

CARNEGIE WAVE ENERGY LTD
MATTERS RESERVED FOR BOARD APPROVAL

MATTERS RESERVED FOR APPROVAL BY THE BOARD OF DIRECTORS

The Board of Carnegie Wave Energy Limited reserves the following matters to itself:

1. Financial and Business Matters

- Approval of interim and final financial statements.
- Approval of a dividend policy.
- Approval of any significant change in accounting policies or practices.
- Remuneration of auditors and recommendations for appointment or removal of auditors, following communication with the Audit Committee.
- Approval of the annual operating budget and monitoring of performance against budget.
- Annual finance plans and treasury policies.
- Risk management policies, following communication with the Audit Committee.
- Business strategy.
- Defining policies and procedures to ensure the Company operates within the legal, ethical and social requirements of its environment.
- Securing funds to develop the Company's assets.
- Major capital expenditure, acquisitions and divestitures and other financial commitments in excess of \$100,000 which are not in accordance with an approved budget (or such greater amount determined by the Board).
- Proposed business ventures not in the ordinary course of the Company's business.
- Capital issues including material changes relating to the Company's capital structure or its status as a listed company.

2. Board/Directorate Matters

- Terms and conditions applicable to directors, following communication with the Remuneration Committee.
- Succession planning for executive and non-executive directors.
- Board appointments and removals.
- Appointment and removal of the Managing Director and Company Secretary.
- Remuneration of non-executive directors, following communication with the Remuneration Committee.
- Constitution and Board Committee Charters.
- Reports of all meetings of Board Committees.
- Review of the performance of the Board and senior executives.

3. Public Reporting

- Approval of all circulars, prospectuses and listing particulars.
- Approval of all ASX announcements and press releases.
- Approval of the annual report and accounts, including the directors' report.

4. Miscellaneous

- Approval of recommendations from the Remuneration Committee for changes to staff and remuneration conditions.
- Approval of rules for dealing in the Company's securities as set out in the Securities Trading Policy.
- Calling of shareholders' meetings.
- Major changes in employee share schemes and executive share options, following communication with the Remuneration Committee.

- Recommendation of any changes to the Company's constitution.
- Commencement, defence or settlement of litigation.
- Environmental health and safety policy.
- Issues with major reputation implications.
- Any change to the matters included in this statement.

The matters listed above are not exhaustive and do not derogate from the Board's overall duties and responsibilities.

The Board may, at its discretion, delegate consideration and/or approval of any of the above matters to a Committee of the Board specifically constituted for that purpose. Furthermore, the Board Committees, namely the Audit Committee and the Remuneration Committee will consider and determine such matters for which they are responsible in accordance with their charter in force from time to time.