
CARNEGIE WAVE ENERGY LIMITED

ABN 69 009 237 736

**NOTICE OF ANNUAL GENERAL MEETING
OF SHAREHOLDERS
AND
EXPLANATORY MEMORANDUM**

TO BE HELD AT 10:00AM (WST) ON FRIDAY, 7 NOVEMBER 2014

AT

**CARNEGIE WAVE ENERGY LIMITED
RESEARCH FACILITY
21 NORTH MOLE DRIVE
NORTH FREMANTLE, WESTERN AUSTRALIA**

**(NOTE: NO PARKING AVAILABLE AT VENUE, PLEASE PARK AT “SALT ON THE BEACH”, 42 PORT BEACH ROAD,
FREMANTLE – SHUTTLE BUSES ARE PROVIDED FROM 9.30AM ONWARDS)**

Notice of Annual General Meeting CARNEGIE WAVE ENERGY LIMITED

Notice is hereby given that the Annual General Meeting of Carnegie Wave Energy Limited ("the **Company**") will be held at Carnegie Wave Energy Limited Research Facility, 21 North Mole Drive, North Fremantle, Western Australia at 10:00 AM (WST) on Friday 7, November 2014.

AGENDA

ANNUAL REPORT

To receive and consider the Annual Report of the Company and its controlled entities for the year ended 30 June 2014, which includes the Financial Report, the Directors' Report and the Auditor's Report.

RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, to pass with or without amendment the following resolution as an **ordinary** resolution:

"That the Remuneration Report as set out in the Annual Report for the year ended 30 June 2014 be adopted."

Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion statement

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.

However, a vote may be cast by such a person if:

- (a) the person is appointed as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chairman voting an undirected proxy which expressly authorises the Chairman to vote the proxy on a resolution connected with the remuneration of a member of the Key Management Personnel.

RESOLUTION 2 – RE-ELECTION OF MR JEFFREY HARDING AS A DIRECTOR

To consider and, if thought fit, to pass with or without amendment the following resolution as an **ordinary** resolution:

"That Mr Jeffrey Harding who retires in accordance with clause 13.2 of the Constitution and being eligible for re-election, be re-elected as a Director."

RESOLUTION 3 – RE-ELECTION OF MR JOHN LEGGATE AS A DIRECTOR

To consider and, if thought fit, to pass with or without amendment the following resolution as an **ordinary** resolution:

"That Mr John Leggate who retires in accordance with clause 13.2 of the Constitution and being eligible for re-election, be re-elected as a Director."

RESOLUTION 4 – APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, to pass with or without amendment the following resolution as a **special** resolution:

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

SNAPSHOT DATE

The Directors have determined that in accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001 (Cth)*, the persons eligible to attend and vote at the meeting are those persons who are registered as Shareholders as at 5.00 pm (WST) on Wednesday, 5 November 2014.

HOW TO VOTE

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice and by submitting their proxy appointment and voting instructions in person, by post or by facsimile.

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VOTING IN PERSON (OR BY ATTORNEY)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

BODIES CORPORATE

A Shareholder which is a body corporate may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

PROXIES

In accordance with Section 249L of the Corporations Act, Shareholders are advised that:

- Each Shareholder has a right to appoint not more than two proxies.
- A proxy need not be a Shareholder.
- A Shareholder may specify the proportion or number of votes each appointed proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as they think fit.
- Should any Resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that Resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the Resolutions proposed in this Notice.
- To be effective, proxies must be lodged by 12:00 noon (WST) on Wednesday, 5 November 2014. Proxies lodged after this time will be invalid.

Proxies may be lodged by either returning a completed proxy form by post or in person to:

Security Transfer Registrars
PO Box 535
APPLECROSS WA 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
APPLECROSS WA 6153

or by faxing a completed proxy form to:

Fax: (+618) 9315 2233

By order of the Board



Grant J Mooney
Company Secretary
26 September 2014

CARNEGIE WAVE ENERGY LIMITED

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of Carnegie Wave Energy Limited (the "**Company**").

This Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting. Details of the definitions and abbreviations are set out in Schedule 1.

ANNUAL REPORT

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the following opportunities:

- (a) discuss the Annual Report which is online at www.carnegiewave.com;
- (b) ask questions or make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and the content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies by the Company in relation to the preparation of financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

RESOLUTION 1– REMUNERATION REPORT

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors of the Company. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

The *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* which came into effect on 1 July 2011, amended the Corporations Act to provide that Shareholders will have the opportunity to remove the whole Board except the managing director if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2013 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2015 annual general meeting, this may result in the re-election of the Board.

The Chairman will allow reasonable opportunity for Shareholders to ask questions about or comment on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 1.

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If the Chairman is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

RESOLUTION 2– RE-ELECTION OF MR JEFFREY HARDING AS A DIRECTOR

Listing Rule 14.4 and Clause 13.2 of the Constitution requires that at an Annual General Meeting one-third of Directors for the time being shall retire from office. A retiring Director is eligible for re-election.

In accordance with the Constitution, Mr Jeffrey Harding retires by way of rotation as a Director and being eligible, offers himself for re-election as a Director.

Mr Harding was appointed as a Director of the Company in 2009.

Mr Harding has extensive experience in the renewable energy sector. From 1995 to 2005 Mr Harding was Managing Director of Pacific Hydro Limited, Australia's largest renewable energy developer with wind and hydro energy projects in Australia, Asia and Chile. During his tenure, Mr Harding oversaw the international expansion of the business with growth in market capitalization from AU\$5 million to over AU\$750 million and an increase in profit after tax each year from 1996 to 2005, when Pacific Hydro was sold to IFM Renewable Energy.

Mr Harding has degrees in Civil Engineering, Economics, and a Masters Degree in Business Administration and is a Fellow of the Australian Institute of Company Directors. He resides in both Europe and Australia.

Mr Harding was also Chairman of Ceramic Fuel Cells Ltd (AIM:CFU), was formerly General Manager of Brambles Industrial Services and Vice President of the Australian Business Council for Sustainable Development. Mr Harding regularly presents on issues associated with climate change and renewable energy.

The Board (excluding Mr Harding) recommends that Shareholders vote in favour of Resolution 2.

RESOLUTION 3– RE-ELECTION OF MR JOHN LEGGATE AS A DIRECTOR

Listing Rule 14.4 and Clause 13.2 of the Constitution requires that at an Annual General Meeting one-third of Directors for the time being shall retire from office. A retiring Director is eligible for re-election.

In accordance with the Constitution, Mr John Leggate retires by way of rotation as a Director and being eligible, offers himself for re-election as a Director.

Mr Leggate was appointed as a Director of the Company in 2011.

Mr Leggate is a highly experienced oil and gas and venture capital industry executive. He worked for over twenty seven years for BP, most recently as the Group Chief Information Officer and member of the BP Group Senior Leadership Team.

At BP Mr Leggate was closely involved in the development of corporate policy on technology foresight, and corporate venturing during the dotcom era. He has spent 20 years in the exploration and production business; running various projects, construction, commissioning and production operations with a focus on the North Sea, Azerbaijan and the Caspian Region. Mr Leggate's early career was spent in marine consultancy at Yarrows Admiralty Research in Glasgow and after that he was engaged in the design and construction of coal, oil and nuclear power stations with South of Scotland Electricity Board (now Scottish Power).

In 2012 John began working with Quintal Partners a Hong Kong based advisory firm specialising in global technology arbitrage across the energy, cleantech and transportation sectors. Quintal Partners offers strategic advisory, financing and business development services. John has served as a Director on the Main Board and Audit Committee of London listed Parkmead Group and Ogin (previously FloDesign Wind Turbines), a venture backed Boston based wind turbine company. He has also served on the UK DTI Far Eastern Trade Advisory Board for four years and was advisor to the US House Science Committee on the potential threat from cyber security on critical national infrastructure and global trade.

Mr Leggate was awarded Commander, The Most Excellent Order of the British Empire in the 2004 New Year's Honours List in recognition of outstanding contribution and leadership to the international digital technology agenda. John is a graduate of Glasgow University and is a Fellow of the Institute of Electrical Engineering and Fellow of the Royal Academy of Engineering.

The Board (excluding Mr Leggate) recommends that Shareholders vote in favour of Resolution 3.

RESOLUTION 4– APPROVAL OF 10% PLACEMENT FACILITY

General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity. Based on the closing price of the Company's shares on 11 September 2014, the Company has a market capitalisation of approximately \$82.6 million.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

As disclosed in the Company's quarterly activities reports, the Company is continuing its strategy of the targeted pursuit of commercial opportunities for CETO in Australia and internationally. The Company may use the 10% Placement Facility to participate in these commercial opportunities. The 10% Placement Facility is available for 12 months each time it is approved, it was last approved at the 2013 AGM and was never utilised.

The Directors of the Company believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, Shares and Options.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

where:

A is the number of shares on issue 12 months before the date of issue or agreement:

(A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the 12 months;

(C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;

(D) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

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E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 1,721,700,836 Shares and currently has a capacity to issue:

- (i) 121,999,759 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being provided under Resolution 4, 168,051,260 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are exercised). There is a risk that:

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- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.022 50% decrease in Issue Price	\$0.043 Issue Price	\$0.086 100% increase in Issue Price
Current Variable A 1,721,700,836 Shares	10% Voting Dilution	172,170,084 Shares	172,170,084 Shares	172,170,084 Shares
	Funds raised	\$3,701,657	\$7,403,314	\$14,806,627
50% increase in current Variable A 2,582,551,254 Shares	10% Voting Dilution	258,255,125 Shares	258,255,125 Shares	258,255,125 Shares
	Funds raised	\$5,552,485	\$11,104,970	\$22,209,941
100% increase in current Variable A 3,443,401,672 Shares	10% Voting Dilution	344,340,167 Shares	344,340,167 Shares	344,340,167 Shares
	Funds raised	\$7,403,314	\$14,806,627	\$29,613,254

The table has been prepared on the following assumptions:

- (A) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (B) No Options (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
- (C) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (D) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
- (E) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

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(F) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

(G) The issue price is \$0.043, being the closing price of the Shares on ASX on 19 September 2014.

- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the development of the CETO wave energy technology and/or general working capital including the potential acquisition of new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards development of the CETO wave energy technology and/or general working capital including the potential acquisition of new assets or investments (including expense associated with such acquisition).

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (e) The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 1 November 2013 but not since utilised the facility. In the 12 months preceding the date of the 2014 Annual General Meeting, the Company has issued 409,986,019 Equity Securities and this represents 28% of the total number of Equity Securities on issue at the commencement of that 12 month period. Details of each issue of Equity Securities by the Company during the 12 months preceding the date of the 2014 Annual General Meeting are set out in the table below:

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount	Consideration & Use of Funds as at 30 September 2014
25/11/2013	40,000,000	Option ¹	Directors of the Company	Effective issue price of \$0.065 (a premium to market price).	Nil consideration
25/11/2013	35,000,000	Share ¹	Managing Director of the Company	\$0.045 (no discount to market price).	Nil consideration
27/11/2013	4,000	Convertible Notes ¹	Notes issued to sophisticated investors who were predominantly existing shareholders.	\$1,000 per Convertible Note. Conversion price of \$0.045 (no discount to market price on date	\$4,000,000 of which approximately \$1,000,000 has been spent net of government grants to fund development of the CETO 6 project and for working capital purposes. It is intended to

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Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount	Consideration & Use of Funds as at 30 September 2014
				of issue of convertible note).	use the remaining funds for the same purposes.
21/02/2104	1,155,133	Share ²	Convertible Note holders	Effective issue price of \$0.052 (discount of 4% to market price)	Nil consideration
19/03/2104	5,000,000	Share ³	Clean Energy Finance Corporation	Effective issue price of \$0.054 (discount of 2% to market price)	Nil consideration
24/04/2014	400,000	Share ⁴	Consultant	Effective issue price of \$0.05 (discount of 9% to market price)	Nil consideration
24/04/2014	31,188,750	Share	Shares issued to sophisticated investors who were predominantly existing shareholders.	\$0.05 (discount of 9% to market price)	\$1,559,438 of which \$0 has been spent net of government grants to fund development of the CETO 6 project and for working capital purposes. It is intended to use the remaining funds for the same purposes as the funds were raised.
24/04/2014	155,770,000	Share	Applicants to the Company's Share Purchase Plan	\$0.05 (discount of 9% to market price)	\$7,788,500 was raised of which \$0 has been spent net of government grants to fund development of the CETO 6 project and for working capital purposes. It is intended to use the remaining funds for the same purposes as the funds were raised.
16/05/2104	1,082,704	Share ²	Convertible Note holders	Effective issue price of \$0.055 (premium to market price)	Nil consideration
28/05/2104	1,111,111	Share ⁵	Convertible Note holders	\$0.045 (discount of 10% to market price)	Nil consideration
4/07/2014	50,250,000	Option ²	Employees of the Company	Option exercise price of \$0.073 (premium to market price on date of issue of options)	Nil consideration
20/08/2104	1,250,543	Share ²	Convertible Note holders	Effective issue price of \$0.048 (premium to market price)	Nil consideration

Notes:

Option¹ – Directors Options exercisable at \$0.065 each expiring on 24 November 2018.

Convertible Notes¹ – Issue of 4,000 Convertible Notes (**Notes**) of face value \$1,000 each. Notes can be converted at any time to ordinary shares in the company at a conversion price of \$0.045. Conversion of all Notes would result in the issue of 88,888,889 shares.

Share¹ – 35,000,000 Issue of shares through a limited recourse, interest-free loan to the Managing Director under the Carnegie Wave Energy Management Incentive Equity Plan, further to shareholder approval obtained on 1 November 2013.

Share² – Issue of shares to holders of Notes as a non-cash 6% p.a. coupon paid quarterly, in accordance with the terms of the Convertible Notes announced on 18 November 2013.

Share³ – Issue of shares in lieu of a cash payment to the Clean Energy Finance Corporation as part of the establishment fee in accordance with the conditions of the five year \$20 million loan facility announced on 19 March 2014.

Share⁴ – Issue of shares in lieu of a cash payment under the terms of an agreement with a corporate consultant performing corporate consulting work for the company.

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Share⁵ – Issue of shares to holders of Notes as a conversion to equity of the Notes.

Option² – Employee Options (excluding directors) exercisable at \$0.073 each on or before 3 July 2017, 50% vesting 4 July 2015 and 50% vesting 4 July 2016.

- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

SCHEDULE 1 – GLOSSARY

10% Placement Period has the meaning given in the Explanatory Memorandum for Resolution 4.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

Closely Related Party means:

- (a) a spouse or child of a member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Constitution means the constitution of the Company.

Company means Carnegie Wave Energy Limited ABN 69 009 237 736.

Corporations Act means *Corporations Act 2001* (Cth).

Director means a director of the Company.

Employee Options means an Option issued pursuant to the Carnegie Wave Energy Limited Employee Share Option Plan 2010.

Equity Security has the meaning given in the Listing Rules and **Equity Securities** has the corresponding meaning.

Explanatory Memorandum means this explanatory memorandum.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

Listing Rules means the listing rules of the ASX.

Management Incentive Plan means the Carnegie Wave Energy Management Incentive Equity Plan.

Notice means the notice of Annual General Meeting which accompanies this Explanatory Memorandum.

Option means an option to acquire a Share.

Resolution means a resolution proposed pursuant to the Notice.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means the registered holder of a Share.

Trading Days has the meaning given in the Listing Rules.

VWAP means the volume weighted average price.

WST means Australian Western Standard Time.