004

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	26	26
1.2	Payments for (a) exploration and evaluation	(136)	(203)
	(b) development		
	(c) production		
	(d) administration	(274)	(540)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	47	91
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other - Research & Development	(118)	(246)
	Other income – reimbursed expenditure	17	34
	Net Operating Cash Flows	(438)	(838)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments	-	(17)
	(c) other fixed assets	(3)	(5)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	356	994
	(c) other fixed assets	-	-
1.10	Loans to other entities	(61)	(61)
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	292	911
1.13	Total operating and investing cash flows (carried forward)	(146)	73

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(146)	73
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(3)	(6)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	(3)	(6)
	Net increase (decrease) in cash held	(149)	67
1.20	Cash at beginning of quarter/year to date	3,828	3,612
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	3,679	3,679

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	148
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments to Directors are consulting fees for the quarter and reimbursement of motor vehicle expenses.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	150
4.2	Development	-
	Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	540	216
5.2	Deposits at call	3,139	3,612
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	3,679	3,828

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	235,338,535	235,338,535		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	-	-	*Exercise price* -	*Expiry date* -
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not~~ give a true and fair view of the matters disclosed.

Sign here:

Print name: GRANT J. MOONEY Company Secretary
Date: 28 January 2004

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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