KALINA POWER LIMITED

AND ITS CONTROLLED ENTITIES

ACN 000 090 997

Annual report to Shareholders for the year ended 30 June 2019

CORPORATE DIRECTORY

Directors:	Mr John Byrne	Executive Chairman (retired 30 June 2019)
	Mr Ross MacLachlan	CEO and current acting Chairman
	Mr Tim Horgan	Executive Director
	Dr Malcolm Jacques	Non-executive Director
	Mr Jeffry Myers	Non-executive Director
	Mr Peter Littlewood	Non-executive Director

Company Secretary: Mr Alwyn Davey

Registered Office and Principal Place of Business

Ground Floor
585 Burwood Road
Hawthorn VIC 3122
Telephone: + 61 3 9236 2800
Facsimile: + 61 38 9818 3656

Share Registry:

Computershare Registry Services Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, Vic, Australia, 3067
Telephone: 1300 787 272

Bankers:

Commonwealth Bank of Australia
385 Bourke Street
Melbourne VIC 3000

Auditors:

HLB Mann Judd
Level 9, 575 Bourke Street
Melbourne VIC 3000
Telephone: + 61 3 9606 3888
Facsimile: + 61 3 9606 3800

Solicitors:

Gadens Lawyers
Level 25 Bourke Place
600 Bourke Street
Melbourne VIC 3000

Stock Exchange: The Company is listed in the Australian Stock Exchange. ASX code: KPO

Other Information: KALINA POWER LIMITED, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Corporate Governance: The Company's Corporate Governance Statement was released to the ASX on 30 September 2019 and can be found on the Company's website at www.kalinapower.com

Chairman's Letter

Dear Shareholders

In the Chairman's letter to you last year we outlined the importance of a number of key power industry professionals the Company has assembled to effectively deploy the Kalina Cycle in strategic markets pursuing multiple project opportunities on a large scale.

We highlighted that KALiNA Power's Canadian-based subsidiary ("KDP") had implemented a program in Alberta, Canada to participate in a large addressable market for multiple project opportunities in Western Canada to build combined cycle power plants that will provide clean energy at one of the lowest emission levels of its peer group.

I am pleased to report that the Company has continued successfully in its development of these projects. KDP has undertaken a comprehensive body of work over the past 2 years from market analysis, process design, independent engineering, major equipment vendor selection, quotes and optimisation of the specially designed 21MW combined cycle power plants to be deployed in multiple locations in Alberta.

The plant equipment and configuration design utilizes the Company's Kalina Cycle technology in a way that enables the distribution of small scale power plants in a market with strong and growing demand in regional markets. Each project will build a 21 MW combined cycle power plant configured with a 15 MW gas-fired turbine combined with a 6 MW KALiNA Cycle® power island ("KALiNA CCGT").

This work has culminated in KDP now engaged in a North American roadshow throughout September and October to seek project level funding to raise CA$300 million for ongoing project development and financing of its initial five projects. KDP's distributed power generation strategy has been structured to pursue a large addressable market with projects that are projected to generate double-digit, unlevered rates of return. The Company believes that successful execution of this strategy will represent a transformative breakthrough and serve as a platform for KALiNA to become a global waste heat to power business.

The Board and team at KALiNA thank you for your support and we look forward to reporting to you on our expected progress over the coming year.

Yours Faithfully

Ross MacLachlan

CEO and Interim Chairman

Directors' report

The directors of KALiNA Power Limited ('the Company') present their annual financial report of the Company and its controlled entities ('the Group' or 'the Consolidated Entity') for the year ended 30 June 2019.

Review of Operations

The total loss of the consolidated entity attributable to the owners of the parent for the year ended 30 June 2019 was $4,797,721 (2018-: loss of $4,536,590). This equates to a basic loss per share of 1.0 cent for the year ended 30 June 2019 (2018: loss of 1.1 cents). Of this loss of $4.8m, $1.67m related to project development expensed in the period and $0.2m related to equity settled charges.

During the financial year, the Company completed a financing strongly supported by management and existing shareholders of AU$2.8m through an AU$2.3m rights issue and a AU$500,000 private placement.

During the financial year the Company continued to focus on markets with opportunities for multiple projects and supportive policies for the deployment of renewable energy. This has led to initial development work on a number of projects in Canada in which KALiNA has substantial control of the timing and implementation of the projects.

Restructuring has been undertaken in China to enable KALiNA's Hong Kong based team to effectively deploy the KALiNA Cycle in a highly prospective market. The basis for the restructure is to enable KALiNA to raise third party capital at our subsidiary level, principally from Asian investors and specifically for operations in China. This approach has resulted in significant reduction to the ongoing funding requirements for KALiNA in this region.

Western Canada

KALiNA Power's Canadian-based subsidiary ("KDP") has implemented a program in Alberta, Canada which has a robust and growing industrial demand for power. KDP has developed a program for specially designed 21MW combined cycle power plants configured with both a gas turbine and a KALiNA Cycle® power package that will enable economic operation at or near base load conditions and address a growing market need for power with reduced emissions, supported by appropriate government incentives. Each project is anticipated to generate double digit unlevered rates of return.

KDP's progress on the site selection process, cost estimation and major component selection resulted in a well optimized power plant design package with a good understanding of costs and schedules including:

- Preliminary engineering, initial design based memorandum and cost estimating;
- Evaluation and negotiation with key vendors of major equipment;
- Close engagement with partners for engineering, construction and deployments;
- A comprehensive work plan has been developed with key regulatory consultants for ongoing site identification, evaluation, and market analysis;
- Identification of financial drivers, merchant energy pricing forecasts sourced from EDC, the pre-eminent Alberta power market forecaster and non-market revenues;
- Development of base case and optimized scenarios for fuel pricing and risk management strategies.

The cost estimating was completed by two independent engineering firms using different construction methods and who have provided CAPEX estimates within 20% of each other. One estimate is from an acknowledged leader in oilfield facility modularization with extensive experience estimating and managing field construction in Alberta for shop fabricated major equipment and electrical module packages. The other estimate is from one of North America's leading EPC firms for power projects using conventional "stick built" construction.

A portfolio of project sites is being assembled for deployment at a rate and time commensurate with the level of funding available. KDP has prepared an investment memorandum to raise CA$300 million of project financing for its initial five projects. The financial returns are believed to be sufficient to provide for ongoing royalty payments to KPO, a development fee, as well as a carried equity interest for KDP in each project.

A roadshow is now underway where funds are to be raised for the financing of specific individual projects or the all of the projects being developed in the portfolio. Investment opportunities will also be considered for equity participation in the ongoing project development activities by way of direct investment in KDP itself.

China and Asia

KALiNA's Hong Kong based team for China and the Asia region includes KPO board member, Mr. Peter Littlewood and Kalina's President for Greater China, Mr. Nigel Chea. Mr Littlewood has over 40 years' experience in the power industry, including 36 years with China Light and Power ("CLP Group"), one of the largest power companies in the Asia-Pacific region. Mr Chea was formerly the Chief Operating Officer at Meiya Power (renamed CGN New Energy Holdings Co), a leading foreign independent power producer ("IPP") in China and North Asia.

Over the past year the Hong Kong based team has provided the Alberta program with assistance with equipment sourcing and vendor negotiations as part of an international effort that will ensure future projects use selective vendors of major equipment and a common design criteria for cost effective and high quality deployment.

The Company intends to raise sufficient capital through its Chinese subsidiary to allow its Hong Kong based team to address the massive market in China and greater Asia. Accessing a meaningful amount of funding is important in order to take on this market opportunity and leverage such a strong and proven team of industry professionals, while at the same time limiting the ongoing funding obligations from KALiNA.

Funding will be sought from sources in China and greater Asia; a region that is familiar with the opportunities for technologies such as the KALiNA Cycle Technology and that is adopting such technologies at a prolific pace.

Intellectual Property (IP)

The Company currently has over 320 granted patents representing 17 different patent families. The Company is constantly seeking to add to its intellectual property portfolio with new inventions and documentation of its tremendous body of proprietary know-how and process knowledge. The Company is continuing with its overall IP strategy, of assessing maintenance of existing patents and technical know-how and trade secrets being documented in such a way as to afford comprehensive protection and maximum effect in aggressively staking the Company's claims in the sector.

Corporate

Loss for the year attributed to owners of the parent was $4,797,721.

Directors' report (cont'd)

The names and particulars of the directors of the Company during or since the end of the financial year and up to the date of this report are:

Name, qualifications	Particulars
Mr. John Byrne	Mr. Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. He has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 3 wash plants, totaling in excess of $500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today. Retired 30 June 2019
Mr Ross MacLachlan	Mr. MacLachlan has been involved in technology development and commercialization as an active venture capital investor and executive for over 30 years. He has worked and invested with technology companies in a range of industries especially those in the conventional and alternative energy sectors. A strong competency in corporate finance, business development and the strategic management of developing companies; including intellectual property management and technology commercialization. Ross was an early investor and became an independent director of Canadian independent power producers, Pristine Power and Swift Power where he also played an important role in the sale of each company to Veresen in 2010 and 2011. Mr. MacLachlan has been a speaker and panel participant relating to public policy and development of the cleantech industry, providing advice to provincial and federal governments in Canada. Appointed 26 June 2015
Mr Timothy Horgan	Mr Horgan is a qualified lawyer and business executive with over 20 years experience in Europe, Africa, Asia and Australia. Mr Horgan practiced law with Minter Ellison in Australia before moving to London where he acted as Counsel for S & P 100 Company, The Gillette Company. He sat on Gillette's Africa, Middle East and Europe Operational Committee overseeing annual sales in excess of USD 1.2 Billion. Tim also has extensive licensing experience having overseen the USD 1.2 Billion acquisition of the 2002 and 2006 FIFA world cup broadcast rights. Tim has acted as founder, director and advisor to numerous Mining and Energy Companies. His recent experience includes listing South African Coal Company Universal Coal Plc on the ASX and Hungarian Energy Company Wildhorse Energy PLC on AIM. Tim has extensive experience in China including with Gillette, South China Resources Plc and more recently in advising Kalahari Minerals on its USD 1 billion takeover by China Guangdong Nuclear Power Corp (CGNPC). Appointed 27 May 2015
Dr. Malcolm Jacques *Ph.D. Chemical Engineering*	Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA. Dr Jacques' international career has embraced research, development and implementation of numerous energy technologies in both the public and private sectors. He has worked with several well-known companies and organizations including BP Ventures (UK), The Energy Laboratory, MIT (Cambridge, USA), Strategic Research Foundation (Australia) and has played key roles in the establishment and management of public and private energy technology companies in Australia and North America. Appointed 2 March 2010

Directors' report (cont'd)

Mr Jeff Myers	Mr. Myers is one of North America's leading power generation sector professionals, with over 30 years of experience in the downstream energy sector. He has led the development, financing, execution and operation of over 3GWe of independent power projects. Mr. Myers continues to be involved in the development of independent power projects through his position on the Boards of a number of private, clean technology companies and as a senior operating partner at Stonepeak Infrastructure Partners (a US$16bn infrastructure fund). Mr. Myers was a co-founder, Chairman, President and Chief Executive Officer of Pristine Power (a developer, builder, and operator of independent power plants that produced and sold electricity for industrial users in Canada). Mr. Myers oversaw Pristine Power's foundation in 2002, public listing in 2008, and successful sale to Veresen (TSE: VSN, c. C$4.2bn market capitalisation), for US$300m, in late 2010. KALiNA Power's CEO, Mr. Ross MacLachlan, served as a director with Mr. Myers at Pristine Power from 2002 to 2010. Appointed 19 October 2016
Mr Peter Littlewood	As one of Asia-Pacific's leading sector professionals, Mr. Littlewood was formerly the Group Director of Operations at CLP Group ("China Light and Power") and was responsible for developing and implementing power projects across China, Hong Kong, India, and other Asia-Pacific countries. He was a member of the Group Executive Committee and Investment Committee, and a Director for numerous China Light and Power subsidiaries and has over 40 years of experience in the energy and power sector. Over a 36 year career with China Light and Power in Hong Kong, Mr. Littlewood was responsible for engineering, project management, construction, operations and fuel supply for the entire power generation portfolio with Mr. Littlewood being instrumental in the development of multiple projects using coal, natural gas, nuclear, hydro, wind, solar and biomass technologies. During his tenure, China Light and Power became the largest international investor in the Asia-Pacific power market and is the largest external investor in the mainland China power market. It is a significant international investor in the conventional and renewable power sectors and holds significant investments, joint ventures and operations across China, Hong Kong, India, Thailand, Taiwan, and Australia including 100% ownership of Australian subsidiary, Energy Australia. Mr. Littlewood is currently a member of the Advisory Board for Bloomberg New Energy Finance. He holds a Master's Degree in Engineering (first class honours) from the University of Cambridge and has completed the Harvard Business School Advanced Management Program. Appointed 24 July 2017

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ross MacLachlan	Lions Bay Capital Inc (Canada)	2010 – Present
John Byrne	Jervois Mining Limited	2016 - 2018
	Lions Bay Capital Inc (Canada)	2017 - Present

Shareholdings

The following table sets out key management personnel's relevant interests in shares and options of the Company as at the date of this report.

Directors and senior management	Fully paid ordinary shares Number	Options Number
Directors		
John Byrne	55,521,779	2,600,000
Ross MacLachlan	20,266,262	23,300,000
Tim Horgan	4,309,673	7,800,000
Malcolm Jacques	960,435	1,000,000
Jeffry Myers	7,677,508	5,200,000
Peter Littlewood	8,677,508	5,200,000
Senior Management		
Nigel Chea	11,500,000	8,700,000
Alwyn Davey	2,330,814	4,200,000
Kesh Thurairasa	700,000	3,000,000

Directors' report (cont'd)

Since the end of the financial year nil share options (2018:nil) were granted to Directors and officers of the company as part of their remuneration.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year. During the financial year, 6 Board meetings and 2 Audit Committee meetings were held during the period.

	Board of Directors		Audit and Finance Committee	
Name	Held	Attended	Held	Attended
John Byrne	5	5	2	2
Tim Horgan	5	5	-	-
Ross MacLachlan	5	5	-	-
Malcolm Jacques	5	4	2	2
Jeffry Myers	5	5	-	-
Peter Littlewood	5	5	-	-

Company secretary

The name(s) and particulars of the Company secretary during or since the end of the financial year are:

Name	
Alwyn Davey	Mr Alwyn Davey was appointed to the position of Company Secretary on 9 July 2009. Mr Davey has experience in cross border mergers, acquisitions and investments as well as formally being a member of the Executive committee of Cambrian Mining Plc, a diversified mining group. He was a non-executive director for Energybuild Group Plc, a UK listed coal company and has been company secretary of a number of UK listed companies which were predominately part of the Cambrian Mining Plc group. Mr Davey holds an LLB degree from Waikato University, NZ.

Directors' report (cont'd)

Principal activities

The principal activity of the consolidated entity during the year was the continued management of its projects and investments.

Review of operations

The consolidated loss for the year amounted to $5,167,996 (2018:$5,022,985 loss).

The Review of Operations is set out on pages 3 to 4 of this report.

Significant Risks

The Company monitors risks and uncertainties on an ongoing basis in relation to its business objectives and operating environment. The following are deemed material risks to the business:

Future capital requirements and Subsidiary or Associate Business Model. The Company's strategy of developing relationships with major industry partners will reduce its future need for capital. The Company will seek to meet the reduced future funding requirements through the delivery of services to customers and the licensing of its core KALiNA Cycle technology to projects. However, if the services and licensing revenues of the Company and the Company's ability to secure equity or debt financing are not sufficient for the capital which will still be required, the Company may not be able to implement its business plan. The Company has currently established, or may in the future establish, subsidiaries or associates to further the business of the KALiNA Group. Regulatory, commercial, environmental or political risks may impact on the ability of the Company to establish and/or continue to operate subsidiaries or associates in various global jurisdictions. These factors may also impact on the ability of the subsidiary or associate companies to raise or generate capital on their own account. While the Company will seek to continue to operate existing subsidiaries or associates and to form new subsidiaries or associates, there is a risk that if those subsidiaries or associates fail to become self-funding, or cannot secure the necessary capital which will still be required, the Company may not be able to implement its business plan.

Dependence on Proprietary Technology: The Group relies on a combination of patents, copyrights, trade secrets and non-disclosure agreements to protect its KALiNA Cycle technology. The Group enters into confidentiality or licence agreements with its employees, licensees and others and limits access to its documentation, software and other proprietary information. There can be no assurance that steps taken by the Company and KCT Power Limited (KCT) in this regard will be adequate to prevent misappropriation of its technology or that KCT's competitors will not independently develop technologies that are substantially equivalent or superior to KCT's technology. In addition, the laws of some foreign countries may not protect KCT's proprietary rights against others.

Foreign Exchange: Foreign exchange risk is relatively high due to the global nature of the Group's core business. Foreign exchange risk arises as it is likely to receive payment for services in currencies other that the Company's functional currency. In addition the value of its investments, assets and liabilities in foreign jurisdictions will be affected by currency movements.

Significant changes in state of affairs

The significant changes in the affairs of the consolidated entity during or since the year end are:

- During the year the company issued 281,620,219 ordinary shares at 1 cent each raising $2,816,202 before costs.
- The Company issued 16,400,000 options exercisable at 2.3 cents each to its Officers. The options expire on 19 June 2022.

Directors' report (cont'd)

Subsequent events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods

1. On 26 September 2019, the directors and some major shareholders agreed to advance $500,000 to the company until project funding /capital raising that is expected to be completed by November 2019. The loans will carry interest rate at 8% per annum and are repayable within 6 months.

Disclosure of information regarding likely developments in the operations of the consolidated entity in future years and the expected results of those operations may result in unreasonable prejudice to the consolidated entity and therefore have not been disclosed in this report.

Environmental issues

The consolidated entity's operations are subject to environmental regulation under both Commonwealth, State and various country legislation. There have been no significant known breaches of these regulations by the consolidated entity.

Dividends

No dividends have been paid or declared since the start of the year.

Shares under option or issued on exercise of options

Details of unissued shares or interest under option as at the date of this report:

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
KALiNA Power Limited	42,900,000	Ordinary	5.5 cents	30 November 2019
KALiNA Power Limited	16,600,000	Ordinary	6.0 cents	30 November 2020
KALiNA Power Limited	16,400,000	Ordinary	2.3 cents	19 June 2022

Details of shares or interest issued during or since the end of the financial year as a result of exercise of an option are:

Issuing Entity	Number of Options converted to shares	Class of shares	Amount paid for shares	Amount un paid
KALiNA Power Limited	nil	Ordinary	nil	Nil

Indemnification of officers and auditors

The Company has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Company), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Directors' report (cont'd)

Non-audit services

During the year the auditor did not provide any non-audit services.

Auditor's independence declaration

The auditors' independence declaration is included on page 16 of the annual report.

Remuneration report – audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of KALiNA Power Limited's directors and its senior management for the financial year ended 30 June 2019 and 2018. The prescribed details for each person covered by this report are detailed below under the following headings:

- directors and senior management personnel details
- remuneration policy
- relationship between the remuneration policy and Company's performance
- remuneration of directors and senior management
- key terms of employment contracts.

Directors and senior management personnel

The following persons acted as directors of the Company during or since the end of the financial year:

Executive Directors

John Byrne (retired 30 June 2019)
Ross MacLachlan
Tim Horgan

Non-executive Directors

Malcolm Jacques
Jeffry Myers
Peter Littlewood

The term 'senior management' is used in this remuneration report to refer to the following key management personnel. Except as noted, the named key management personnel held their current position during or since the end of the financial year:

Nigel Chea (President Greater China – KALiNA Power Limited)
Alwyn Davey (Company Secretary – KALiNA Power Limited)
Kesh Thurairasa (Financial Controller – KALiNA Power Limited)

Remuneration policy

The Board's policy for determining the nature and amount of key management personnel and other remuneration is agreed by the Board of Directors.

The terms 'remuneration' and 'compensation' are used interchangeably throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and senior management of the Company.

Compensation levels for key management personnel and other employees of the Company are competitively set to attract and retain appropriately qualified and experienced directors and senior management.

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of key management personnel and other employees; and
- the ability of key management personnel and other employees to control areas of their respective responsibilities

Senior Executive Remuneration

Compensation packages for the Executive Directors and senior management include a mix of fixed and incentive based compensation.

The Board regularly reviews the policy regarding the appropriate mix of fixed and incentive based compensation for senior executives, having regard to industry practice to ensure the Company attracts and retains the best people.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles if any), as well as employer contributions to superannuation funds.

Fixed compensation levels are reviewed annually by the Board through a process that considers individual contributions and overall performance of the Group, as well as market relativity. A senior executive's compensation is also reviewed on promotion.

Incentive based compensation

The Company does not currently operate a short-term incentive scheme and, in 2019, no cash awards were made to the executives apart from disclosed in the remuneration report. The Board did not operate a short-term incentive scheme for the 2019 financial year, however will review this in the context of the formal review of the Company's broader executive remuneration policy to be undertaken during the 2020 financial year.

In the 2019 financial year, 16,400,000 options were issued to senior executives and consultants. The current approach of not having time based vesting is considered appropriate due to the size of the Company. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options. There is no condition other than period of service for granting of options. The company considers the issue of options sufficiently aligns the interest of the entity with the incentive given to key management personnel.

All options expire on the earlier of their expiry date or termination of the individual's employment.

Non-Executive Director Remuneration

Non-Executive Director fees are paid within an aggregate limit which must not exceed $250,000 (excluding mandatory superannuation) per annum or such other maximum as determined by the Company in a general meeting.

The cash fees paid to each Independent Non-executive Director for the 2019 financial year were $40,000 (2018:$40,000) per annum, plus statutory superannuation.

All Non-Executive Directors are eligible to participate in the options granted.

All Non-Executive Directors are also entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committees or shareholders or while engaged on other KALiNA Power Limited business.

All remuneration paid/payable to key management personnel is valued at the cost to the company and expensed. Key management personnel or closely related partners of key management personnel are prohibited from entering into hedging arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the board's remuneration policy prohibits key management personnel from using the company's shares as collateral in any financial transactions, including margin loan arrangements.

Relationship between the remuneration policy and Company performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company, and it is the leadership of the directors and senior management which makes the achievement of this aim possible. As indicated above, over the course of the 2020 financial year, the Board will review the Company's executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

Shareholder returns are primarily measured by the movement in share price from the start to the end of each financial year. No dividends have been declared in the past four financial years or the current financial year. As the Company remains in the growth phase of its life cycle, shareholder returns do not correlate with revenues and losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Company performance rather than Company earnings.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

The table below set out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2019.

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Revenue	-	98,740	29,503	523,216	1,005,979
Net profit/(loss) before tax	(5,167,996)	(5,022,985)	(11,814,313)	(3,971,280)	(23,706,400)
Net profit/(loss) after tax	(5,167,996)	(5,022,985)	(11,814,313)	(3,971,280)	(23,560,243)
Share price at start of year ($)	0.017	0.056	0.048	3.060	3.06
Share price at end of year ($)	0.022	0.017	0.056	0.048	3.06
Dividends paid (cents)				-	-
Basic (loss)/profit per share (cents)	(1.0)	(1.1)	(3.6)	(3.0)	6.5
Diluted (loss)/profit per share (cents)	(1.0)	(1.1)	(3.6)	(3.0)	4.7

Remuneration of directors and senior management – audited

		Short-term employment benefits			Post-employment		Share-based payment		
		Salary & Fees	Other payments	Non-monetary	Superannuation	Other long term benefits	Options and rights	Value of options as proportion of total remuneration	Total
Executive Director		$	$	$	$	$	$	%	$
John Byrne (retired 30 June 19)	2019	98,333	-	-	-	-	-	-	98,333
	2018	140,000	-	320	-	-		-	140,320
Ross MacLachlan	2019	280,000	-	11,782	26,600	-	-	-	318,382
	2018	280,000	-	9,858	26,600	-	-	-	316,458
Tim Horgan	2019	200,000		-	19,000	-	-	-	219,000
	2018	200,000	20,000	-	19,317	-	-	-	239,317
Non-executive directors									
Malcolm Jacques	2019	40,000	-	-	-	-	-	-	40,000
	2018	49,750	-	-	-	-	-	-	49,750
Jeffry Myers	2019	126,312	-	-	-	-	-	-	126,312
	2018	66,375	-	-	-	-	-	-	66,375
Peter Littlewood	2019	45,200	-	-	-	-	-	-	45,200
	2018	70,465	-	-	-	-	202,668	74	273,133
Senior Management									
Nigel Chea	2019	198,428					45,348	19	243,776
	2018	247,473	-	-	-	-	202,668	45	450,141
Alwyn Davey	2019	200,000	-	-	22,500	-	20,731	6	243,231
	2018	195,000	-	-	30,525	-	-	-	225,525
Kesh Thurairasa	2019	159,000	-	-	27,150	-	12,957	7	199,107
	2018	166,423	-	-	28,810	-	62,359	24	257,592
TOTALS	**2019**	**1,347,273**	**-**	**11,782**	**95,250**		**79,036**	**5**	**1,533,341**
TOTALS	**2018**	**1,415,486**	**20,000**	**10,178**	**105,252**	**-**	**467,695**	**23**	**2,018,611**

Notes

- During the year 16,400,000 options were issued to senior management.

None of the key management personnel remuneration in the current year or in previous year was linked to performance.
No Key management personnel was provided with any loans during the year.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Equity instruments

Options

During the financial year the board approved the issue of 16.4 million options to employees and consultants.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Analysis of options over equity instruments granted as compensation

6.1 m options were granted as remuneration to key management personnel of the Group and Group executives.

During the financial year there were no share-based payment arrangements in existence.

Key management personnel equity holdings

Fully paid ordinary shares of KALiNA Power Limited

	Balance at 1 July 2018 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. (i)	Bal at 30 June 2019 No.	Balance held nominally No.
2019						
Directors						
J. Byrne	44,755,517	-	-	10,766,262	55,521,779	-
R MacLachlan	9,500,000	-	-	10,766,262	20,266,262	-
T Horgan	720,919	-	-	3,588,754	4,309,673	-
M. Jacques	756,260	-	-	204,175	960,435	-
J Myers	500,000	-	-	7,177,508	7,677,508	
P Littlewood	1,500,000	-	-	7,177,508	8,677,508	
Senior Management						
A. Davey	1,548,455	-	-	782,359	2,330,814	-
K. Thurairasa	700,000	-	-	-	700,000	-
N Chea	1,500,000	-	-	10,000,000	11,500,000	-

(i) Shares traded on the open market

During the financial year 16,400,000 share options (2018: 16,600,000) were issued to officers of the company as part of their remuneration.

	Balance at 1 July 2017 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. (i)	Bal at 30 June 2018 No.	Balance held nominally No.
2018						
Directors						
J. Byrne	28,143,043	-	-	16,758,900	44,755,517	-
R MacLachlan	9,000,000	-	-	500,000	9,500,000	-
T Horgan	200,919	-	-	520,000	720,919	-
M. Jacques	415,082	-	-	341,178	756,260	-
J Myers	-	-	-	500,000	500,000	-
P Littlewood	-	-	-	1,500,000	1,500,000	
Senior Management						
A. Davey	1,285,955	-	-	262,500	1,548,455	-
K. Thurairasa	-	-	-	700,000	700,000	-
N Chea	-	-	-	1,500,000	1,500,000	-

(i) Shares traded on the open market

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Share options of KALiNA Power Limited

	Balance at 1 July 2018 No.	Granted as compensation No.	Value $ $	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2019 No.	Bal vested at 30 June 2019 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2019										
Directors										
J. Byrne	2,600,000	-	-	-	-	2,600,000	2,600,000	-	-	-
R. MacLachlan	23,300,000	-	-	-	-	23,300,000	23,300,000	-	-	-
T. Horgan	7,800,000	-	-	-	-	7,800,000	7,800,000	-	-	-
M. Jacques	1,000,000	-	-	-	-	1,000,000	1,000,000	-	-	-
J Myers	5,200,000	-	-	-	-	5,200,000	5,200,000	-	-	-
P Littlewood	5,200,000	-	-	-	-	5,200,000	5,200,000			
Senior Management										
Nigel Chea	5,200,000	3,500,000	45,348	-	-	8,700,000	8,700,000	-	-	-
A. Davey	2,600,000	1,600,000	20,731	-	-	4,200,000	4,200,000	-	-	-
K. Thurairasa	2,000,000	1,000,000	12,957	-	-	3,000,000	3,000,000	-	-	-

	Balance at 1 July 2017 No.	Granted as compensation No.	Value$ $	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2018 No.	Bal vested at 30 June 2018 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2018										
Directors										
J. Byrne	4,600,000	-	-	(2,000,000)	-	2,600,000	2,600,000	-	-	-
R. MacLachlan	33,300,000	-	-	(10,000,000)	-	23,300,000	23,300,000	-	-	-
T. Horgan	12,800,000	-	-	(5,000,000)	-	7,800,000	7,800,000	-	-	-
M. Jacques	1,000,000	-	-	-	-	1,000,000	1,000,000	-	-	-
J Myers	5,200,000	-	-	-	-	5,200,000	5,200,000	-	-	-
P Littlewood	-	5,200,000	202,668	-	-	5,200,000	5,200,000	-	-	-
Senior Management										
Nigel Chea	-	5,200,000	202,668	-	-	5,200,000	5,200,000	-	-	-
A. Davey	4,100,000	-	-	(1,500,000)	2,600,000	2,600,000	2,600,000	-	-	-
K. Thurairasa	2,600,000	1,600,000	62,359	(2,200,000)	2,000,000	2,000,000	2,000,000	-	-	-

Other transactions with key management personnel of the Group

Details of key management personnel compensation are disclosed in note 23 to the financial statements.

i. Loans to key management personnel

No loans were granted to key management personnel

ii. Other transactions with key management personnel of the Group and/or their related entities

There were no other transactions with key management personnel apart from underwriting fee paid as disclosed in note 24 c (iii).

iii. Transactions with key management personnel of KALiNA Power Limited.

J. Byrne, R. MacLachlan, T Horgan, M. Jacques, A. Davey, K. Thurairasa and Nigel Chea are key management personnel of KPL. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

Key terms of employment contracts

The remuneration and other terms of employment for the Executive Directors and Senior Management are set out in service letters. These letters makes provision for a fixed remuneration component, and options as a long-term incentive. The material terms of the service letters are set out below.

Term	Conditions	Position
Duration of contract	Ongoing until notice is given by either party	Executive Directors/Company Secretary/Senior Management
Voluntary termination (i.e. termination by executive by giving notice)	6 months' notice	Executive Directors/Company Secretary/Senior Management
Termination by Company without cause	6 months' fixed compensation or payment in lieu	Executive Directors/Company Secretary/Senior Management
Termination by Company for cause	Employment may be terminated immediately without notice if the executive commits any act or omission justifying summary dismissal at common law.	Executive Directors/Company Secretary/Senior Management

During the year the Company did not engage the services of a remuneration consultant.

End of Remuneration report.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Timothy Horgan
Executive Director
Melbourne, 30 September 2019

HLB MANN JUDD

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Kalina Power Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Kalina Power Limited and the entities it controlled during the period.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Michael Gummery
Partner

Melbourne
30 September 2019

Consolidated statement of profit and loss and other comprehensive income
for the financial year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Revenue	4	-	98,740
Cost of Sales		-	-
Gross profit/(loss)		-	98,740
Other income	6(a)	186,116	287,314
Finance income	6(a)	13,916	125,565
Employee benefits expenses	6(b)	(2,846,482)	(4,149,541)
Administration expenses		(322,609)	(451,895)
Depreciation and amortisation expenses	6(b)	(4,657)	(4,441)
Doubtful debts	6(b)	(15,290)	(31,137)
Travel expenses		(342,881)	(575,753)
Gain/(loss) on revaluation of financial assets fair valued through profit and loss		-	(71)
Gain/(Loss) recognised on disposal of a subsidiary		-	629,771
Legal and professional fees		(1,330,243)	(772,609)
Patent costs		(398,468)	(309,869)
Foreign exchange gain/(loss)	6(a)	21,515	292,350
Finance costs	5	(128,913)	(161,409)
Profit/(loss) before tax		(5,167,996)	(5,022,985)
Income tax benefit/(expense)	7	-	-
(Loss)/Profit for the year		(5,167,996)	(5,022,985)
Attributed to:			
Owners of the parent	18	(4,797,721)	(4,536,590)
Non-controlling interest	17.5	(370,275)	(486,395)
		(5,167,996)	(5,022,985)
Other comprehensive income			
Exchange reserve arising on translation of foreign operations	17.2	(91,182)	(356,181)
Other comprehensive income for the period net of tax		(91,182)	(356,181)
Total comprehensive income/(loss) for the period		(5,259,178)	(5,379,166)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(4,864,555)	(4,876,494)
Non-controlling interest		(394,623)	(502,672)
		(5,259,178)	(5,379,166)
(Loss) per share			
From continuing and discontinued operations:			
Basic (cents per share)	26	(1.0)	(1.1)
Diluted (cents per share)	26	(1.0)	(1.1)

The financial statements should be read in conjunction with note included on pages 22 to 53.

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	21	1,028,238	3,127,403
Trade and other receivables	8	47,271	67,151
Total current assets		**1,075,509**	**3,194,554**
Non-current assets			
Trade and other receivables	9	25,131	14,577
Investments accounted for using the equity method	10	9,200	9,200
Property, plant and equipment	11	15,498	20,155
Total non-current assets		**49,829**	**43,932**
Total assets		**1,125,338**	**3,238,486**
Current liabilities			
Trade and other payables	12	791,453	680,891
Provisions	13	334,097	281,187
Total current liabilities		**1,125,550**	**962,078**
Non-current liabilities			
Trade and other payables	14	1,730,065	1,539,361
Provision	13	-	31,291
Total non-current liabilities		**1,730,065**	**1,570,652**
Total liabilities		**2,855,615**	**2,532,730**
Net assets/(liabilities)		**(1,730,277)**	**705,756**
Equity/(net deficiency)			
Issued capital	15	110,666,415	108,055,758
Reserves	17	1,956,976	1,811,322
Accumulated losses	18	(104,126,887)	(99,329,166)
Total equity attributable to equity holders of the company		8,496,504	10,537,914
Non-controlling interest	17.5	(10,226,781)	(9,832,158)
Total equity/(net deficiency)		**(1,730,277)**	**705,756**

The financial statements should be read in conjunction with notes included on pages 22 to 53.

Consolidated

	Issued capital and contributed equity	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$	$	$
Balance at 1 July 2017	**101,720,362**	**3,706,231**	**10,609,846**	**(9,939,836)**	**(450,800)**	**(94,792,576)**	**10,853,227**	**(9,814,302)**	**1,038,925**
Profit/(loss) for the year	-	-	-	-	-	(4,536,590)	(4,536,590)	(486,395)	(5,022,985)
Movement in foreign exchange values	-	(356,181)	-	-	-	-	(356,181)	(16,277)	(372,458)
Total comprehensive income for the period	-	(356,181)	-	-	-	(4,536,590)	(4,892,771)	(502,672)	(5,395,443)
Value of options issued (note 17.3)	-	-	646,979	-	-	-	646,979	-	646,979
Value of options exercised	2,404,917	-	(2,404,917)	-	-	-	-	-	-
Loss of control of a subsidiary	-	-	-	-	-	-	-	484,816	484,816
Issue of shares (note 15.1)	275,000	-	-	-	-	-	275,000	-	275,000
Exercise of options (note 15.1)	3,877,134	-	-	-	-	-	3,877,134	-	3,877,134
Share issue cost (note 15.1)	(221,655)	-	-	-	-	-	(221,655)	-	(221,655)
Balance at 30 June 2018	**108,055,758**	**3,350,050**	**8,851,908**	**(9,939,836)**	**(450,800)**	**(99,329,166)**	**10,537,914**	**(9,832,158)**	**705,756**
Balance at 1 July 2018	**108,055,758**	**3,350,050**	**8,851,908**	**(9,939,836)**	**(450,800)**	**(99,329,166)**	**10,537,914**	**(9,832,158)**	**705,756**
Profit/(loss) for the year	-	-	-	-	-	(4,797,721)	(4,797,721)	(370,275)	(5,167,996)
Movement in foreign exchange values	-	(66,834)	-	-	-	-	(66,834)	(24,348)	(91,182)
Total comprehensive income for the period	-	(66,834)	-	-	-	(4,797,721)	(4,864,555)	(394,623)	(5,259,178)
Value of options issued (note 17.3)	-	-	212,488	-	-	-	212,488	-	212,488
Issue of shares (note 15.1)	2,816,202	-	-	-	-	-	2,816,202	-	2,816,202
Share issue cost (note 15.1)	(205,545)	-	-	-	-	-	(205,545)	-	(205,545)
Balance at 30 June 2019	**110,666,415**	**3,283,216**	**9,064,396**	**(9,939,836)**	**(450,800)**	**(104,126,887)**	**8,496,504**	**(10,226,781)**	**(1,730,277)**

The financial statements should be read in conjunction with the notes included on pages 22 to 53.

	Note	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Receipts from management fees		163,213	218,617
Interest and finance costs paid		(6,895)	(2,273)
Payments to suppliers and employees		(4,887,866)	(5,505,520)
Sundry income		-	260
Net cash used in operating activities	21(i)	(4,731,548)	(5,288,916)
Cash flows from investing activities			
Interest received		21,750	97,996
Payment for plant and equipment		-	(11,098)
Adjustment for loss of control of a subsidiary		-	(10,303)
Loans to related party		-	(166,250)
Receipts/(payment) for deposits		(10,553)	-
Net cash provided by/(used in) investing activities		11,197	(89,655)
Cash flows from financing activities			
Proceeds from issue of shares and options		2,816,202	4,152,134
Proceeds from borrowings		-	232,131
Capital raising costs		(195,016)	(221,656)
Net cash provided by financing activities		2,621,186	4,162,609
Net (decrease) / increase in cash and cash equivalents		(2,099,165)	(1,215,962)
Cash and cash equivalents at the beginning of the financial year		3,127,403	4,343,365
Cash and cash equivalents at the end of the financial year	21	1,028,238	3,127,403

The financial statements should be read in conjunction with the notes included on pages 22 to 53.

Notes to the financial statements
for the financial year ended 30 June 2019

Note	Contents
1	General information
2	Summary of accounting policies
3	Segment information
4	Revenue
5	Finance costs
6	Loss for the year
7	Income taxes
8	Trade and other receivables – current
9	Trade and other receivables – non current
10	Investments accounted for using the equity method
11	Property, plant and equipment
12	Trade and other payables – current
13	Provisions
14	Trade and other payables – non current
15	Issued capital
16	Options
17	Reserves
18	Accumulated losses
19	Commitments
20	Subsidiaries
21	Cash and cash equivalents
22	Financial instruments
23	Key management personnel compensation
24	Related party transactions
25	Remuneration of auditors
26	Earnings per share
27	Share-based payments
28	Subsequent events
29	Contingent liability
30	Parent entity information

1. General information

KALiNA Power Limited (KPL) is a company limited by shares, incorporated and domiciled in Australia. The principal activities of the company and its subsidiaries ('the Group or the consolidated entity') is the deployment of the KALiNA Cycle technology internationally and the continued management of their projects and investments. KPL's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Ground Floor,	Ground Floor,
585 Burwood Road	585 Burwood Road
Hawthorn VIC 3122	Hawthorn VIC 3122

2. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the directors on 30 September 2019.

Going concern

The consolidated entity's operating loss for the year ended 30 June 2019 amounted to $5,167,996 (30 June 2018: loss of $5,022,985)

The consolidated entity had net current liabilities as at 30 June 2019 of $50,041 (30 June 2018: net current assets $2,232,476). At the date of this report, the Directors have considered the above factors and the additional funds required to accomplish its business objectives and are of the opinion that the consolidated entity will be able to continue as a going concern and will be able to pay its debts as and when they fall due, based on forecasted cash flows through to October 2020.

The above statement is underpinned by certain key assumptions including:

- The cash flow forecast includes an assumption that the group will receive cash inflows of $3m during the period to November 2020 with which to continue its business activities, whether from revenue generation, project financing, capital raising or other sources. This $3m is inclusive of $500,000 to be raised via loans from directors and shareholders as agreed on 26 September 2019 as disclosed in note 28. Based on the group's forecast, cash inflows will be sufficient to fund the group's cash flow requirements until 2020 when it is expected that funding for the proposed Alberta projects will be finalised.
- The group is currently developing a number of major projects in Canada with its partners that, if successful, may generate engineering cash flows to the group in the next 12 months;
- The Company has scheduled discussions with project development funding partners that if successful may result in repayment of around $1.4m incurred by the Company to date on the initial projects in Canada and further reduce the costs to the Company in developing the projects moving forward;
- The Company has scheduled discussions with project equity funding partners that if successful will result in funding for the initial projects in Canada and therefore achieve further cash flows for the Company;
- Dependent on the outcome and timing in relation to third party investors in the projects in Canada, if required, the Company has a track record of successful debt and equity fundraising and Management is confident that it can raise additional capital; and
- As stated above, if the Company is successful in completing the projects, the Company expects to be reimbursed for the accrued development fees expended to date to the extent not already reimbursed and ongoing to financial close of each project.

In the event that the consolidated entity is unsuccessful in certain of the matters set out above, there is material uncertainty whether the consolidated entity will continue as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Summary of accounting policies (cont'd)

Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

The key critical accounting estimates and judgments are:

- Financial assets, including investments in associates, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected (Note 3(v), 8, 9, and 10).

- Share options issued by the Company have been valued using a Black-Scholes pricing model (Note 17.3).

- The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time for the annual reporting period beginning 1 July 2018. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

The Group applies for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*.

Several other amendments and interpretations apply for the first time for the annual reporting period beginning 1 July 2018, but do not have an impact on the consolidated financial statements of the Group.

<u>AASB 15 *Revenue from Contracts with Customers*</u>

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted AASB 15 with an initial application date of 1 July 2018, using the modified retrospective approach.

The Group performed an impact assessment regarding the application of AASB 15. Given that the group did not have any operational revenues during the period, the assessment identified that the application of this standard had no material impact on the Group.

<u>AASB 9 *Financial Instruments*</u>

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has adopted AASB 9 with an initial application date of 1 July 2018. AASB 9 requires retrospective application but the Group has taken up the option not to restate comparatives.

2. Summary of accounting policies (cont'd)

New Accounting Standards for application in the future periods

The Group performed an impact assessment regarding the application of AASB 9. The assessment identified that the application of this standard had no material impact on the Group.

Accounting standards and interpretations issued by the AASB that are yet to mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements of the Group when adopted in the future periods, are discussed below.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.
- The Group has performed an initial impact assessment and intends to adopt AASB16 using the modified retrospective approach when applicable and to make use of available practical expedients. The Group's existing operating lease will be recognised in the statement of financial position as right to use assets and corresponding lease liability.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group or the Consolidated Entity in these financial statements). A controlled entity is any company in which KALiNA Power Limited is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Total profit or loss and other comprehensive income of subsidiaries is attributable to owners of the Company and to the non-controlling interest even if these results in the non-controlling interest having a deficit balance.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(b) Borrowing costs

All borrowing costs, except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

1. Summary of accounting policies (cont'd)

Standards and interpretation adopted with no effect in the financial statements (cont'd)

(c) Cash and cash equivalents

Cash comprises cash on hand, cash at call and short-term deposits with maturity periods less than 90 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Financial instruments

Accounting policies applicable from 1 July 2018 under AASB9:

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income (FVOCI) are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 22 details how the group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition receivables.

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition

Previous accounting policies applied up to 30 June 2018.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

At fair value through profit or loss

An instrument is classified as at fair value through profit or loss (“FVTPL”) if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s investment strategy. Upon initial recognition, the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Interest is recognised by applying the effective interest rate.

2. Summary of accounting policies (cont'd)

(d) Financial instruments (Cont'd)

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(e) Financial liabilities and equity instruments issued by the Company

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as financial liabilities, which are measured at amortised cost.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

(f) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ("$"), which is the functional currency of KALiNA Power Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2. Summary of accounting policies (cont'd)

(g) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised in the profit or loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss statement.

(i) Income taxes

<u>Current tax</u>

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

2. Summary of accounting policies (cont'd)

(i) Income taxes (cont'd)

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Inventories

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value.

(k) Property, plant and equipment

Plant and equipment

Buildings and plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The useful lives used for each class of depreciable assets are:

Leasehold improvements	2-5 years
Plant and equipment	4-12 years

(l) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. Summary of accounting policies (cont'd)

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Revenue

Revenue from contracts with customers – applied from 1 July 2018 under AASB 15

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

2. Summary of accounting policies (cont'd)

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

i. where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables with are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

(p) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.
At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2. Summary of accounting policies (cont'd)

(s) Lease payments

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman for the purposes of resource allocation and assessment of performance is focused on key business segments. The Group's reportable segments under AASB 8 are therefore as follows:

- Investments
- Power business

The Investment segment provides administration support and is responsible for the investment activities of the group. The power business segment located in the US and UK manages the power business of the group.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(i) The following is an analysis of the Group's revenue and results by reportable operating segments:

	Segment income		Segment profit/(loss)	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Continuing operations				
Investments	182,056	217,306	(2,824,857)	(2,608,367)
Power business	17,976	294,313	(2,343,139)	(2,414,618)
Total of all Segments	200,032	511,619	(5,167,996)	(5,022,985)
Unallocated items				
Share of loss of associate			-	-
Total loss before tax			(5,167,996)	(5,022,985)
Exchange reserve arising on translation of foreign operations			(91,182)	(356,181)
Company tax			-	-
Total comprehensive income for the period			**(5,259,178)**	**(5,379,166)**

The segment income reported above represents revenue and other income recognised during the period. There were no intersegment sales in the current year (2018: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss incurred by each segment without the allocation of share of losses of associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(ii) Segment assets

	2019	**2018**
	$	**$**
Investments	1,080,214	3,094,064
Power business	45,124	144,422
Total segment assets	1,125,338	3,238,486
Unallocated assets	-	-
Total assets	1,125,338	3,238,486

(iii) Segment liabilities

Investments	877,474	594,493
Power business	1,978,141	1,938,237
Total liabilities	2,855,615	2,532,730

3. Segment information (cont'd)

(iv) Geographical information

The group operates in these principal geographical areas. Australia (country of domicile), UK, China and the USA.

	Non-current assets	
	2019	**2018**
	$	**$**
Australia	49,829	43,932
China	-	-
USA	-	-
	49,829	**43,932**

(v) Other segment information

	Depreciation and amortisation	
	2019	**2018**
	$	**$**
Investments	4,657	4,441
Power	-	-
	4,657	**4,441**

Investments Segment: Impairment losses recognised for the year

	2019	**2018**
	$	**$**
Unlisted Investments	-	71
	-	**71**

4. Revenue

	Consolidated	
	2019	**2018**
	$	**$**
Engineering services	-	98,740
	-	**98,740**

All revenue relates to continuing operations.

5. Finance costs

	Consolidated	
	2019	**2018**
	$	**$**
Interest and expenses – related parties	-	46,117
Interest – other	128,913	115,292
	128,913	**161,409**

Weighted average rate of funds borrowed is 10% (2018 – 10%)

6. Loss for the year

(a) Gains and losses

Loss for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated	
	2019 **$**	**2018** **$**
Management fee	165,011	122,775
Gain on creditors no longer payable	21,105	164,539
Other income/(expenses)	186,116	287,314
Interest income	13,916	125,565
Net foreign exchange gains/(losses)	21,515	292,350

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated	
	2019 **$**	**2018** **$**
Rental expenses	83,408	94,411
Depreciation of plant and equipment	4,657	4,441
Loss allowance on other receivable	15,290	31,137
Employee benefit expense:		
Defined contribution plans	99,741	104,892
Share based payments	137,341	649,979
Salaries and wages	2,609,400	3,394,670
	2,846,482	4,149,541

7. Income taxes

The prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated	
	2019 $	2018 $
(Loss)/profit before tax from continuing operations	(5,167,996)	(5,022,985)
Income tax (benefit)/expense calculated at 30%	(1,550,398)	(1,506,895)
Effect of expenses that are not deductible in determining taxable income	76,633	201,157
Effect of temporary differences	2,466	82,315
Effect of deferred tax losses not brought to account	1,471,299	1,223,423
Income tax expense recognised in profit or loss	**-**	**-**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax balances	Consolidated	
	2019 $	2018 $
The following deferred tax assets have not been brought to account:		
- tax losses – revenue	9,456,990	7,937,439
- tax losses - capital	6,557,957	4,561,521
- temporary differences	1,952,188	1,942,625
	17,967,135	**14,441,585**

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future tax profit will be available against which the group can utilise the benefits there from.

The following deferred tax balances have not been brought to account	Consolidated	
	2019 $	2018 $
Deferred tax assets		
- Investments	1, 530,482	1, 530,482
- Provisions	118,908	109,345
- Provision for bad debt	302,798	302,798
	1,952,188	**1,942,625**
Tax losses recognised		
- Temporary differences not recognised		
- Net deferred tax assets and liabilities recognised	(1,952,188)	(1,942,625)
	-	**-**

8. Trade and other receivables: current

	Consolidated	
	2019	**2018**
	$	**$**
Trade receivables	14,935	15,675
Goods and services tax recoverable	21,028	17,986
Receivable from key management personnel	732	280
Other receivables	26	25,197
Receivables from director related entities	10,550	8,013
	47,271	**67,151**

The average credit period is 30 days after the end of the month in which the invoice is raised.
Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Credit risk
The group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivable specifically provided for and mentioned within note 6.

9. Trade and other receivables: non-current

	Consolidated	
	2019	**2018**
	$	**$**
Rental bond	14,578	14,577
Deposit for land site	10,553	-
Receivable other	-	963,471
Less: provision for doubtful debts	-	(963,471)
	25,131	**14,577**

10. Investments accounted for using the equity method

	Consolidated 2019 $	Consolidated 2018 $
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	9,200	9,200
Balance at 30 June	**9,200**	**9,200**

Name of entity	Country of incorporation	Principal activity	Ownership interest 2019 %	Ownership interest 2018 %
Associates				
Exergy Inc	USA	Investment	46.0%	46.0%

Summarised financial information in respect of the Group's associates is set out below:

	Consolidated 2019 $	Consolidated 2018 $
Financial position:		
Total assets	9,200	9,200
Total liabilities	-	-
Net assets	9,200	9,200
Group's share of associates' net assets	1,160	897
Financial performance:		
Total revenue	-	-
Total (loss)/profit for the year before tax	-	-
Income tax expense	-	-
Net (loss)/profit for the year	-	-
Other comprehensive income	-	-
Group's share of associate's profit/(loss)	-	-
Reconciliation to Carrying Amounts		
Group's share of associates' opening net assets	897	897
Investments during the period	-	-
Group's share of associates' other comprehensive income	263	-
Group's share of dividends paid by associates	-	-
Group's share of associates' closing net assets	1,160	897

Dividends received from associates

No dividends were received during the year (2018: Nil) from its associate.

Commitments

There are no operating leases obligations for associate.

11. Property, plant and equipment

	Consolidated	
	Plant and equipment at cost	Total
	$	$
Gross carrying amount		
Balance at 1 July 2017	548,110	548,110
Additions	3,003	3,003
Deconsolidation adjustment	(492,590)	(492,590)
Assets written off	(635)	(635)
Balance at 1 July 2018	57,888	57,888
Additions	-	-
Balance at 30 June 2019	57,888	57,888
Accumulated depreciation		
Balance at 1 July 2017	526,517	526,517
Depreciation expenses	4,441	4,441
Deconsolidation adjustment	(492,590)	(492,590)
Assets written off	(635)	(635)
Balance at 1 July 2018	37,733	37,733
Depreciation expense	4,657	4,657
Balance at 30 June 2019	42,390	42,390
Net book value		
As at 30 June 2018	**20,155**	**20,155**
As at 30 June 2019	**15,498**	**15,498**

Aggregate depreciation allocated, which is recognised as an expense during the year:

	Consolidated	
	2019	**2018**
	$	**$**
Plant and equipment	4,657	4,441

12. Trade and other payables – current

	Consolidated	
	2019	**2018**
	$	**$**
Unsecured:		
Trade payables (i)	791,453	680,891
	791,453	**680,891**

(i) Payment terms for the Company and Consolidated entity during the current year and comparative period average 30 days.

13. Provisions:

	Consolidated 2019 $	Consolidated 2018 $
Employee benefits	334,097	312,478
	334,097	**312,478**
Disclosed as current	334,097	281,187
Disclosed as non-current	-	31,291
	334,097	**312,478**

14. Trade and other payables: non-current

	Consolidated 2019 $	Consolidated 2018 $
Other payable (i)	1,730,650	1,539,361
	1,730,650	**1,539,361**

(i) Relate to amounts owing to key outside shareholders of New Energy Asia (NEA), payable under the loan agreement only when NEA has adequate funds to meet one years working capital requirements after payment of this amount. Interest accrues at 10% per annum.

15. Issued capital

	Consolidated 2019 $	Consolidated 2018 $
Fully paid ordinary shares 30 June 2019:725,143,031 (30 June 2018: 443,522,812)	**110,666,415**	**108,055,758**

	2019		2018	
	No.	$	No.	$
15.1 Ordinary shares				
Balance at beginning of year	443,522,812	108,055,758	360,480,132	101,720,362
Exercise of options	-	-	77,542,680	6,282,050
Issue of shares	281,620,219	2,816,202	5,500,000	275,000
Share issue costs		(205,545)	-	(221,654)
Balance at end of financial year	**725,143,031**	**110,666,415**	**443,522,812**	**108,055,758**

Ordinary shares carry one vote per share and carry the right to dividends.

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue Price**	**$**
Balance	1 July 2017	443,522,812		108,055,758
New Issue	18 April 2019	231,775,677	0.01	2,317,757
New Issue	24 April 2019	49,844,542	0.01	498,445
Capital raising costs		-		(205,545)
Balance	30 June 2019	725,143,031		110,666,415

Capital Management

The management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. Management manages the Group's capital by assessing the Group's financial risks and adjusting the capital structure in response to changes in these risks and in the market.

16. Options

	2019 No	2018 No
Balance at beginning of the year	59,500,000	142,042,681
Issue of options	16,400,000	16,600,000
Exercise of options	-	(77,542,680)
Options expired	-	(21,600,001)
Balance at end of financial year	**75,900,000**	**59,500,000**

The following Options were on issue at 30 June 2019:

Tranche	Number	Exercise Price	Expiry Date
Tranche 1 (granted on 19 December 2016)	42,900,000	5.5 cents	30 November 2019
Tranche 2 (granted on 26 October 2017)	16,600,000	6 cents	30 November 2020
Tranche 3 (granted on 19 June 2019)	16,400,000	2.3 cents	19 June 2022
Total	75,900,000		

17. Reserves

	Consolidated	
	2019 $	2018 $
Treasury shares	(450,800)	(450,800)
Foreign currency translation reserve	3,283,216	3,350,050
Share based payment reserve	9,064,396	8,851,908
Other reserve	(9,939,836)	(9,939,836)
	1,956,976	**1,811,322**

17.1 Treasury shares

	Consolidated	
	2019 $	2018 $
Value of shares in KALiNA Power Limited (i)	(450,800)	(450,800)
	(450,800)	**(450,800)**

(i) The above represents the value of KALiNA Power Limited shares held by Exergy Inc an associate.

17.2 Foreign currency translation reserve

	Consolidated	
	2019 $	2018 $
Balance at beginning of year	3,350,050	3,706,231
Exchange differences arising on translating the net assets of foreign operations (i)	(66,834)	(356,181)
Balance at end of year	**3,283,216**	**3,350,050**

(ii) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

17. Reserves (cont'd)

17.3 Share based payments reserve

	Consolidated	
	2019	2018
	$	$
Balance at beginning of year	8,851,908	10,609,846
Value of options exercised	-	(2,404,917)
Value of options issued with shares (i)	212,488	646,979
Balance at end of year	**9,064,396**	**8,851,908**

(iii) The options are valued using Black-Scholes method

The share based payments reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 2(q). Additionally value of free options and warrants issued with shares and convertible notes are accounted for in this account. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 27 to the financial statements.

17.4 Other reserve

	Consolidated	
	2019	2018
	$	$
Balance at beginning of year	(9,939,836)	(9,939,836)
Movements during the year	-	-
Balance at end of year	**(9,939,836)**	**(9,939,836)**

The other reserves represent excess consideration paid in a previous year over the value of the non-controlling interest of KCT Power Ltd and the Company's holding in New Energy Asia Ltd decreasing by 5.10% in the prior years.

17.5 Non-controlling interest

	Consolidated	
	2019	2018
	$	$
Balance at beginning of year	(9,832,158)	(9,814,302)
Share of profit/(loss) for the year	(370,275)	(486,395)
Movement in foreign exchange values	(24,348)	(16,277)
Difference arising on loss of control of subsidiaries	-	484,816
Balance at end of year	**(10,226,781)**	**(9,832,158)**

18. Accumulated losses

	Consolidated	
	2019	2018
	$	$
Balance at beginning of year	(99,329,166)	(94,792,576)
Net profit/(loss) attributable to members of the parent entity	(4,797,721)	(4,536,590)
Balance at end of year	**(104,126,887)**	**(99,329,166)**

19. Commitments

(a) Operating leases

These obligations are not provided for in the financial report and are payable.

	Consolidated	
	2019	2018
	$	$
Non-cancellable operating rentals are as follows:		
- Not longer than 1 year	56,367	54,726
- Longer than 1 year and not longer than 5 years	53,088	109,317
- Longer than 5 years		
	109,455	**164,043**

The above commitment relate of lease of office space for the Company in Melbourne.

(b) Capital expenditure

The Company's wholly owned subsidiary Kalina Distributed Power Limited has agreed to purchase a vacant industrial land in Grand Prairie County in Alberta, Canada for a total consideration of $876,323 (C$814,500). Deposit paid to date amounted to $10,553 (C$10,000) and the balance is due on or before 1 November 2019.

20. Subsidiaries

		Ownership interest	
Name of entity	**Country of incorporation**	**2019 %**	**2018 %**
Parent entity			
KALiNA Power Limited	Australia		
Subsidiaries			
Enhanced Power Technologies Pty Limited (i)	Australia	100	100
Evolution Energy Pty Limited (i)	Australia	50	50
New Energy Asia Limited (i)	Cayman Island	75.6	75.6
It's group entity being			
Pacific Dynasty Limited (i) (ii)	Hong Kong	49.9	49.9
AWO (Shanghai) New Energy Technology Development Co Ltd (i)	China	100	100
KCT Power Limited (i)	United Kingdom	100	100
It's wholly owned group entity being			
Recurrent Engineering LLC (i)	USA	100	100
Global Geothermal Husavik Limited (i)	United Kingdom	100	100
Wasabi Investments UK Limited (i)	United Kingdom	100	100
Its wholly owned group entity being			
Kalina Distributed Power Limited	Canada	100	-
Imparator Green Energy Plc (i)	United Kingdom	100	100
Imparator Enerji Limited (i)	Turkey	100	100
Imparator Tuzla Jeotermal Enerji Uretim AS (i)	Turkey	100	100

(i) None of these entities are part of the tax consolidation group.

(ii) Despite holding less than 50% ownership, as NEA controls the board of Pacific Dynasty, NEA therefore controls the operations and dividend distribution of the company. Hence, Pacific Dynasty is considered a subsidiary and accordingly has been consolidated with the group.

21. Cash and cash equivalents

	Consolidated	
	2019	**2018**
	$	**$**
Cash and bank balances	**1,028,238**	**3,127,403**

(i) Reconciliation of (loss)/profit for the period to net cash flows from operating activities

	Consolidated	
	2019	**2018**
	$	**$**
Profit/(loss) for the year	(5,167,996)	(5,022,984)
Fair value (gains)/losses on investment	-	71
(Gain)/loss from part sale of subsidiary	-	(629,771)
Equity settled share based payment	212,488	646,979
Depreciation of property, plant and equipment	4,657	4,441
Bad debts	15,290	31,137
Foreign exchange (gain)/losses	1,839	(299,061)
Interest income received and receivable	(13,916)	(125,565)
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	3,489	20,829
Increase / (decrease) in liabilities:		
Trade and other payables	190,982	2,494
Provisions	21,916	82,514
Net cash from/(used in) operating activities	**(4,731,548)**	**(5,228,916)**

(ii) Non-cash investing/financing transactions

During the year there were no non-cash investing/financing transactions.

22. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The Group's capital structure consists of deposits with banks and loans from related parties or other entities (refer note 14).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, by maintaining a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, re-negotiate intercompany loan arrangements with its parent or sell assets to provide cash flow.

The Group monitors capital on the basis of the gearing ratio. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Risk management policies and procedures are established with regular monitoring and reporting.

(b) Financial Risk Management

The Group has exposure to various risks from the use of financial instruments. The Group's principal financial instruments comprise cash, receivables, payables and other financial assets and liabilities. This note presents information about the Group's exposure to risk from the use of financial instruments. Further quantitative disclosures are included throughout this financial report.

Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, commodity risk and foreign currency risk) are managed such to maintain an optimal capital structure. The Group does not enter into derivative transactions to manage financial risks.

(c) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group**.** The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate. The Group's exposure to credit risk at balance date in relation to each class of financial assets is the carrying amount of the assets as indicated in the Statement of Financial Position. Cash and term deposits are only made with selected counterparties with a strong Standard & Poors long term rating. Adherence to the treasury policy is monitored on a monthly basis.

22. Financial instruments (cont'd)

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity involves monthly cash flow forecasting such to ensure that sufficient funds are always available to undertake planned activities.

Maturity profile of financial instruments

The following tables detail the Company and Group's contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group

	Weighted Average Effective Interest Rate	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 -5 years $	5+ years $
2019						
Financial assets						
Trade and other receivables	-	14,935	-	-	-	-
Trade and other receivables – Related party	-	707	103	2,952	7,518	-
Other receivables	-	-	21,056	-	-	-
Financial liabilities						
Trade and other payables		549,592	22,038	118,609	101,214	-
Other payables	10%	-	-	-	1,730,065	-
2018						
Financial assets						
Trade and other receivables	-	15,675	-	-	-	
Trade and other receivables – Related party	-	-	36,670	-	-	-
Other receivables	-	-	230	-	14,576	-
Financial liabilities						
Trade and other payables		428,375	114,819	119,992	17,705	-
Other payables	10%	-	-	-	1,539,361	

22. Financial instruments (cont'd)

(e) Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(f) Fair value of financial assets and liabilities

On-balance sheet
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The net fair value of other monetary financial assets and liabilities is based upon discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Interest rate sensitivity analysis

Financial assets

As at 30 June 2019, the Group held $1,028,238 (2018: $3,127,403) in cash and cash equivalents with interest revenue of $13,916 (2018: $91,078) for the year then ended. A sensitivity of 1% (2018: 1%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1% (2018: 1%) increase in the cash rate would have resulted in a $20,778 (2018: $37,354) increase in interest revenue and equity. A 1% (2018: 1%) decrease in the cash rate would have resulted in a $20,778 (2018: $37,354) decrease in interest revenue and equity.

Financial liabilities

As at 30 June 2019, the Group's borrowings and interest bearing trade and other payables amounted to $1,730,065 (2018: $1,539,361) with interest expenses of $128,913 (2018: $161,407) for the year then ended. A sensitivity of 1% (2018: 1%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1% (2018: 1%) increase in the cash rate would have resulted in a $12,195 (2018: $15,393) increase in interest expenses. A 1% (2018: 1%) decrease in the cash rate would have resulted in a $12,195 (2018: $15,393) decrease in interest expenses.

22. Financial instruments (cont'd)

(g) Foreign currency risk management

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, secured borrowings and loans to subsidiary listed below are denominated in United States Dollars (USD) and British Pounds (GBP). Average rate applied during the year $0.73 (2018: $0.73) and reporting date spot rate $0.74 (2018: $0.74) for USD and average rate applied during the year £0.492 (2018: £0.492) and reporting date spot rate £0.555(2018: £0.555) for GBP.

Amounts of foreign currency in creditors	Consolidated	
	2019 **$**	**2018** **$**
Trade Payables (USD)	(1,973,143)	(1,914,158)
Trade Payable (GBP)	(5,324)	(31,404)
Trade Receivables (USD)	2,681	26,455
	(1,975,786)	(1,919,107)

Movement in USD and GBP against AUD	**-20%** **2019** **$**	**-20%** **2018** **$**	**+20%** **2019** **$**	**+20%** **2018** **$**
Change in gain/(loss) -USD	(492,286)	(486,311)	328,857	324,312
Change in gain/(loss) -GBP	670	6,614	(447)	(4,409)

The sensitivity of 20% has been selected as this considered reasonable given the current level of both short term and long term exchange movement for these currencies and the above analysis assumes all other variables remain constant.

Gearing ratio

The Group's Board reviews the capital structure on an annual basis. The gearing ratio at year end was as follows:

	Consolidated	
	2019 **$**	**2018** **$**
Financial assets		
Cash and cash equivalents	1,028,238	3,127,403
Net debt		
Equity (i)	(1,730,277)	705,756
Net debt to equity ratio	-	-

(i) Equity includes all capital and reserves.

23. Key management personnel compensation

Details of Key management personnel

Key management is defined as directors and senior management as referred to in the remuneration report.

i. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated	
	2019 $	2018 $
Short-term employee benefits	1,347,273	1,435,486
Share based payment benefits	79,036	467,695
Post-employment benefits	107,032	115,430
	1,533,341	**2,018,611**

24. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 20 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 10 to the financial statements.

(c) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 23 to the financial statements.

ii. Other transactions with key management personnel of the Group

There were no transactions with key management personnel

iii. Transactions with key management personnel of KALiNA Power Limited and KCT Power Limited

J. Byrne, R MacLachlan, T Horgan, M. Jacques, J Myers , N Chea, A. Davey, K. Thurairasa, are key management personnel of KALiNA Power Ltd. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

(d) Transactions with other related parties

Transactions between Group and its related parties

During the financial year, the following transactions occurred between the Company and its other related parties:

- During the year the Company charged $2,511 as management fee from Arcourt Resources Pty Ltd, a company in which John Byrne is a director.
- During the year the following directors and key management personnel received underwriting commission from the Company by underwriting part of the capital raising. Pan Andean Capital Pty Ltd received $7,500 a company related to J. Byrne. R MacLachlan received $7,500, T Horgan received $2,500, J Myers received $5,000, P Littlewood received $5,000, N Chea received $5,000, A. Davey received $500 and K. Thurairasa received $500.

24. Related party transactions (cont'd)

(d) Transactions with other related parties (cont'd)

- The following loans were advanced by the company during the year to Imparator Green Energy Plc $24,035 (2018: $26,924), KCT Power Limited $43,005 (2018: $20,512), New Energy Asia Limited $359,185 (2018: $520,165) Recurrent Engineering LLC A$1,206,933 (2018: $1,181,377).

- Interest charged on loan to New Energy Asia Limited @10% amounted to $229,364 (2018: $188,162) and on loan to KCT Power Limited. @3.25% amounted to $103,566 (2018: $95,174) and on loan to Recurrent Engineering amounted to $440,006 (2018: $283,860).

(e) Parent entity

The parent entity in the Group is KALiNA Power Limited.

25. Remuneration of auditors

	Consolidated	
	2019 $	2018 $
Audit and review of the financial report HLB Mann Judd	80,500	79,000
	80,500	**79,000**

26. Earnings per share

	Consolidated	
	2019 Cents per share	2018 Cents per share
Basic earnings (loss) per share	(1.0)	(1.1)
Diluted earnings (loss) per share	(1.0)	(1.1)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019 $	2018 $
Net (loss)/profit (i)	(4,797,721)	(4,536,590)

(i) Net Loss is the same amount as loss after tax in the statement of comprehensive income attributable to owners of the parent.

	2019 No.	2018 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	500,345,297	431,172,896

Diluted Earnings (Loss) Per Share

The options held by rights holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights are non-dilutive as they do not increase loss per share from continuing operations.

27. Share-based payments

During the financial year 16,400,000 options were issued to Directors and officers as share based payments.

The following reconciles the outstanding options granted under the employee share plan at the beginning and end of the financial year:

	2019		2018	
	Number of rights	Weighted average exercise price cents	Number of rights	Weighted average exercise price cents
Balance at beginning of the financial year (ii)	59,500,000	5.6	64,500,000	7.3
Expired during the year	-	-	(21,600,000)	10
Granted during the financial year	16,400,000	2.3	16,600,600	6.0
Balance at end of the financial year (iii)	75,900,000	5.0	59,500,000	5.6
Exercisable at end of the financial year	75,900,000	5.0	59,500,000	5.6

(i) Exercised during the financial year
During the financial year nil (2018: nil) options granted under the employee share option plan were exercised.

(ii) Balance at the beginning of the financial year
There were 59,500,000 options outstanding at the beginning of the year.

(iii) Balance at end of the financial year
The share options outstanding at the end of the financial year had an average exercise price of 5.0 cents (2018: 5.6 cents) and average remaining contractual life of 434 days (2018: 373 days).

28. Subsequent Events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods.

On 26 September 2019, the directors and some major shareholders agreed to advance $500,000 to the company until project funding /capital raising that is expected to be completed by November 2019. The loans will carry interest rate at 8% per annum and are repayable within 6 months.

29. Contingent liabilities

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB5,500,000 including in part those related to the building of the Sinopec Hainan plant. The Company has been advised that the Bank of East Asia has obtained a judgement against SSNE through proceedings in China for repayment of the Loan. The Company is not a party to these proceedings. It has been agreed with SSNE that the Bank of East Asia loan will be repaid from the payments anticipated to be made by Sinopec. If there are delays in this payment being made to Bank of East Asia the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend possible claims under the guarantees provided and will contest any claim made.

30. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.
Refer to note 2 for a summary of the significant accounting policies relating to the Group.

Financial position

	2019	2018
	$	$
Assets		
Current assets	1,030,386	7,177,927
Non-current assets	14,842,398	14,836,500
Total assets	15,872,784	22,014,427
Liabilities		
Current liabilities	872,150	483,698
Non-current liabilities	-	103,547
Total liabilities	872,150	587,245
Equity		
Issued capital	110,666,415	108,055,757
Accumulated losses	(103,741,571)	(94,491,877)
Reserves		
Equity settled benefits	8,075,790	7,863,302
Total equity	**15,000,634**	**21,427,182**

Financial performance

	Year ended 2019	Year ended 2018
	$	$
(Loss)/Profit for the year	(9,249,694)	(5,924,303)
Other comprehensive income	-	-
Total comprehensive income	**(9,249,694)**	**(5,924,303)**

Contingent liabilities of the parent entity

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB5,500,000 including in part those related to the building of the Sinopec Hainan plant. The Company has been advised that the Bank of East Asia has obtained a judgement against SSNE through proceedings in China for repayment of the Loan. The Company is not a party to these proceedings. It has been agreed with SSNE that the Bank of East Asia loan will be repaid from the payments anticipated to be made by Sinopec. If there are delays in this payment being made to Bank of East Asia the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend possible claims under the guarantees provided and will contest any claim made.

Commitments for the acquisition of property, plant and equipment by the parent entity

There were no commitments to acquire any property, plant and equipment by the parent at the end of the financial year.

Directors' declaration

The directors declare that:

(a) in the directors' 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.

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements.

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position as at 30 June 2019, and performance of the consolidated entity for the year then ended, and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors

Timothy Horgan
Executive Director

Melbourne, 30 September 2019

Independent Auditor's Report to the Members of Kalina Power Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Kalina Power Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration for the Group.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Regarding Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $5,167,996 (2018: loss of $5,022,985) during the year ended 30 June 2019 and, as of that date, the Group had net current liabilities of $50,041 (2018: net current assets $2,232,476). As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We did not identify any additional key audit matters other than the matter described in the *Material Uncertainty Regarding Going Concern* section above.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Group for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Michael Gummery
Partner

Melbourne
30 September 2019

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report as at 23 September 2019.

Twenty largest Shareholders

	Shareholder	% of Issued Capital
1	CITICORP NOMINEES PTY LIMITED*	12.26
2	CARPE DIEM ASSET MANAGEMENT PTY LTD <LOWE FAMILY A/C>*	7.68
3	KEO PROJECTS PTY LTD <SUPERANNUATION FUND A/C>	3.25
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2.98
5	MR ROSS MACLACHLAN	2.79
6	NATIONAL NOMINEES LIMITED	2.53
7	PAN ANDEAN CAPITAL PTY LTD	2.31
8	SASSEY PTY LTD <SASSEY A/C>	2.26
9	SASSEY PTY LTD <AVAGO SUPER FUND A/C>	2.12
10	MR JOHN HALLILEY	1.53
11	TWENTY SECOND YENEB PTY LTD	1.46
12	MR EDDIE SUGAR	1.44
13	NIYAZI ONEN	1.41
14	INFINITY OIL LIMITED	1.39
15	MR MAN YIN CHEA	1.38
16	STARBLEND NOMINEES PTY LTD <THE INNIS SUPER FUND A/C>	1.38
17	TOP CLASS HOLDINGS PTY LTD <THE ONSLOW S/F A/C>	1.31
18	LIGHTGLOW ENTERPRISES PTY LTD <PALOMA INVESTMENTS A/C>	1.27
19	PYXIS HOLDINGS PTY LTD <THE MAPLETREE A/C>	1.25
20	MR JOHN JOSEPH BYRNE + MRS MARITZA IVONNE BYRNE <JOHN BYRNE PRIV PEN FUND AC>	1.18

* Significant Shareholder of the Company

Distribution of shareholdings

Range	Total holders	Units	% Units
1 - 1,000	1,919	295,805	0.04
1,001 - 5,000	179	366,994	0.05
5,001 - 10,000	46	355,670	0.05
10,001 - 100,000	347	14,920,932	2.06
100,001 Over	366	709,203,630	97.80
Total	**2,857**	**725,143,031**	**100.00**

The number of shareholders holding less than a marketable parcel is 2,231

Voting Rights

All shares carry one vote per share without restriction

On Market Buy-back

There is no current on market buy-back

Restricted Securities

The Company does not have any restricted securities on issue.