

CARNEGIE WAVE ENERGY LIMITED

CODE OF CONDUCT

COMMITMENT TO THE CODE OF CONDUCT

The Board, management and all employees of Carnegie Wave Energy are committed to implementing Carnegie Wave Energy's core principles and values as stated in this Code of Conduct when dealing with each other and with customers, suppliers, government authorities, creditors and the wider community.

Carnegie Wave Energy is dedicated to delivering outstanding performance for investors and employees. Carnegie Wave Energy aspires to be a leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility Carnegie Wave Energy will conduct its business ethically and according to its values, encourage community initiatives, consider the environment and ensure a safe, equal and supportive workplace.

RESPONSIBILITIES TO SHAREHOLDERS AND THE FINANCIAL COMMUNITY GENERALLY

Carnegie Wave Energy is committed to delivering value to its shareholders and to representing Carnegie Wave Energy's growth and progress truthfully and accurately. Carnegie Wave Energy also complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights.

Carnegie Wave Energy is committed to safeguarding the integrity of financial reporting and as such will openly promote and instigate a structure of review and authorisation designed to ensure the truthful and factual presentation of Carnegie Wave Energy's financial position. Carnegie Wave Energy will prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards that represent the generally accepted guidelines, principles, standards, laws and regulations of Australia and any other the country in which Carnegie Wave Energy conducts its business.

EMPLOYMENT PRACTICES

Carnegie Wave Energy will:

- provide a workplace that is safe for employees and that complies with the spirit as well as the letter of workplace health and safety laws;
- promote equal opportunity for all employees at all levels and will not discriminate except where the law requires;
- provide equal opportunity to all qualified individuals regardless of sex, race, religion or colour in recruitment;
- compensate all employees, including those working outside Australia (if any), in a fair and ethical manner;
- encourage employee share ownership, but will instigate and enforce polices regarding trading in those securities where employees have inside information;
- provide opportunities for employee training and education both through the provision of training and the support of employees pursuing further education outside of Carnegie Wave Energy;

- recognise the need from time to time to give or accept customary business courtesies in accordance with ethical business practices, however, employees will not solicit such courtesies and will not accept gifts, services, benefits or hospitality that might influence, or appear to influence, the employee's conduct in representing Carnegie Wave Energy;
- seek to avoid conflicts of interest so that an employee's interests, or the interests of a family member of the employee, do not affect the way he or she handles Carnegie Wave Energy's business.

Carnegie Wave Energy will not tolerate:

- the offering or acceptance of bribes, inducements or unauthorised commissions by any of its employees or officers;
- the misuse of Company assets or resources and employees will not use such assets or resources for their own benefit;
- employees being under the influence of illegal drugs or alcohol while on Company premises or while at work off Company premises;
- inappropriate conduct such as sexual harassment, racial discrimination, bullying or other anti-social behaviour.

OBLIGATIONS RELATIVE TO FAIR TRADING AND DEALING

Carnegie Wave Energy strives to deal fairly with its customers, suppliers and competitors. Employees are prohibited from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other practice that involves unfair dealing.

In its competitive environment, Carnegie Wave Energy will compete fairly and ethically and in accordance with the competition laws of Australia and of each country in which Carnegie Wave Energy operates. Carnegie Wave Energy aims to conduct its business fairly. It will compete solely on the qualities of its products and services. Carnegie Wave Energy deems false statements, misleading statements or innuendo as being inappropriate and unacceptable.

As part of its commitment to fair trading, Carnegie Wave Energy has adopted a policy that employees will:

- fulfil requirements in awarding orders, contracts and commitments to suppliers of goods and services on a sound business basis and on the ability of the customer or supplier, and that their decisions will not be based on personal favouritism;
- not unfairly differ between customers when supplying products or services;
- not refuse to deal with, or discriminate against, a customer for any improper reason; and
- not intimidate or threaten another person or organisation.

RESPONSIBILITIES TO THE COMMUNITY

The Environment

Carnegie Wave Energy is committed to conducting its business in accordance with the spirit and letter of all applicable environmental laws and regulations. All employees are to have regard for the environment when carrying out their duties.

Community Activities

All employees are encouraged to engage in activities beneficial to their local community. While normally these activities should occur outside work hours, employees may occasionally engage in community activities during work hours with the approval of the Managing Director as long as the activities do not interfere with the employee's job responsibilities.

Donations and Sponsorship

Carnegie Wave Energy receives a number of requests for sponsorship in the form of either monetary donations or in kind. As a result, Carnegie Wave Energy has developed an approved list of charities that it supports. This list changes from time to time. Consequently, all employees should refer requests for sponsorship to the Chairman.

RESPONSIBILITIES TO THE INDIVIDUAL

Privacy

Carnegie Wave Energy receives private information from its employees. Unless required by law, such personal information will not be shared with a third party without the consent of the employee. Within Carnegie Wave Energy, personal information on employees will only be provided on a "need to know" basis and will only be used for the purpose for which it was intended.

Similarly, employees will often be furnished with personal information from clients, suppliers and investors. Unless required by law, such personal information will not be shared with a third party without the consent of the person providing the information.

Confidential Information

All employees must maintain the confidentiality of business information and protect it from any disclosure. This obligation of confidentiality applies while a person is an employee of Carnegie Wave Energy as well as after that person ceases to be an employee of Carnegie Wave Energy.

Information that must be kept confidential includes internal, confidential or proprietary information related to Carnegie Wave Energy's business, technological and other knowledge whether patented or not, processes, computer passwords, computer software, product formulations, business strategies, plans, budgets, and forecasts and information concerning Carnegie Wave Energy operations, customers, vendors, suppliers and employees.

Conflicts of Interest

Where an individual's private interests vary in any way with the interests of Carnegie Wave Energy as a whole a conflict of interest exists. Further, a conflict of interest can be seen to exist where an employee or family member has a direct or indirect financial interest in, or receives any compensation or other benefit from, any individual or firm that:

- sells material, equipment or property to Carnegie Wave Energy;
- provides any service to Carnegie Wave Energy;
- has business dealings or contractual relations with Carnegie Wave Energy including leases and purchases; or
- is engaged in a similar business or competes with Carnegie Wave Energy.

Employees and Directors must avoid material conflicts between personal interests and the interests of Carnegie Wave Energy, or even the semblance of such interests. Where an employee or Director is concerned that there may be a conflict of interest it should be discussed with the Chairman/Managing Director as soon as possible.

HOW CARNEGIE WAVE ENERGY COMPLIES WITH LEGISLATION AFFECTING ITS OPERATIONS

Within Australia

Carnegie Wave Energy strives to comply with the spirit and the letter of all legislation affecting its operations.

Outside Australia

Carnegie Wave Energy will abide by local laws in all countries in which it operates. However, Carnegie Wave Energy recognises that the laws in some countries may not be as stringent as Carnegie Wave Energy's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts". Consequently, where Company policy is more stringent than the local laws, Company policy will prevail.

HOW CARNEGIE WAVE ENERGY MONITORS AND ENSURES COMPLIANCE WITH THIS CODE OF CONDUCT

The Board, management and all employees of Carnegie Wave Energy are committed to implementing this Code of Conduct. Therefore, it is up to each individual to comply with this Code of Conduct and they will be accountable for such compliance. Where an employee is concerned that there has been a violation of this Code of Conduct, it can be reported in good faith to their superior. While a record of such reports will be kept by Carnegie Wave Energy for the purposes of the investigation, the report may be made anonymously. No one making such a report will be subject to any form of retribution.

The disciplinary measures that may be imposed for violations of this Code of Conduct include, but are not limited to, counselling, verbal or written reprimands, warnings, suspension without pay, demotion, reduction in salary, or termination of employment.