

CARNEGIE WAVE ENERGY LIMITED
EXTERNAL AUDITOR SELECTION POLICY

SELECTION OF EXTERNAL AUDITOR

Should there be a vacancy for the position of external auditor, Carnegie Wave Energy, through the Audit Committee, conducts a formal tendering process, either a general or selective tender.

Tenders are evaluated in accordance with the criteria, as appropriate from time to time, provided to tenderers. Tenders are not assessed solely on the basis of price, but on a number of issues such as:

- skills and knowledge of the team proposed to do the work;
- quality of work;
- independence of the audit firm;
- lead signing partner and independent review partner rotation and succession planning;
- value for money;
- ethical behaviour and fair dealing; and
- independence from Carnegie Wave Energy.

APPOINTMENT OF EXTERNAL AUDITOR

Through the tendering process, the Audit Committee identifies and recommends an appropriate external auditor for appointment by the Board in conjunction with senior management and/or Carnegie Wave Energy in general meeting. The appointment is made in writing.

ROTATION OF EXTERNAL AUDIT PARTNERS

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Carnegie Wave Energy's accounts for a period of more than five consecutive years. Further, once rotated off Carnegie Wave Energy's accounts no partner of the external auditor may assume any responsibility in relation to Carnegie Wave Energy's accounts for a period of five consecutive years. This requires succession planning on the part of the external auditor, a process in which Carnegie Wave Energy is involved.