carnegie corporation

ANNUAL REPORT

05

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CORPORATE DIRECTORY

DIRECTORS

ALAN R. BURNS *(Chairman)*

ALAN G. HOPKINS *(Managing Director) B. Bus.CA*

BRUCE W. MCLEOD *B.Sc M. Comm.*

IAN C. FISHER

COMPANY SECRETARY

GRANT J. MOONEY CA

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SOLICITORS

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SHARE REGISTRY

SECURITY TRANSFER REGISTRARS PTY LTD

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STOCK EXCHANGE

The Company's securities are quoted on

the official list of the

AUSTRALIAN STOCK EXCHANGE LIMITED

The home exchange being Perth

2 The Esplanade Perth 6000

Western Australia

ASX code: CNM

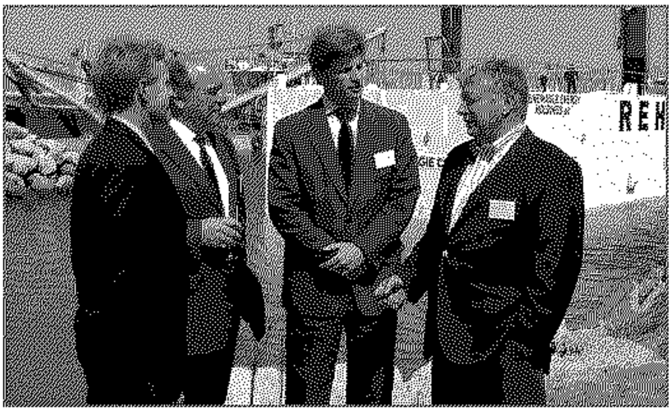
CHAIRMAN'S REPORT

Dear Shareholder,

This has been another year of significant progress for your company.

Highlights include:

- The financing, launch, deployment & inaugural "in sea" trial of the CETO wave energy prototype that successfully demonstrated the technology
- The undertaking of successful dredge mining trials at the Sanyang mineral sands deposit in The Gambia
- Obtaining a license for mineral sands over a substantial, highly prospective coastal zone in southern Senegal
- The further strengthening of the Company's net tangible asset position through the AIM listing of consortium company Seapower Pacific P/L



Left to right: Carnegie's Managing Director Alan Hopkins with Renewable Energy Holdings' CEO Mike Proffitt, Pacific Hydro's CEO Rob Grant and Carnegie's Chairman Alan Burns.

Technology & Innovation

Wave Energy Project

The Seapower Pacific Incorporated Joint Venture successfully raised substantial funding to facilitate the launch, deployment and sea trials of the CETO wave energy prototype. This was achieved through the successful listing of the business on the London Alternative Market (AIM) & was flagged in last year's Annual Report as being key to establishing the necessary strong platform to undertake the next phase of the project.

Following on closely from this fundraising, the CETO prototype was successfully launched at Henderson and then subsequently towed to and deployed at the designated site off Fremantle's Rous Harbour. The unit was then secured and connected to the shore base by a sub sea pipeline awaiting its inaugural full scale real world test.

This first test was undertaken in July 2005 and resulted in the unit successfully pumping high pressure seawater to shore. This was a milestone for the project as it successfully proved the underlying principles of the technology could be implemented on a large scale in a real world environment.

This provides a solid base from which an extended testing and development programme can now be undertaken.

Other: Pursuit Dynamics Plc ("Pursuit")

Pursuit reported a year of good progress including winning a prestigious 2005 Technological Development of the Year Award and concluding a number of commercial licensing agreements. In addition, they reported the development of several new applications from the platform technology.

Carnegie has sold down its shareholding in Pursuit but retains a royalty entitlement. The Company has recently written to Pursuit to ask them to address these royalty entitlements in light of the licensing agreements entered into.

CHAIRMAN'S REPORT

Other: New Projects

Carnegie has been undertaking due diligence investigations on several new innovative technology projects with high potential to become a dominant project for the Company. At the time of writing, the due diligence and commercial review of these projects are ongoing.

Minerals

The Gambia

The Company successfully completed a second round trial dredge programme at the Sanyang deposit. This complemented the dry mining trials undertaken earlier and enabled the preparation of a full mine evaluation that demonstrated the viability of the project at current commodity prices. A full environmental impact assessment was completed and formal approval received for the environmental management plan. The Company now awaits the granting of a mining lease to move to mining later this year.

Senegal

Carnegie successfully applied for an exclusive exploration license over an extensive coastal stretch of southern Senegal. The Company identified this area from its existing operations over the border in The Gambia and we believe it has significant potential to expand the mining operations planned for this area.

Other:

The Company is expanding its resource activities and is undertaking due diligence on a number of new resource projects.

Corporate

As the mineral sands activities have now progressed to the near mining stage, it is proposed to segregate this in a separate, to be listed, company in which Carnegie retains a dominant interest.

This should achieve two goals:

1. Provide a significant boost to the net assets of Carnegie

2. Clearly segregate these activities from the Technology & Innovation activities that have been successfully undertaken over recent years and which we plan to further develop.

We believe that the above restructure can facilitate significant value being added to the Company for the benefit of the long term shareholders who provide the necessary support for these endeavours to be undertaken.

I also would like to thank the Company's small but effective executive team for their efforts over the last year and we eagerly look forward to future developments from the strong base that has been now been put in place.

Alan Burns

Chairman of Directors

SUMMARY OF OPERATIONS

The Company continued to operate in two distinct segments:

1. **Innovation & Technology**
2. **Resources**

Significant progress was made during the year in both segments.

1. Innovation & Technology

The Company's main Innovation & Technology focus was its involvement in the wave energy project.

Renewable (Wave) Energy Project (Seapower Pacific Pty Ltd)

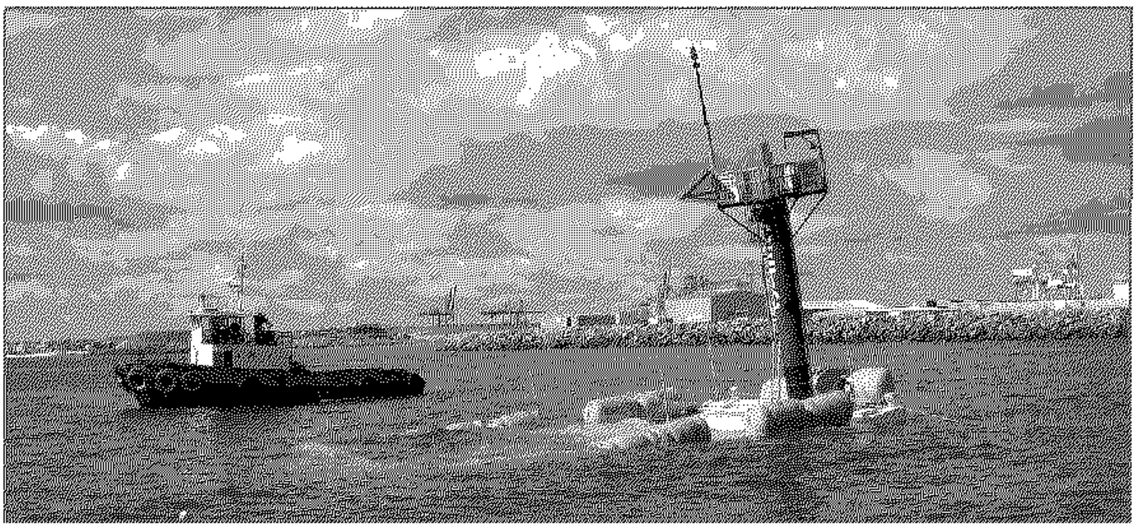
Many milestones were achieved for this project during the year. These included:

- *Putting in place the necessary strong financial support for the launch and in sea testing of the CETO prototype.*

The Seapower Pacific partners made the strategic decision to put in place all the required funding to cover the estimated expenditure for the launch and in sea testing of the Ceto prototype. This funding had to cover all foreseeable contingencies that may arise in the course of the in sea test programme. Establishing this solid financial base was considered the best way of providing the prototype with a sound launching pad to tackle the forthcoming, challenging sea trial programme.

This financial platform was achieved via the listing of the Seapower Pacific assets on the London Alternative Investment Market (AIM) as part of the successful float of Renewable Energy Holdings Plc ("REH"). REH was formed to become a leading European renewable energy company, to progress the Seapower Pacific wave energy technology complemented by renewable projects utilizing existing renewable technologies that would generate positive cash flow in the nearer term.

Carnegie was the second largest shareholder in REH after its listing and retained flow through rights to participate in any subsequent commercialized CETO or other commercial renewable projects that REH may undertake.



CETO Unit being installed off Fremantle

SUMMARY OF OPERATIONS

- *The successful launch & deployment of the CETO Prototype*

With the necessary funding in place, the CETO prototype was launched at Henderson shipyards and pre ballasted with concrete. It was then subsequently towed to the designated site and submerged carefully onto the seabed. Due to the time of the year, it was imperative to properly secure the unit to the seabed as quickly as possible. This was done via the anchoring system as well as surrounding the unit with the anti scouring block mesh skirts specially designed for this purpose. Despite being interrupted by the largest storm and swells of the Perth winter, this task was successfully completed.

The laying of the sub sea pipeline from the unit to the shore based monitoring and receiving base was then completed and all instrumentation rigged up to facilitate the remote control of the unit's air pressure and pumping circuits.

All was then ready for the unit's inaugural, real world, full scale, in sea test.

CETO Unit being submerged

- *The successful first test of the unit*

In July 2005, this test was undertaken and being its first test, great caution was applied so as to not over stress the unit. The diaphragm was only allowed to operate to part capacity in this test, but the unit successfully delivered high pressure (~ 500psi) seawater to shore using only the dynamic wave pressure passing over the unit as its motive force. This was a milestone for the project as it successfully proved that the underlying principles of the technology could be implemented on a real world scale.

- *What next?*

This successful test result provides the project with a solid technical base from which an extended testing and development programme can now be developed & undertaken.

SUMMARY OF OPERATIONS

Other – Pursuit Dynamics Plc ("Pursuit")

During the year, Pursuit reported a year of good progress with licensing agreements for the use of a PDX unit in a range of industries including:

- Greene King Brewing, for use in their "cleaning in place" system.
- Premier Foods, for use as a sugar dissolver within the group's production process
- Coca Cola Enterprises, for use in a UK soft drinks factory
- A Campbell's Soup Company subsidiary

Pursuit also announced the appointment of a number of distributors worldwide as well as a one year contract with the Defense Advanced Research Projects Agency (DARPA) in the UK to use a PDX decontamination system. In addition it was voted the winner of the Technological Development of the Year Award at the Food Processing Awards in the United Kingdom.

While Carnegie has subsequently sold down its shareholding in Pursuit, it retains a royalty entitlement. The Company has recently written to Pursuit asking them to address the royalty entitlement in light of the emerging commercial revenues.

Other – New Projects

Carnegie has achieved success to date in its support of early stage new technology projects and in particular by supporting innovative projects introduced to the company by its Chairman Alan Burns.

Due to its then modest financial reserves, the Company to date sought to offset the development risk through the early introduction of industry co-development partners combined with appropriate financial structuring. Through the success of this programme, Carnegie is now in a stronger position to take on and retain a more dominant role in the development of Innovation & Technology projects.

With this in mind, Carnegie has been evaluating several new technology projects. These are showing high potential to become a significant project for the Company and at the time of writing due diligence and preliminary commercial discussions are ongoing.

SUMMARY OF OPERATIONS

2. Resources

The Gambia

Carnegie has an exclusive prospecting license covering the coastal zone of The Gambia that contains three mineral sands deposits with the total JORC Code compatible measured, indicated & inferred resources being as follows:

Deposit	Resource (Mt)	Grade* (%)	Heavy Minerals (tonnes)
Sanyang	11.0	6.02	660,000
Batukunku	7.2	3.98	290,000
Kartung	0.6	4.77	30,000
Total	18.8	5.20	980,000

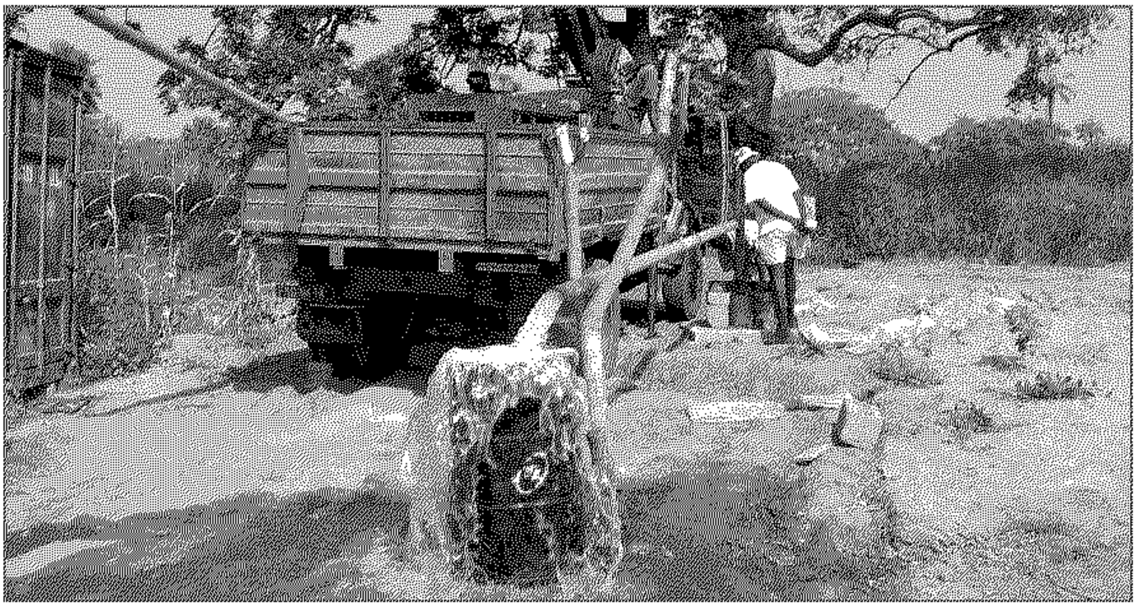
(* at a 1% cut off grade)

The heavy mineral assemblage for these deposits is approximately as follows:

Zircon	Rutile	Ilmenite	Other	Total
15%	3%	71%	11%	100%

Over the last four plus years, Carnegie has undertaken a thorough evaluation of these deposits. This included conducting dry mining trials, testing the water supplies, test marketing the various mineral products and developing a tailored approach that could generate a positive decision to undertake commercial mining operations.

During the past year, Carnegie and its joint venture partner Astron Ltd undertook a wet mining trial at Sanyang to establish the viability of dredge operations over this lower lying deposit. This approach would complement the dry mining required for the smaller deposits on higher ground at Batukunku & Kartung.



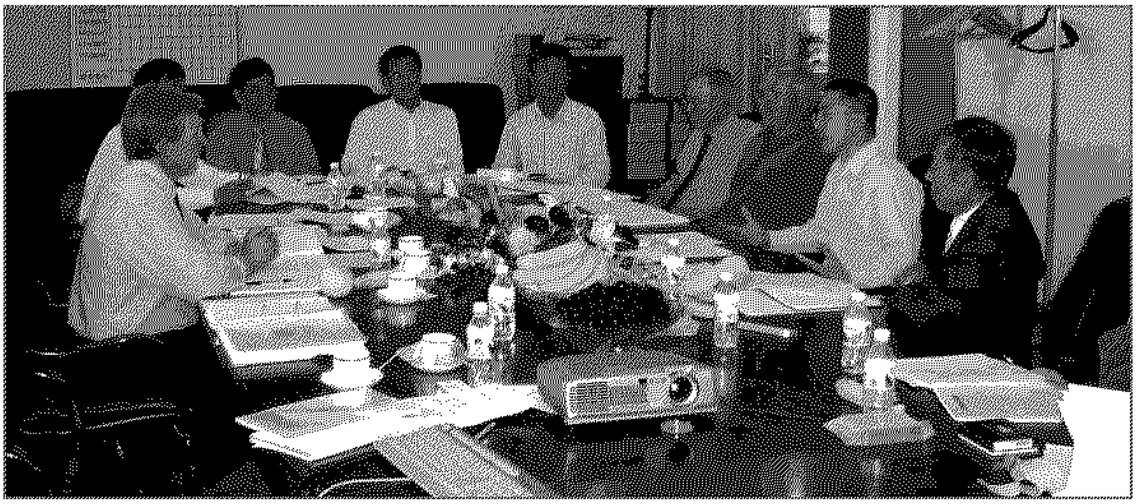
Testing of water supply at Sanyang

SUMMARY OF OPERATIONS

This trial was ultimately successful. As a result, a mining plan was then developed involving dredging operations at Sanyang and dry mining operations at Batukunku and Kartung. Additionally, an independent mine evaluation was completed demonstrating that subject to:

1) a suitable offtake being established and
2) reasonable fiscal terms being applied by The Government

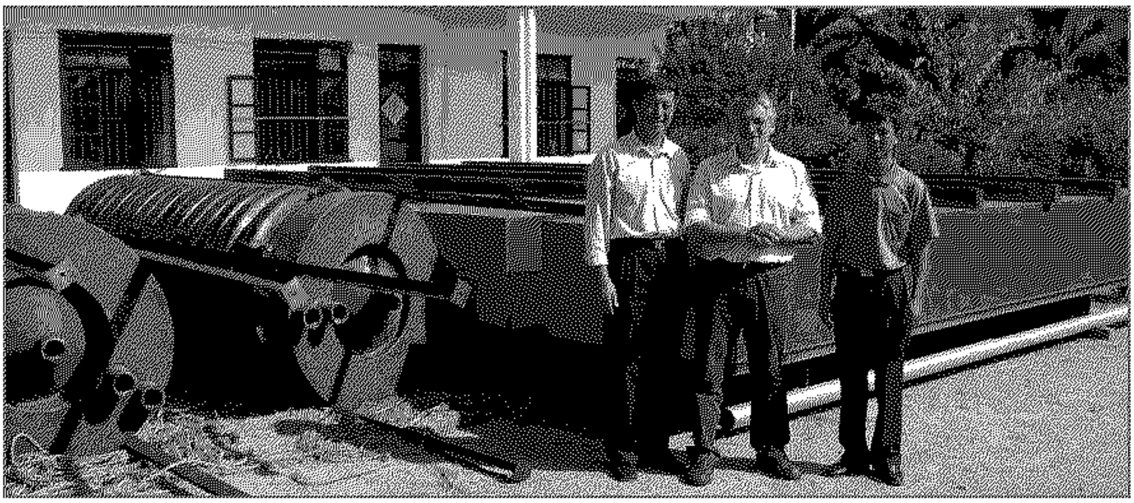
the proposed mining operations appeared commercially feasible at current commodity prices.



Carnegie and Astron team meeting in Shenyang, China

As a result, Carnegie applied to convert the defined mining areas to the status of a mining lease. In conjunction with this application, a full Environmental Impact Assessment was completed. This necessarily involved consultation with all stakeholders including local village communities and was assessed by the National Environmental Agency (NEA) of The Gambia. The NEA has subsequently issued formal approval for the environmental management plan developed for the proposed mining operations.

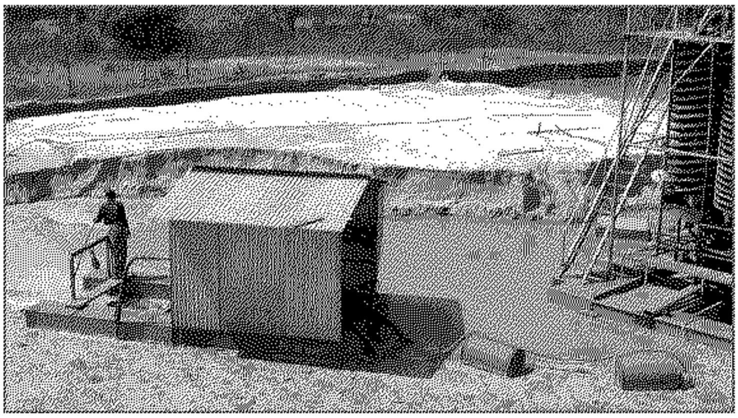
Carnegie lodged an application to the Gambian Investment and Promotion Free Zone Authority (GIPFZA) for a special investment certificate to apply to the proposed operations and also lodged a request for a tailored taxation regime to apply.



Carnegie's Chief Geologist Dr Boris Matveev with Gambian dredge plant in China

SUMMARY OF OPERATIONS

The Gambian Government has formed a task force to process this application and consider suitable fiscal terms and incentives. This task force involved the Commonwealth Secretariat from London as advisers to their process. This process has been an extended one due to the wide consultations, but should result in a strong platform from which to operate. The process is now nearing completion and we look forward to the issue of the mining lease in the near future.


Dredge trials at Sanyang

In parallel with this process, Carnegie has had extensive consultations with Astron Ltd and negotiated an offtake agreement based on world market pricing for the mines production.

The Company believes this project is on the verge of moving onto a higher level and should be a significant new asset for the Company. In addition, the commencement of this mining project in The Gambia should make a significant contribution to the Gambian economy and population. In particular it would:

- Involve significant direct employment for Gambian nationals
- Provide on the job and high level formal training for a large number of Gambian nationals
- Generate royalty and other tax revenues for the Gambian Government
- Provide new infrastructure to the southern coastal areas including roads and water supplies
- Generate a new export industry for the country
- Supplement much needed local construction material supplies from an environmentally controlled source
- Have a multiplier effect through in country expenditure and activity
- Overall, free up the long reserved coastal areas for future tourism and other development which is part of The Gambia's medium term plan for this area.

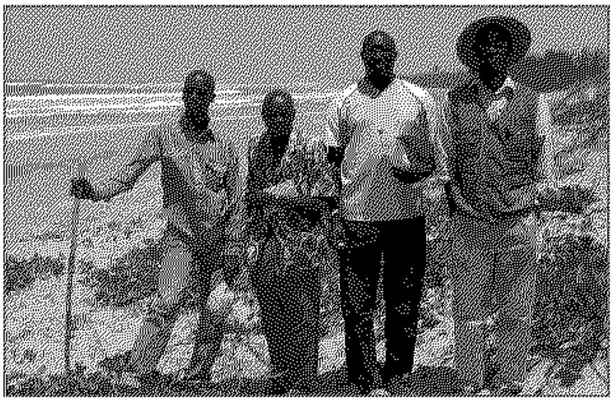
During the extended time Carnegie has been active in The Gambia it has prioritized the need to be a model corporate citizen in the country. The planned move into a mining phase should see an expansion of this role and provides the Company with a platform for expanded operations in the region.


Managing Director Alan Hopkins (centre) at Gambian Senegal Border with UK corporate advisors

SUMMARY OF OPERATIONS

Senegal

Carnegie was successful in its application for an exclusive exploration license over a highly prospective extensive coastal area in southern Senegal.



Senegal's Mines Department representatives on site in Casamance

This license covers an area of ~750 km^2 and contains a number of features identified through satellite photography. These features are very similar to the known mineral sands deposits in The Gambia. Analysis of historical records of the limited work undertaken in parts of this area, provide positive support for its prospectivity.

The Company has undertaken a preliminary reconnaissance field trip and collected samples from a few of the large features. These preliminary results showed heavy mineral grades from 17% to 52% and a heavy mineral assemblage similar to the Gambian deposits. This is very encouraging. We believe that one of the targets near The Gambian border (Niafarang) is already a priority target for grid drilling. Historical records indicate this has a known resource with a strong chance of being substantially expanded through drilling below the water table. Such drilling has not been undertaken historically, and a significant portion of the very similar Sanyang deposit in The Gambia, is below the water table. The new large targets also lend themselves to an aggressive wide spaced drill programme, that is planned for the coming year.

We believe this license has very high potential to significantly expand the initial mining operations planned to commence over the border in The Gambia.

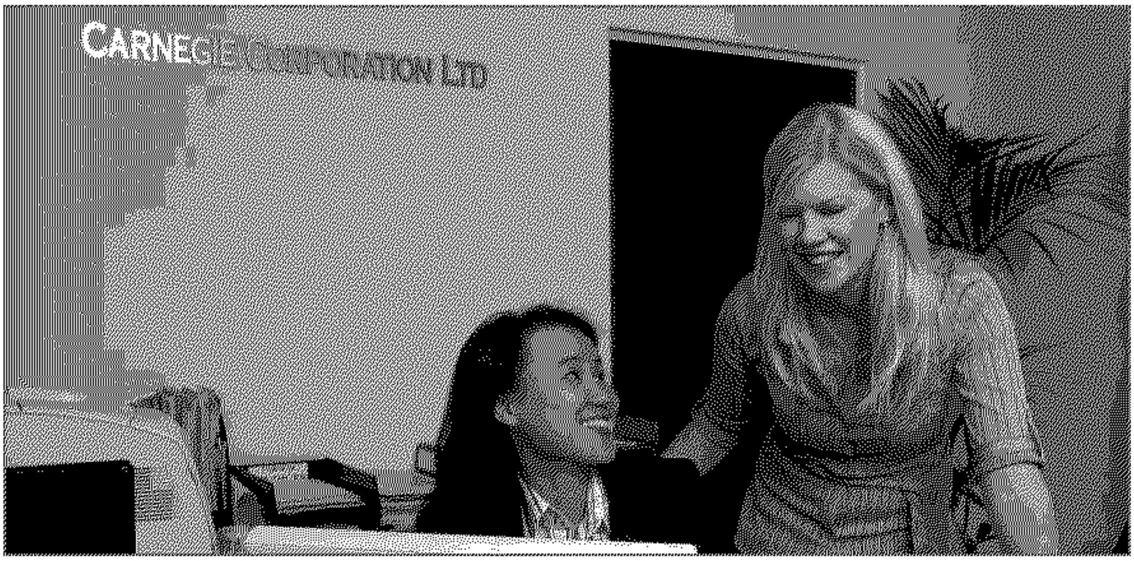
Other

Through its active mineral operations, the Company expanded its resource network and is currently undertaking due diligence on a number of additional resource projects. This has included reconnaissance trips to these areas, and decisions on these will be made as the evaluation work completes.

Sampling in Casamance

SUMMARY OF OPERATIONS

Corporate

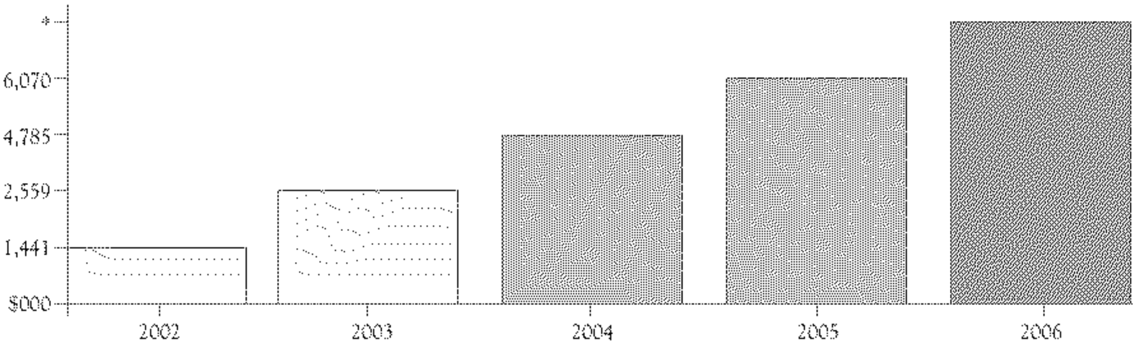


Carnegie's CFO Gaik Kam and Secretary Lisa Gathercole-Smith

NTA Growth

Over the last 4 years, the Company has worked hard to build up the Net Tangible Asset position of the Company without making any share issues while strengthening its capability in both business segments.

The growth achieved in NTA is demonstrated in the following graph



(Note: The NTA numbers above exclude any capitalized expenditure for minerals activities)

* As the resource assets currently have no recorded value in the above numbers, the crystallizing of a value for these assets should result in a strong continuation of this NTA growth over the coming year. As a key driver to shareholder wealth, this is a priority for management.

Segregation of Segments

As the mineral sands assets have now progressed to the near mining stage, it is proposed to segregate this in a separate, to be listed, company in which Carnegie retains the dominant interest.

If successful, this should have a two-fold positive impact for Carnegie by:

1. Providing a significant boost to its net tangible asset position.
2. Clearly segregating these activities from the Technology & Innovation activities that have been successfully undertaken over recent years and which are planned to be further developed. Once segregated, Carnegie is then in a position to more clearly project this profile in the market place.

This restructure should facilitate significant value being added to the Company in both the near and medium term, for the benefit of the long term shareholders who provide the necessary support for these endeavours.

DIRECTORS' REPORT

30 JUNE 2005

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 2005.

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 thirty 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. Mr Burns has been a Board member and Chairman of Carnegie Corporation Ltd with 11 years service since 28 April 1993. He is also current Chairman of Hardman Resources Limited (since 16 December 1986), Director of Westralian Gas and Power Ltd (since 18 September 2004) and Renewable Energy Holdings Plc (since 11 February 2005). He was former Director of Global Petroleum Ltd (from 14 October 2001 to 2 July 2003).

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. Mr Burns is also the inventor of the CETO Device, which is operated by Seapower Pacific Pty Ltd and owned by UK AIM listed company Renewable Energy Holdings Plc (REH). Carnegie along with Pacific Hydro were the lead investors in Seapower Pacific throughout the Research and Development phase of CETO and Carnegie Corporation Ltd now holds an 8% direct interest in REH.

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 has been a Board member and Managing Director of Carnegie Corporation Ltd with 6 years service since 19 May 1999 and was a former Non-executive Director of Resource Mining Corporation Ltd (from 14 May 2003 to 10 May 2004).

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, and especially the overall co-ordination 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 rationalisation 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 stock broking industry in New Zealand before moving to Australia. Mr McLeod has been a Board member of Carnegie Corporation Ltd with 9 years service since 1 November 1996. Mr McLeod is also Chairman of Imperial One Limited (since 21 May 1996) and a Director of Hudson Timber Products Ltd (since 2 March 1998) and Bemax Resources NL (since 10 October 2000).

He was a former Director of Hudson Investment Group Limited (from 27 May 1998 to 16 October 2003), Hudson Resources Limited (from 17 November 1997 to 8 July 2003), Hudson Securities Limited (from 21 August 2000 to 23 April 2003) and International Concert Attractions Limited (from 20 September 1999 to 14 May 2005).

DIRECTORS' REPORT

Ian Charles Fisher (Non-Executive Director). As the immediate past Chairman of the Jacques Cousteau Society Business Affairs of Australia, Mr Fisher has had an active interest in the ocean and the preservation thereof. The Society's main aim is to educate people about the ocean and its contribution to life. Mr Fisher is also the Chairman of The Premiers Regional Investment Group and has been successfully involved in retail industry for some 26 years. Mr Fisher has been a Board member of Carnegie Corporation Ltd for two years since 17 January 2003. Prior to 2003, he was a director and shareholder of a group of cattle stations in the Kimberley and was a founding shareholder and Director of Atlas Pacific Ltd - a pearl farming company listed on the ASX.

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 **	17,860,813	-
Bruce William McLeod ***	200,000	-
Ian Charles Fisher ****	1,500,000	-

* 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 A Hopkins holds 11,500,000 in his own name and a further 6,360,813 shares in the name of Ridgescan Pty Ltd <Alan G Hopkins Super Fund A/C>.

*** Mr B McLeod is a Director of Eastern & Pacific Capital Pty Ltd and therefore is deemed to have an interest in 200,000 ordinary shares held by Eastern & Pacific Capital Pty Ltd.

**** Mr I Fisher is a Director of Notezy Pty Ltd and therefore is deemed to have an interest in 1,500,000 ordinary shares held by Notezy Pty Ltd.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Grant J Mooney - Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration for public companies. Mr Mooney acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy. As a result, he has a depth of experience across a wide range of corporate transactions.

He is a member of the Institute of Chartered Accountants in Australia.

PRINCIPAL ACTIVITIES

The principal activities were in two distinct areas, Resources and Technology / Innovation. The resources activities primarily focused on the evaluation and pre mine development of its mineral sands project in West Africa as well as the initial exploration of its area in Senegal. The Technology / Innovation activity mainly involved the development of the CETO wave energy prototype and earlier stage work on a number of new technology projects. For further information in relation to the Economic Entity's activities, please refer to the Review of Operations.

OPERATING RESULTS

The consolidated profit of the Economic Entity for the financial year ended 30 June 2005 after providing for income tax amounted to $1,537,453 (2004: $2,509,554).

DIRECTORS' REPORT

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2005. No dividends were paid during the financial year.

REVIEW OF OPERATIONS

The Economic Entity continued its exploration, resource and development 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. Completed its pre mine evaluation work (including a full environmental impact assessment) on the Gambian Mineral Sands project and applied to convert the title to a mining lease;
ii. Obtained an exclusive exploration title over a large coastal region of southern Senegal that is highly prospective for mineral sands;
iii. Disposed of 400,000 shares in Pursuit Dynamics Plc realising a profit from sales of $978,389;
iv. As part of the Seapower Pacific Consortium, completed a successful fundraising via an AIM listing, that facilitated the successful launch, deployment and first "in sea" trial of the CETO wave energy unit;
v. Undertook preliminary due diligence work on a number of new innovation / technology projects as well as new resource projects; and
vi. Commenced preparation for the segregation of the resources activities from the Innovation/Technology activities by way of a proposed AIM listing of the mineral sands projects.

FINANCIAL POSITION

The net assets of the Economic Entity have increased by $1,537,453 from 30 June 2004 to $7,705,089 in 2005. This increase has largely resulted from the following factors:

- profit on the sale of Seapower Pacific Pty Ltd investment of $1,858,722;
- profit on the sale of Pursuit Dynamics Plc shares of $978,389; and
- the Company's share of Joint Venture profit of $26,308.

As a result, the Directors believe the group is now in a stronger financial position to expand and grow its current operations.

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

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

- The Economic Entity has disposed of 300,000 Pursuit Dynamics Plc shares. Consideration of $1,398,518 was received for the disposal. The financial effect of this transaction has not been recognized in the financial statements.

- The Company transferred its mineral sands assets and joint venture interests located in The Gambia and Senegal into a wholly owned subsidiary incorporated in the Isle of Man named Coast Resources Limited ("Coast"). On 22 July 2005, the Company entered into an Option Agreement with Carnegie Minerals Limited ("CMP") whereby, subject to CMP's listing on London's Alternative Investment Market ("AIM"), the Company will sell its 100% equity in Coast to CMP for 20 million shares (approximately 47%) in CMP.

DIRECTORS' REPORT

UK broker Corporate Synergy PLC has agreed in writing to assist CMP in achieving admission to the AIM market by raising GBP3.5 million.

The listing of the Company's mineral sands interests on the AIM market will provide additional funding for exploration and mining activities over the project areas and gain better exposure for the projects in a well recognized market.

With the exception of the above, no other matter or circumstance 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 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

The Company continues to pursue the development of its' research and development and mineral operations. As reported previously, the Company is pursuing the listing of its' mineral assets on the Alternative Investment Market (AIM) London which will enable it to raise considerable capital to fast track development of these mineral sands projects. The Company continues to review new technology and resource projects.

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 obtained approval from the National Environmental agency in The Gambia for its environmental management plan for the proposed mining operations in The Gambia.

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

During or since the year end the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has paid premiums to insure the Directors against certain risks Directors are exposed to as Directors of The Company; and
- The Company has agreed to grant Directors a right of access to certain Company Records.

The Company has paid premiums to insure each director against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of The Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $23,100.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Carnegie Corporation Ltd and for the executives receiving the highest remuneration.

Remuneration Policy

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

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Economic Entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee after seeking professional advice from independent external consultants. All executives receive a base monthly fee (which is based on factors such as length of service and experience). The Managing Director receives a performance based incentive bonus in addition to his monthly fee. The Remuneration Committee reviews executive packages annually by reference to the Economic Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the past year's growth of the Economic Entity's net tangible assets and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The executive directors determine payments to the non-executive directors and review their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Economic Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance Based Remuneration

As part of the Managing Director's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/ executives with that of the business and shareholders.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on performance of the Economic Entity over the past year. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

As a small company operating in the speculative research/development and resource sector, the generation of revenues and profits has been a commendable achievement. While the timing of revenues generated is not necessarily linear due to their nature, they have resulted in a strong trend line of increases in the Company's net tangible assets. The improvement in the Company's share price over the last several years appears in line with this improvement in net tangible position and correlates to the introduction of performance based bonus arrangements.

REMUNERATION REPORT

	2001	2002	2003	2004	2005
	$	$	$	$	$
Revenue	4,713,060	4,292,643	1,177,080	4,238,436	3,703,052
Net profit	1,925,123	(2,605,845)	918,643	2,506,554	1,537,453
Share price at year-end	0.052	0.015	0.01	0.025	0.032

Details of Remuneration for Year Ended 30 June 2005

The remuneration for each director of the consolidated entity received during the year was as follows:

DIRECTORS	SALARY, FEES & COMMISSIONS	SUPERANNUATION CONTRIBUTION	CASH BONUS	NON-CASH BENEFITS	CASH EXPENDITURE REIMBURSEMENT	OPTIONS	TOTAL
	$000	$000	$000	$000	$000	$000	$000
Alan Burns – Crocodile Science Corporation	110	-	-	-	30	-	140
Alan Hopkins – Ridgescan Pty Ltd	200	-	90	12	-	-	302
Bruce McLeod – Eastern & Pacific Capital Pty Ltd	56	-	-	-	-	-	56
Ian Fisher – Notezy Pty Ltd	56	-	-	-	-	-	56
	422	-	90	12	30	-	554

There are no specified executive officers during the year.

Performance Income as a Proportion of Total Remuneration

The Managing Director is the sole director and executive to receive a performance based incentive bonus based upon his annual performance set against key performance indicators.

The Remuneration Committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Economic Entity. The Remuneration Committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

During the financial year, the Company paid a performance based bonus to Managing Director, Alan Hopkins, totalling $90,000 (paid on 29 September 2004) based upon his performance as assessed by the Remuneration Committee against KPIs for the previous financial year.

Options Issued as Part of Remuneration for the Year Ended 30 June 2005

No options have been issued to directors or executives during the year.

REMUNERATION REPORT

Employment Contracts Of Directors

The employment conditions of the Managing Director, Alan Hopkins, and Chairman, Alan Burns, are formalised in Service Contracts. Both Alan Hopkins and Alan Burns are contracted under fixed three-year contracts, which commenced on 1 May 2004 and expire on 31 May 2007.

The employment contracts stipulate three months resignation period. The Company may terminate an employment contract with cause by providing 3 months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Termination payments are in accordance with Corporation Act 2001.

NON-AUDIT SERVICES

The board of directors are satisfied that the external auditors were not engaged for non-audit services during the financial year ended 30 June 2005.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 19 of the director's report.

DIRECTORS' MEETINGS

There were 2 Directors' meetings held during the financial year ended 30 June 2005. Attendances were as follows:

DIRECTOR	NUMBER ATTENDED		
	DIRECTORS	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Alan Robert Burns	2	-	-
Alan Gerard Hopkins	2	1	-
Bruce William McLeod	2	-	1
Ian Charles Fisher	2	1	1

There were a total of 10 circular resolutions passed by the Board of Directors during the financial year.

Signed on 22nd September 2005 in accordance with a resolution of the Board of Directors.

ALAN GERARD HOPKINS
Director

IAN CHARLES FISHER
Director

AUDITOR'S INDEPENDENCE DECLARATION

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Carnegie Corporations Limited for the year ended 30 June 2005, 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 audit; and

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

Sean McGurk
Partner
Grant Thornton
Perth 22 September 2005

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Consultant: V Zappavigna

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	NOTES	ECONOMIC ENTITY 2005	ECONOMIC ENTITY 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
		$	$	$	$
CURRENT ASSETS					
Cash assets	16(b)	2,734,214	3,612,198	2,715,706	3,611,693
Receivables	5	25,723	141,141	25,723	141,141
Other financial assets	6	415,493	961,386	415,493	961,386
Other	8	1,760,107	-	1,760,107	-
TOTAL CURRENT ASSETS		4,935,537	4,714,725	4,917,029	4,714,220
NON CURRENT ASSETS					
Receivables	5	-	11,240	101,549	105,237
Other financial assets	6	2,812,852	12,531	2,814,486	12,792
Plant and equipment	7	159,620	169,714	159,620	166,911
Other	8	-	1,382,607	-	1,382,607
TOTAL NON CURRENT ASSETS		2,972,472	1,576,092	3,075,655	1,667,547
TOTAL ASSETS		7,908,009	6,290,817	7,992,684	6,381,767
CURRENT LIABILITIES					
Payables	9	77,105	19,531	59,846	19,531
Interest bearing liabilities	10	10,859	10,859	10,859	10,859
Provisions	11	65,002	31,978	65,002	31,977
TOTAL CURRENT LIABILITIES		152,966	62,368	135,707	62,367
NON CURRENT LIABILITIES					
Interest bearing liabilities	10	49,954	60,813	49,954	60,813
Other	10	-	-	7,592,335	7,714,184
TOTAL NON CURRENT LIABILITIES		49,954	60,813	7,642,289	7,774,997
TOTAL LIABILITIES		202,920	123,181	7,777,996	7,837,364
NET ASSETS/(LIABILITIES)		7,705,089	6,167,636	214,688	(1,455,597)
EQUITY					
Contributed equity		13,483,350	13,483,350	13,483,350	13,483,350
Accumulated losses	12	(5,778,261)	(7,315,714)	(13,268,662)	(14, 938,947)
TOTAL EQUITY		7,705,089	6,167,636	214,688	(1,455,597)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Revenues from Ordinary Activities	2	3,703,052	4,238,436	3,703,052	4,238,436
Write back of provision for write down of investments		-	1,629,664	-	1,629,664
Employee benefits expense		(217,103)	(99,495)	(217,103)	(100,135)
Depreciation and amortisation expense		(27,543)	(20,562)	(24,739)	(16,465)
Occupancy expenses		(70,585)	(75,366)	(70,585)	(75,366)
Cost of current investments disposed net of provision		(545,894)	(2,487,814)	(545,894)	(2,487,814)
Consultancy expenses		(279,484)	(217,303)	(271,993)	(217,303)
Foreign exchange loss		(51,973)	(43,429)	(51,973)	(43,429)
Doubtful debt expense		-	-	-	60,819
Research and development expense		(161,238)	-	(85,452)	(25,506)
Directors fees		(202,840)	(171,830)	(202,840)	(171,830)
Company secretarial expense		(161,105)	(81,752)	(161,105)	(81,752)
Administration expense		(249,279)	(142,334)	(155,944)	(98,905)
Other expenses from ordinary activities		(198,555)	(18,661)	(245,139)	(124,402)
Profit from Ordinary Activities before Income Tax Expense	3	1,537,453	2,509,554	1,670,285	2,486,012
Income tax expense relating to ordinary activities	4	-	-	-	-
Profit from Ordinary Activities after Related Income Tax Expense		1,537,453	2,509,554	1,670,285	2,486,012
Total changes in equity other than those resulting from transactions with owners as owners		1,537,453	2,509,554	1,670,285	2,486,012
Basic earnings per share (cents per share)	22	0.653	1.066		
Diluted earnings per share (cents per share)	22	0.653	1.066		

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	ECONOMIC ENTITY 2005	ECONOMIC ENTITY 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		177,761	110,929	177,761	110,929
Payments to suppliers and employees		(1,312,509)	(879,798)	(1,222,275)	(822,737)
Payments for exploration expenditure		(422,778)	(308,747)	(422,778)	(308,747)
Payments for research and development		(85,452)	-	(85,452)	-
Proceeds from reimbursement of research and development		-	1,357	-	1,357
Proceeds from reimbursement of exploration expenses		24,759	21,232	24,759	21,232
Proceeds from Joint Venture		26,308	166,095	26,308	166,095
Receipts from operations		90,226	87,100	90,226	87,100
NET CASH FLOWS USED IN OPERATING ACTIVITIES	16(a)	(1,501,685)	(801,832)	(1,411,451)	(744,771)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(18,441)	(64,304)	(18,441)	(64,304)
Proceeds from disposal of property, plant and equipment		993	-	993	-
Payment for subsidiary net of cash acquired		2	1	2	1
Investments		(832,295)	(127,281)	(832,295)	(127,281)
Deregistration of subsidiary		(248)	-	250	-
Payment for disposal of subsidiary		(58,234)	-	(58,234)	-
Proceeds from sale of investments		1,524,283	3,774,883	1,524,283	3,774,883
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		616,060	3,583,299	616,558	3,583,299
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans to controlled entities		-	-	(90,234)	(57,062)
Loan from other entities		18,501	-	-	-
Proceeds from Hire Purchase		-	72,577	-	72,577
Payments under Hire Purchase agreements		(10,860)	(29,868)	(10,860)	(29,868)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		7,641	42,709	(101,094)	(14,353)
NET INCREASE IN CASH HELD		(877,984)	2,824,176	(895,987)	2,824,175
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		3,612,198	788,022	3,611,693	787,518
CASH AT THE END OF THE FINANCIAL YEAR	16(b)	2,734,214	3,612,198	2,715,706	3,611,693

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

(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 a 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 14 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

(n) Research and Development Expenditure

Research and Development costs are charged to profit 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

For the financial year ended 30 June 2005, the Economic Entity has accounted for its interest in joint venture operations at cost as they have not reached the processing stage as yet. The joint venture contracts provide that prior to the processing stage, each venturer incurs expenditure for their own account and accordingly these are outside the scope of the joint venture agreement.

Once the joint venture projects enter the processing stage, the Economic Entity's share of assets, liabilities, revenues and expenses will be included in the appropriate items of the consolidated statements of financial performance and position.

(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.

(s) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The Company is currently preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Economic Entity's and the parent entity's financial statements for the year ending 30 June 2006. On the first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The Economic Entity's management has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the Economic Entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The Directors are of the opinion that the key material difference in the Economic Entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard- setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the Economic Entity's AIFRS committee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

(i) Research and Development Expenditure

Under AASB138: Intangible Assets costs associated with the research phase of the development of an asset must be expensed. This will result in a change in the current accounting policy, which capitalises research costs to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so a to recover these deferred costs.

On transition, the financial effect of this impact is assessed as nil, as no research costs were capitalised at 1 July 2004 or 30 June 2005.

(ii) Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The Economic Entity has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. The Board of Directors have assessed the budget, forecast and cash flows attached to the assets and have determined that the current carrying values are appropriate. No financial impact is therefore anticipated.

(iii) Non-current Investments

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised costs;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; and
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The Economic Entity's financial assets comprised available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investment at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to increase the value of non-current other financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The Economic Entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

(iv) Income Tax

Currently, the Economic Entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112, the Economic Entity will be required to adopt a balance sheet approach rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The Economic Entity has completed a preliminary assessment of the impact and is currently not anticipating any significant changes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	ECONOMIC ENTITY 2005	ECONOMIC ENTITY 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
	$	$	$	$
NOTE 2: REVENUE				
Revenue from operating activities:				
Interest received from other persons	177,761	110,929	177,761	110,929
Proceeds from Joint Venture	26,308	166,096	26,308	166,096
Reimbursement from mining activities	24,759	-	24,759	-
Reimbursement from research and development project	90,226	109,689	90,226	109,689
Non-operating activities:				
Proceeds on disposal of current investments	3,383,005	3,851,722	3,383,005	3,851,722
Proceeds on disposal of property, plant and equipment	993	-	993	-
Total revenue	3,703,052	4,238,436	3,703,052	4,238,436

	ECONOMIC ENTITY 2005	ECONOMIC ENTITY 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
	$	$	$	$
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX				
Profit from ordinary activities before income tax has been determined after:				
(a) Expenses				
Depreciation of non-current assets:				
- Plant and equipment	27,542	20,562	24,739	16,465
Total Depreciation	27,542	20,562	24,739	16,465
Movement in provisions:				
Write back of amounts receivable from				
- controlled entities	-	-	(416,433)	(147,143)
Write(back) / down of Non Current Investments	-	-	-	(1,629,664)
Net movement in provisions	-	-	(416,433)	(1,776,807)
Net loss on loss of control of controlled entities	-	-	(60,819)	-
Foreign Exchange loss	51,973	43,429	51,973	43,429
Research and Development costs	-	(25,506)	-	-
(b) Revenue and Net Gains				
Net gain on disposal of investments	2,837,111	1,363,908	2,837,111	1,363,908

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

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. The difference is reconciled as follows:

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
Prima facie income tax from Ordinary Activities before income tax charge/(benefit) on profit at 30% (2004: 30%)	461,236	752,866	501,086	745,802
Tax effect of permanent and other differences:				
Revenue tax losses transferred from group				
Revenue losses utilised	(430,781)	(957,733)	(452,475)	(949,079)
Disposal of investments	(225,761)	219,847	(225,761)	219,847
Non-deductible expenses	3,778	-	3,778	-
Other items	20,204	706	20,204	(884)
Prima facie income tax charge adjusted for permanent and other differences	(171,324)	15,686	(153,168)	15,686
Future income tax expense not brought to account	171,324	(15,686)	153,168	(15,686)
Income tax attributable to net operating profit	-	-	-	-
Future income tax benefits not brought to account comprise:				
Tax losses carried forward	497,072	729,973	438,431	570,936
Timing differences	178,709	490,821	178,439	490,821
Foreign tax losses	631,355	533,425	412,503	314,573
	1,307,135	1,754,219	1,029,373	1,376,330

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 5: RECEIVABLES				
Current				
Sundry debtors	20,799	26,391	20,799	26,391
Unexpired Interest	4,924	-	4,924	-
Joint ventures	-	114,750	-	114,750
	25,723	141,141	25,723	141,141
Non Current				
Unexpired Interest	-	11,240	-	11,240
Amounts receivable from controlled entities	-	-	1,602,406	2,009,365
Less provision for writedown	-	-	(1,500,857)	(1,915,368)
	-	11,240	101,549	105,237

The Parent Entity has advanced working capital to controlled entities. The amounts are unsecured, interest free and there are no fixed terms or repayment. 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.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 6: OTHER FINANCIAL ASSETS				
Current				
Shares in corporations listed on organised markets, at cost (Note 6 (a))	415,493	961,386	415,493	961,386
Less provision for diminution	-	-	-	-
	415,493	961,386	415,493	961,386
Non Current				
Shares in corporations listed on organised markets, at cost (Note 6(a))	2,707,060	-	2,707,060	-
Less provision for diminution	-	-	-	-
	2,707,060	-	2,707,060	-
Unlisted Investments	12,413	12,413	12,413	12,413
Investment in Joint Venture	93,379	118	93,379	118
Shares in controlled entities, at cost (Note 14)	-	-	1,634	1,882
Less provision for diminution	-	-	-	(1,621)
	2,812,852	12,531	2,814,486	12,792
Tradeable Investments - at cost				
The aggregate cost of tradeable investments are: Organised markets	3,228,345	973,917	3,229,979	974,178
	3,228,345	973,917	3,229,979	974,178
Market value of listed investments	4,206,871	2,272,251	4,206,871	2,272,251

(a) Company	Number of Shares	Share Price at 30 June 2005	Exchange Rate	Market Value AUD $
Pursuit Dynamics Plc	300,000	GBP 2.025	0.42193	$1,439,813
Renewable Energy Holdings Plc	2,267,000	GBP 0.515	0.42193	$2,767,058

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	ECONOMIC ENTITY 2005	ECONOMIC ENTITY 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
	$	$	$	$
NOTE 7: PLANT AND EQUIPMENT				
Plant and equipment – at cost	186,467	169,680	165,563	148,777
Less accumulated depreciation	(127,077)	(107,322)	(106,173)	(89,222)
	59,390	62,358	59,390	59,555
Leased plant and equipment	107,512	107,512	107,512	107,512
Less accumulated depreciation	(7,282)	(156)	(7,282)	(156)
	100,230	107,356	100,230	107,356
Total Plant and Equipment	159,620	169,714	159,620	166,911
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	169,714	70,461	166,911	63,561
Additions	18,441	119,815	18,441	119,815
Disposals	(993)	-	(993)	-
Depreciation expense	(27,542)	(20,562)	(24,739)	(16,465)
Carrying amount at year end	159,620	169,714	159,620	166,911

	ECONOMIC ENTITY 2005	ECONOMIC ENTITY 2004	PARENT ENTITY 2005	PARENT ENTITY 2004
	$	$	$	$
NOTE 8: OTHER ASSETS				
Current				
(i) Exploration Expenditure Costs carried forward in respect of areas of interest in: - Exploration and evaluation phases				
Balance brought forward	-	-	-	-
Costs transferred to production phase	-	-	-	-
Expenditure incurred during period - capitalised	1,760,107	-	1,760,107	-
Total Exploration Expenditure	1,760,107	-	1,760,107	-
Non Current				
(i) Exploration Expenditure Costs carried forward in respect of areas of interest in: - Exploration and evaluation phases				
Balance brought forward	-	1,099,153	-	1,099,153
Costs transferred to production phase	-	-	-	-
Expenditure incurred during period - capitalised	-	308,747	-	308,747
Expenditure written off during period	-	(25,293)	-	(25,293)
Total Exploration Expenditure	-	1,382,607	-	1,382,607

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

(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 native title issues. (Refer Note 24(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.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 9: PAYABLES				
Sundry creditors and accrued expenses	77,105	19,531	59,846	19,531

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 10: INTEREST BEARING LIABILITIES AND OTHER LIABILITIES				
(a) Interest Bearing Liabilities				
Current				
Hire purchase liability	10,859	10,859	10,859	10,859
Non current				
Hire purchase liability	49,954	60,813	49,954	60,813
The hire purchase is secured over leased assets as disclosed in Note 7.				
(b) Other Liabilities				
Non current				
Loan from controlled entity	-	-	7,592,335	7,714,184

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 11: PROVISIONS				
Current				
Employee benefits	65,002	31,978	65,002	31,977
(a) Number of employees at year end	5	4	5	4
(b) Aggregate employee benefits	65,002	31,978	65,002	31,977

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
NOTE 12: ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(7,315,714)	(9,825,268)	(14,938,947)	(17,424,959)
Net profit attributable to the members of the Parent Entity	1,537,453	2,509,554	1,670,285	2,486,012
Accumulated losses at the end of the financial year	(5,778,261)	(7,315,714)	(13,268,662)	(14,938,947)

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
NOTE 13: TOTAL EQUITY RECONCILIATION				
Total equity at the beginning of the financial year	6,167,636	3,658,082	(1,455,597)	(3,941,609)
Total changes in equity recognised in the statement of financial performance	1,537,453	2,509,554	1,670,285	2,486,012
Total equity at the end of the financial year	7,705,089	6,167,636	214,688	(1,455,597)

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
NOTE 14: CONTROLLED ENTITIES			
(a) Particulars in relation to controlled entities			
Subsidiaries of Parent Entity – Carnegie Corporation Ltd:		**2005 %**	**2004 %**
Carnegie Minerals Australia Pty Ltd	Australia	100	100
Carnegie Minerals (Gambia) Limited	The Gambia	100	100
Coast Resources Limited	Australia	100	100
New Millenium Engineering Pty Ltd	Australia	100	100
Carnegie Recreational Watercraft Pty Ltd	Australia	100	100
Coast Resources Limited (Isle of Man) (b)	Isle of Man	100	-
Crosswest Investments Pty Ltd (c)	Australia	-	100
Skylane Pty Ltd (c)	Australia	-	50

(b) Controlled entities acquired

On 31 May 2005, Coast Resources Limited (Isle of Man) was incorporated. Coast Resources Limited (Isle of Man) is a wholly owned subsidiary of the Parent Entity. Total incorporation cost paid was $5,591.

(c) Loss of control of controlled entities

During the financial year, The Company deregistered subsidiary companies Crosswest Investments Pty Ltd and Skylane Pty Ltd. A loss of $416,433 was crystallised in the Parent Entity on the entities ceasing to be a part of the Economic Entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

NOTE 15: JOINT VENTURES

Interest in Joint Venture Operations

(a) Carnegie Corporation Ltd has a 50% interest in the Senegal Mineral Sands Project Joint Venture. All project costs are borne equally between Carnegie Corporation Ltd and Astron Limited for the year ended 30 June 2005. This joint venture is only at the exploration stage and the Company's contribution of $93,379 towards this expenditure has been recognised in the financial statements.

(b) Carnegie Corporation Ltd has a 50% interest in the Gambian Mineral Sands Project Joint Venture. This gives Carnegie the entitlement to 50% of the consideration received for the concentrate which is the sales value less project costs and royalties with all project costs being borne by Astron Limited, the other joint venture party. For the year ended 30 June 2005 Carnegie's entitlement to the 50% of consideration received of $26,308 has been recognised in the financial statements.

NOTE 16: NOTES TO THE STATEMENT OF CASH FLOWS

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
(a) Reconciliation of Net Cash Flows from Operating Activities to Profit from ordinary activities after Income Tax				
Profit from ordinary activities after income tax	1,537,453	2,509,554	1,670,286	2,486,012
Non-cash flows in profit from ordinary activities:				
Write back of amounts receivable from controlled entities and associated corporations	-	-	-	(60,819)
Write back in value of investments	-	-	-	250
Research and development expenditure written off	-	-	-	25,506
Write back of provision for writedown of investments	-	(1,629,664)	-	(1,629,664)
Net gain on disposal of investments	(2,837,111)	(1,363,908)	(2,837,111)	(1,363,908)
Net loss on foreign exchange	51,973	43,429	51,973	43,429
Depreciation	27,542	20,562	24,739	16,465
Changes in assets and liabilities				
- increase in debtors	(4,408)	(3,085)	(4,408)	(3,085)
- increase in other non current assets	(367,733)	(356,518)	(390,269)	(236,755)
- increase/(decrease) in creditors and accruals	57,574	(39,849)	40,314	(39,849)
- increase in provisions	33,025	17,647	33,025	17,647
Net Cash used in Operating Activities	(1,501,685)	(801,832)	(1,411,451)	(744,771)

(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	
	2005	2004	2005	2004
	$	$	$	$
Cash on hand	356	643	349	138
Cash at bank	2,733,858	3,611,555	2,715,357	3,611,555
	2,734,214	3,612,198	2,715,706	3,611,693

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

NOTE 17: STATEMENT OF OPERATIONS BY SEGMENT

The Economic Entity operates in the following industries and geographical segments:

Business Segments:
Mineral exploration: Undertaking of mineral exploration and development 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 Mineral Sands deposit in The Gambia and exploration in Senegal.

	MINERAL EXPLORATION		TECHNOLOGY		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004
	$	$	$	$	$	$
(a) Business Segments						
Total Revenue outside						
Economic Entity	320,047	375,357	3,383,005	3,863,079	3,703,052	4,238,436
Segment result	(1,064,101)	(1,390,067)	2,601,554	3,899,621	1,537,453	2,509,554
Segment assets	4,773,041	4,662,834	3,134,968	1,627,983	7,908,009	6,290,817
Segment liabilities	202,920	123,181	-	-	202,920	123,181
Other						
- asset acquisitions	18,441	119,815	-	-	18,441	119,815
- depreciation	24,739	16,465	2,804	4,097	27,543	20,562

	AUSTRALIA		AFRICA		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004
	$	$	$	$	$	$
(b) Geographical Segments						
Total Revenue outside						
Economic Entity	3,676,744	4,072,340	26,308	166,096	3,703,052	4,238,436
Segment result	1,511,145	2,343,458	26,308	166,096	1,537,453	2,509,554
Segment assets	6,147,902	4,908,210	1,760,107	1,382,607	7,908,009	6,290,817
Segment liabilities	185,660	123,181	17,260	-	202,920	123,181
Other						
- asset acquisitions	18,441	119,815	-	-	18,441	119,815
- depreciation	27,543	20,562	-	-	27,543	20,562

NOTE 18: REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Remuneration of Directors

The following were Specified Directors ("directors") of the parent entity during the financial year:

A R Burns	Chairman – Executive
A G Hopkins	Managing Director – Executive
B W McLeod	Director – Non-Executive
I C Fisher	Director – Non-Executive

There are no specified executives of the Consolidated Entity as the directors are accountable and responsible for the strategic direction and operational management of the Company and Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

(b) Parent Entity Directors' Remuneration

2005	Primary				Post Employment		Total
	SALARY, FEES & COMMISSIONS	SUPERANNUATION CONTRIBUTION	CASH BONUS	NON-CASH BENEFITS	CASH EXPENDITURE REIMBURSEMENT	SUPERANNUATION	
	$000	$000	$000	$000	$000	$000	$000
Alan Burns Crocodile Science Corp. Pty Ltd	110	-	-	-	30	-	140
Alan Hopkins Ridgescan Pty Ltd	200	-	90	12	-	-	302
Bruce McLeod Eastern & Pacific Capital Pty Ltd	56	-	-	-	-	-	56
Ian Fisher Notezy Pty Ltd	56	-	-	-	-	-	56

2004	Primary				Post Employment		Total
	SALARY, FEES & COMMISSIONS	SUPERANNUATION CONTRIBUTION	CASH BONUS	NON-CASH BENEFITS	CASH EXPENDITURE REIMBURSEMENT	SUPERANNUATION	
	$000	$000	$000	$000	$000	$000	$000
Alan Burns Crocodile Science Corp. Pty Ltd	110	-	-	-	20	-	130
Alan Hopkins Ridgescan Pty Ltd	192	-	70	17	-	-	279
Bruce McLeod Eastern & Pacific Capital Pty Ltd	38	-	-	-	-	-	38
Ian Fisher Notezy Pty Ltd	38	-	-	-	-	-	38

(c) Remuneration Options/Shares Issued on Remuneration Options/Options and Right Holdings

There were no remuneration options owned/granted/exercised during the year.

(d) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

PARENT ENTITY DIRECTORS	BALANCE 1/7/04	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/6/05	MOVEMENTS POST YEAR END	TOTAL AT DATE OF REPORT
Alan Burns Crocodile Science Corp. Pty Ltd	4,366,784	-	-	-	4,366,784	-	4,366,784
Alan Hopkins Ridgescan Pty Ltd	17,860,813	-	-	-	17,860,813	-	17,860,813
Bruce McLeod Eastern & Pacific Capital Pty Ltd	200,000	-	-	-	200,000	-	200,000
Ian Fisher Notezy Pty Ltd	1,500,000	-	-	-	1,500,000	-	1,500,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

(e) Remuneration of Specified Executives

There are no specified executive officers during the year.

(f) Remuneration Practices

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 to undertake a review of all staff and executive management with findings provided to the Board of Directors which were subsequently adopted. Ian Fisher (Non-Executive Director), Bruce McLeod (Non-Executive Director) and Grant Mooney (Company Secretary) were in attendance.

In relation to Non-Executive Directors, there are presently no schemes for retirement benefits, other than statutory superannuation.

The Executive 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.

The contracts for service are between the Company and entities associated with Executive Directors. The remuneration structure for the Directors is based on a number of factors, including length of service, particular experience of the individual concerned and overall performance of the company.

The contract for service between the Company and Ridgescan Pty Ltd, an entity associated with Alan G Hopkins, is for a thirty-six months term commencing from 1 May 2004. As a Director, he will receive a fee of $199,500 per annum (exclusive of GST) and the provision of a motor vehicle. The Company seeks to emphasise payment for results through cash reward schemes, specifically upon achievement of milestones from time to time as approved by the Board. Termination payments are in accordance with Corporation Act 2001.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

The contract for service between the Company and Crocodile Science Corp. Pty Ltd, an entity associated with Alan R Burns, is for a thirty-six months term commencing from 1 May 2004. As a Director, he will receive a fee of $109,992 per annum (exclusive of GST), an allowance for office costs to the value of $27,360 per annum (exclusive of GST) and the provision of a personal assistant on a salary package not exceeding $65,000 per annum. Termination payments are in accordance with Corporation Act 2001.

As part of the Managing Director's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on performance of the Economic Entity over the past year. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year. A bonus was granted to the Managing Director on 29 September 2004. There has been no alteration to the terms of the bonus paid since grant date.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 19: AUDITORS' REMUNERATION				
Amounts received, or due and receivable, by the auditors for audit or review of the financial report	31,750	16,450	26,450	12,350

NOTE 20: RELATED PARTY TRANSACTIONS

(a) Transactions with Director related entities

- Consultancy, accounting and general management services have been provided by entities associated with A R Burns, A G Hopkins, B W McLeod and I C Fisher during the financial year. These amounts have been included in the disclosures at Note 18. The transactions were undertaken under normal commercial terms.

	2005	2004
	No.	No.
(b) Directors' Shareholdings 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) (iii) (iv)	23,927,597	23,927,597
Ordinary share options	-	-

(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 C Fisher is a Director of Notezy Pty Ltd and therefore is deemed to have interest in 1,500,000 ordinary shares held by Notezy Pty Ltd.

(iii) A G Hopkins holds 11,500,000 ordinary shares in his own name and a further 6,360,813 ordinary shares in the name of Ridgescan Pty Ltd <Alan G Hopkins Super Fund A/c>.

(iv) B W McLeod is a Director of Eastern & Pacific Capital Pty Ltd and therefore is deemed to have an interest in 200,000 ordinary shares held by Eastern & Pacific Capital Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

NOTE 21: 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 2005:						
Financial assets:						
Cash	5.32	238,534	-	2,477,178	-	2,715,712
Receivables	-	-	-	20,799	-	20,799
Other financial assets	-	-	-	3,228,345	-	3,228,345
		238,534	-	5,726,322	-	5,964,856
Financial liabilities:						
Accounts payable	-	-	-	-	77,105	77,105
Interest bearing liabilities	7.76	-	10,859	49,954	-	60,813
		-	10,859	49,954	77,105	137,918

	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 2004:						
Financial assets:						
Cash	5.16	212,198	3,400,000	-	-	3,612,198
Receivables	-	-	-	-	26,391	26,391
Other financial assets	-	-	-	-	974,060	974,060
		212,198	3,400,000	-	1,000,451	4,612,649
Financial liabilities:						
Accounts payable	-	-	-	-	19,531	19,531
Interest bearing liabilities	7.76	-	10,859	60,813	-	71,672
		-	10,859	60,813	19,531	91,203

(b) Credit risk

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

The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity.

(c) Net fair value

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	ECONOMIC ENTITY	
	2005	2004
NOTE 22: EARNINGS PER SHARE		
Basic earnings per share (cents per share)	0.653	1.066
Diluted earnings per share (cents per share)	0.653	1.066
(a) Reconciliation of earnings to Net Profit		
Net Profit	1,537,453	2,509,554
Earnings used in the calculation of basic EPS	1,537,453	2,509,554
Earnings used in the calculation of dilutive EPS	1,537,453	2,509,554
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings/per share	235,338,535	235,338,535
Diluted weighted average number of shares on issue at end of financial year	235,338,535	235,338,535

NOTE 23: SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

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

- The Economic Entity has disposed of 300,000 Pursuit Dynamics Plc shares. Consideration of $1,398,518 was received for the disposal. The financial effect of this transaction has not been recognized in the financial statements.
- The Company transferred its mineral sands assets and joint venture interests located in The Gambia and Senegal into a wholly owned subsidiary incorporated in the Isle of Man named Coast Resources Limited ("Coast"). On 22 July 2005, the Company entered into an Option Agreement with Carnegie Minerals PLC ("CMP") whereby, subject to CMP's listing on London's Alternative Investment Market ("AIM"), the Company will sell its 100% equity in Coast to CMP for 20 million shares (approximately 47%) in CMP.

  UK broker Corporate Synergy PLC has agreed in writing to assist CMP in achieving admission to the AIM market by raising GBP3.5 million.

  The listing of the Company's mineral sands interests on the AIM market will provide additional funding for exploration and mining activities over the project areas and gain better exposure for the projects in a well recognized market.

With the exception of the above, no other matter or circumstance 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 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 2005

NOTE 24: 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 25: 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 after balance date is $210,112 (2004: $231,952) consolidated and $210,112 (2004: $231,952) parent entity. Financial commitments for subsequent periods will be determined at a future date.

Carnegie Corporation Ltd has a 50% interest in the Senegal Mineral Sands Project Joint Venture. Under existing Joint Venture agreements the Company is required to contribute funds towards the Joint Venture expenditures or alternatively dilute it's interest. An estimate of the Company's commitments to such expenditure for the forthcoming financial year is $216,678.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
(b) Operating Lease Commitment				
Not later than 1 year	73,913	71,694	73,913	71,694
Later than 1 year but not later than 5 years	75,813	-	75,813	-
	149,726	71,694	149,726	71,694

The property lease is a non-cancellable lease with an expiring term of 2 years, expiring on 19 June 2007. There is an option to renew the lease for an additional period of 2 years from 20 June 2007 to 19 June 2009.

(c) Hire Purchase Contract				
Not later than 1 year	10,859	10,859	10,859	10,859
Later than 1 year but not later than 5 years	49,954	60,813	49,954	60,813
	60,813	71,672	60,813	71,672

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

NOTE 26: 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.

NOTE 27: 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 20 to 42 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 2005 and of the performance for the year ended on that date of the Company and Economic Entity; and
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
3. 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 CHARLES FISHER
Director

22 September 2005

INDEPENDENT AUDIT REPORT

Chartered Accountants
Business Advisers and Consultants

Grant Thornton

TO THE 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 2005. 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.

INDEPENDENT AUDIT REPORT

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 2005, 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 22nd day of September 2005

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256 St George's Terrace
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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 21 September 2005.

SPREAD OF HOLDINGS			ORDINARY SHARES
1	-	1,000	63
1,001	-	5,000	159
5,001	-	10,000	165
10,001	-	100,000	923
100,001	-	and over	295
Number of Holders:			1,605

Number of shareholders holding less than a marketable parcel: 532

SUBSTANTIAL SHAREHOLDERS

SHAREHOLDERS NAME	NUMBER OF SHARES
Mr Alan Gerard Hopkins	17,860,813
Mr Brett Armstrong	13,500,000

VOTING RIGHTS

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

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 to not carry any voting rights.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies. Currently, Mr Mooney acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

He is a member of the Institute of Chartered Accountants in Australia.

REGISTERED OFFICE

The registered office is at Level 1, 16 Ord Street, West Perth, WA 6005
The telephone number is (08) 9486 4466
The facsimile number is (08) 9486 4266

ADDITIONAL INFORMATION

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES

Ordinary Fully Paid Shares:

SHAREHOLDER NAME	NUMBER OF SHARES	PERCENTAGE OF CAPITAL
Mr Brett Armstrong	13,500,000	5.74%
ANZ Nominees Limited	12,490,791	5.31%
Mr Alan Gerard Hopkins	9,900,000	4.21%
Ridgescan Pty Ltd <AGH Super Fund A/c>	7,960,813	3.38%
Sunvest Corporation Limited	6,000,000	2.55%
Imperial Investments	5,783,490	2.46%
Bones Australia Pty Ltd <Slake Family A/c>	5,500,000	2.34%
Parkes Holdings Pty Ltd	5,000,000	2.12%
Bond Street Custodians Limited <FLOMBW – TO0080 A/c>	5,000,000	2.12%
Beachline Holdings Pty Ltd	4,500,000	1.91%
Hardman Resources NL	4,366,784	1.86%
Pannin Pty Ltd <Selok Family A/c>	3,430,837	1.46%
Mr Michael Santella	2,868,868	1.22%
Mooney & Partners Pty Ltd	2,583,201	1.10%
Bargrae Nominees Pty Ltd	2,005,165	.85%
Mr Kenneth Beaumont <K Beaumont Super Fund A/c>	2,000,000	.85%
Masters Investments Pty Ltd	1,865,000	.79%
Notezy Pty Ltd	1,500,000	.64%
Super 4 Pty Ltd	1,379,000	.59%
Mr Lynsay Masters & Mrs Janet Masters <LN & JP Masters>	1,362,112	.58%
TOTAL	98,996,561	42.15%

CORPORATE GOVERNANCE

Carnegie Corporation Ltd is a mineral exploration and a technology research and development company. The Company has established procedures to encourage and maintain a culture of good corporate governance. These policies and procedures are available on the Company's website at www.carnegiecorp.com.au.

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 Chairman*, Managing Director and two Non-Executive Directors. 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.

(* The Company's Chairman, Mr Alan Burns' involvement in an executive capacity is limited to specific projects and not in the day-to-day corporate management of the Company.)

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".

Both Ian Fisher or Bruce McLeod are considered "independent" as neither director;

- is a member of management;
- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another group member other than as a director of the Company;
- has served on the board for a period which could, or could reasonably be perceived to , materially interfere with the director's ability to act in the best interests of the Company;
- has any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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.

CORPORATE GOVERNANCE

Internal control is achieved through the 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 staff and executive management with findings provided to the Board of Directors which were subsequently adopted. Ian Fisher (Non-Executive Director), Bruce McLeod (Non-Executive Director) and Grant Mooney (Company Secretary) were in attendance.

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.

CORPORATE GOVERNANCE

Audit and Audit Committee

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 met on one occasion during the year 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. The Audit Committee is satisfied that the external auditors were not engaged for non-audit services during the financial year ended 30 June 2005.

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

Carnegie is committed to the highest standards of ethical business conduct. As part of that commitment, Carnegie established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Carnegie's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- acting with honesty and integrity
- abiding by laws and regulations
- respecting confidentiality and handling information in a proper manner
- maintaining the highest standards of professional behaviour
- avoiding conflicts of interest
- striving to be a good corporate citizen and to achieve community respect.

Carnegie also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Carnegie, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

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.

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

The Company has complied with each of the Ten Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

PRINCIPLE NO	BEST PRACTICE RECOMMENDATION	COMPLIANCE	REASON FOR NON COMPLIANCE
2.1	A majority of the Board should be independent directors	Directors Ian Fisher and Bruce McLeod satisfy the test of 'independence' as set out in the ASX Corporate Governance Council Practice Recommendations. Other directors, being Alan Hopkins (Managing Director) and Alan Burns (Chairman) have executive roles within the Company. The Board is comprised of an Executive Chairman, Managing Director and 2 non-executive directors.	The Board considers that given the size of the company, it is more important that directors are motivated to perform as a result of their shareholding in the company and involvement in day-to-day activities. Committees such as the Audit and Remuneration Committees include a majority of independent non-executive directors.
2.2, 2.3	The chairman should be an independent director	Alan Burns is the Chairman of the Company. However, his involvement in an executive capacity is limited to specific projects and not in the day-to-day corporate management of the Company. Given Mr Burns classification as an executive, the Company does not satisfy the test of 'independence' as set out in the ASX Corporate Governance Council Practice Recommendations.	The Board considers that the executive role carried out by Alan Burns is in the best interests of the Company given its size and is without conflict.
2.4	The board should establish a nomination committee	The Board does not have a nomination committee but the establishment of such a committee is under consideration.	To date the functions of any nomination committee have been undertaken by the full board.

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