

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES

ACN 000 090 997 Annual report to Shareholders for the year ended 30 June 2020

CORPORATE DIRECTORY

Directors:

Mr Ross MacLachlan CEO and current acting Chairman

Mr Tim Horgan Executive Director
Mr Jeffry Myers Executive Director
Dr Malcolm Jacques Non-executive Director
Mr Peter Littlewood Non-executive Director

Company Secretary: Mr Kesh Thurairasa

Registered Office and Principal Ground Floor

Place of Business Suite 6, 795 Glenferrie 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 2020 and can be found on the Company's website at

www.kalinapower.com

Chairman's Letter

Dear Shareholders.

Our progress in the past financial year has represented an important validation of the ambitious new business plan developed by our management team to shift away from a licensing-only business model, to one with a primary focus on developing our own projects. It has been validated by securing non-dilutive project capital, along with the funding for the corporate runway necessary to execute the plan. We are pleased to report that with this achievement, we are currently on track to initiate meaningful revenue generation in this new financial year.

Against a backdrop of the legislated shut down of over 5GW of coal fired power generation in the province of Alberta, our team has identified an opportunity to develop ten unique 30MW KALiNA combined cycle power plants configured with advanced gas turbine technology and the KALiNA Cycle® waste heat recovery technology.

Locations have been selected in areas of Alberta with a growing demand for power, and which provide incentives for local power generation. Over a dozen sites have been screened for prioritization and negotiations are underway amongst various industrial partners to establish gas supply and/or power contracts. This is expected to lead to contracting for our initial two projects, while continuing to expand the pipeline of additional opportunities.

An important feature of our new business plan has been to focus on a market that can be addressed relatively quickly and efficiently, using the same repeatable configuration at a standard size and design with the same vendors and deployment partners. Over the past year we have assembled an impressive group of committed partners and stakeholders in order to complete the remaining project development milestones and successfully deploy our initial two projects which are expected to achieve Full Notice to Proceed by the end of Q1 2021.

- ➤ Power Engineers, Inc is engaged as our key process engineering partner and will formally serve as the program's Owner's Engineer. They are a leading global consulting engineering firm, ranked 4th in the Power Sector in 2019 by Engineering News Record. Power Engineers has prior experience with the KALiNA Cycle®, via previous projects, engineering studies, and proposals. They have guided our team in a competitive and extensive selection process for key vendors and design considerations.
- Most notably, this has led to a stage gated contracting process with **Enerflex Ltd. (EFX:TO)** to deliver cost effective, modularization and fabrication of KALiNA Cycle® plants. Engineering and cost estimating are well underway, with the goal to conditionally provide a lump-sum turnkey EPFC contract. Enerflex has a strategic interest in working with KALiNA in Alberta, as well as in other markets in North America and internationally.
- > The capex for these projects will be funded through our Partnership Agreement with Calgary-based **Akira Partners**, which provides for Akira taking a majority equity interest (up to CAD\$70 million for the first two projects), and Akira will lead the debt capital raising for each project.
 - The scheduled payments from the initial two projects, together with similar payments from expected ongoing projects, positions our Company such that it is not anticipated to need to raise additional capital to deliver on the Alberta business plan.
- An A\$8 million, 24-month equity placement facility is in place with **Long State Investment Ltd.** If required, it can be used at our sole discretion and represents an important backstop in navigating our capital requirements through each of our projects.
- In the last month, we raised a total of A\$8.02 million by way of a A\$6.83 million fully underwritten pro-rata **Rights**Issue along with a **Private Placement** of A\$1.2 million. The funds raised will primarily be used to advance the initial Alberta projects to Full Notice To Proceed.

We have a talented and dedicated team, supported by committed partners and stakeholders that have us on track to deliver commercial success in Alberta. This success is anticipated to represent a transformative breakthrough for our company 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 2020.

Review of Operations

The total loss of the consolidated entity attributable to the owners of the parent for the year ended 30 June 2020 was \$4,523,365 (2019: loss of \$4,797,721). This equates to a basic loss per share of 0.6 cents for the year ended 30 June 2020 (2019: loss of 1.0 cents). Of this loss of \$4.52m, Non-cash items amounted to \$0.86m. During the year Company's operating cash outflow amounted to \$3.87m. Of this \$1.82m was related to Alberta project development, \$0.32m related to patent maintenance and \$0.34m related to project and corporate financing.

During the financial year, the Company completed a financing on 31 October 2019 of AU\$3.29m before costs, through a private placement.

Western Canada

The Province of Alberta, Canada, represents KALiNA's primary market focus where the province has legislated the retirement of 5.7GW of coal-fired generation. Since February 2018 the Company's subsidiary, KALiNA Distributed Power Limited ("KDP") has been implementing its development program for multiple 22MW - 30MW distributed generation power plants, using advanced gas turbine technology and KALiNA's waste heat recovery technology;, the KALiNA Combined Cycle ('KCC'). A 30MW (nominal name plate capacity) KCC plant comprises a 21MW Gas Turbine with a 9MW KALiNA Cycle module.

KDP selected Alberta due to a number of circumstances that together make Alberta an extremely attractive location for its distributed generation power plant projects. Alberta has legislated retirement of 5.7 GW of baseload coal fired power, resulting in market uncertainty on how to replace ~40% of capacity and energy.

Alberta also has one of highest industrial demands of any North American grid and an abundance of low-cost natural gas. Its power prices have almost tripled since 2017, with an average of over CAD\$50 per MWh in 2020. Despite COVID19 and commodity price impacts, forwards are currently over CAD\$50 per MWh.

These circumstances have provided the commercial impetus for KDP to develop its projects to address these opportunities in the Alberta market that can be deployed relatively quickly and address specific regional demand for distributed power generation.

Furthermore these circumstances are also providing a commercial driver for gas producers in areas of Alberta who face an oversupply of gas, significant delivery charges via the existing gas pipelines as well as high electricity costs due to their locations predominantly at the end of the electric transmission infrastructure.

It is these factors that has allowed KALiNA and KDP to enter into its funding partnership with Akira and negotiations with gas producers to potentially toll gas through the power plant.

Funding Partner - Akira Partners

Akira Partners is a Calgary-based essential assets investment firm that sources, invests, and manages investments in energy & sustainable infrastructure assets. Akira's principals have raised and deployed over \$3 billion of capital across North American energy and infrastructure. Akira takes a purposeful approach to investing capital and is a signatory to the United Nations-supported *Principles of Responsible Investing*.

Under the partnership agreement, Akira have agreed to fund the equity portion of the Capex required for the first two Alberta Projects. This is capped at CAD\$70 million across both projects. Akira will also lead the sourcing of debt financing for the first two projects. The provision of funds by Akira is conditional on them completing their capital raise process for their infrastructure fund. The Directors believe Akira will successfully complete this capital raise due to their track record of success in investing in infrastructure. There are also customary project specific conditions such as appropriate project location, capital cost and anticipated revenues for a project that will need to be met in order to move to FNTP on each project.

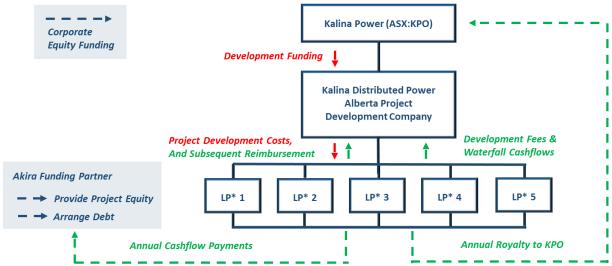
KDP is on track in completing a number of project development milestones to achieve FNTP, including site assessment, site specific engineering, permit applications and detailed design engineering so as to satisfy the conditions for the Akira funding.

Under the partnership agreement, once the projects reach FNTP, KDP will receive the following:

- reimbursement of its development costs for projects 1 and 2, which includes for the preliminary engineering and design of the KCC. This engineering and design work generated in the first two projects is generally applicable for all KCC projects moving forward. As a result, less costs will be incurred by KDP in developing projects beyond the first two projects.
- a 4% Development Fee based on the agreed capital cost of a project. The development fee for project 1 and 2 will be paid 50% at FNTP, anticipated at the end of Q1, 2021 and 50% at the commercial operation date ('COD') of the first two projects, anticipated in Q4, 2022. For future projects the Akira partnership agreement provides for the development fee to be paid in full at FNTP.
- · A waterfall cashflow participation, payable once certain returns are received by Akira in the first two projects.

In addition to the monies expected to be received by KDP, KPO will be paid an ongoing royalty based on the number of MWs installed using KALiNA Cycle Technology. This royalty is currently set at C\$35,000 per MW per annum and is anticipated to be received for 20 years from COD of each project.

The funding structure and capital movement is summarised as follows:



*Limited Partnership Vehicle which represents each individual project

Technical Partner - Power Engineers

KALiNA has engaged Power Engineers (Power) as KDP's Owner's Engineer and process design reviewer.

Power is a global consulting engineering firm specializing in the delivery of integrated engineering solutions and is ranked 4th by Engineering News Record in the Power sector for 2019. Over the years, Power has been involved in various engineering studies, proposals and projects involving the KALINA Cycle.

The Company considers that the process design, engineering and procurement efforts on the KCC clean energy projects being developed by KDP are up to standard for projects at this stage and that cost estimates and performance expectations can be substantiated.

Power worked closely with KDP to implement a competitive selection process to select a gas turbine vendor along with selection of a modularization packaging vendor. KALiNA has recently awarded the contract to Enerflex Ltd. (EFX:TO) for the modularization design of KALiNA Cycle plants. The final selection of the gas turbine vendor is expected over the following month.

Technical Partner - Enerflex Ltd

This contract with Enerflex is an important step in the Company achieving its objective of deploying multiple, combined cycle power plants in Alberta using KALiNA Cycle modules.

Alberta-based Enerflex is an international engineering, design, fabrication, construction, and commissioning company with a market cap of over AUD \$4,632 million (CAD \$4,400 million). Enerflex has major fabrication facilities in Calgary and Houston and extensive experience with the packaging and modularization of gas processing, power plants and other industrial facilities in over 50 countries. Enerflex is also engaged with the deployment and ownership of their own power projects. Enerflex have shown a strategic interest in working with KALiNA in Alberta, other markets in North America and internationally on deployment of the KALiNA Cycle.

The engagement with Enerflex involves a conditional, stage gated process to deliver cost effective, modularization of KALINA Cycle plants. The first phase has commenced with engineering and cost estimating of modularization underway. With a successful transition through each stage, the Company expects to complete and advance a range of project development milestones which will keep projects on track to achieve Full Notice to Proceed with its project funding capital partner Akira Partners by the end of the first quarter of 2021.

Projects

KDP has undertaken an extensive analysis and screening process to select optimised sited and priorities for the Alberta opportunities. One of the key criteria focussed on is for sites to ideally be located next to gas production facility fence-line. These adjacent operations will allow better access to raw gas, sales gas and distributed grid tie-in. Further, these adjacent operations could allow plant staff to run the generation facility, thereby generating additional operating revenue.

This process has resulted in a portfolio of sites for regional, distributed power generation that have Transfer Stations with "Feeders" in place to accept small-scale generation. Such sites for distributed power generation can facilitate an expedited regulatory and permit approval process allowing projects to come to market more quickly and generate power that would otherwise be the case for larger power projects.

KDP is well underway with the necessary interconnect studies and staged gated approval process, along with permitting and regulatory processes on the priority sites. The process is in place with regulatory agencies to secure final site control on the primary sites.

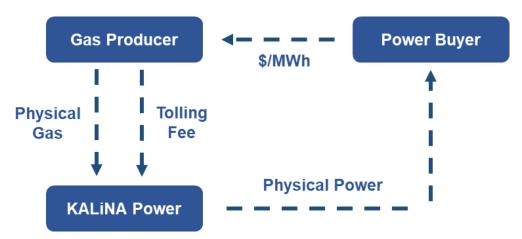
Utilising this process for sites has allowed KDP to focus in the near term on a tolling contract model which provides long term stable returns for Akira and KDP, while providing benefits to a gas producer counterparty in the region.

The tolling contract model can be summarised as follows:

- KALiNA is negotiating 10–20-year term tolling agreements
- The gas producer delivers their gas to the KALiNA KCC facility, and
- Pays a tolling charge to KALiNA based on a capital charge rate which is largely determined by level of counter-party credit risk
- The gas producer is paid for all power sold into the AESO (power spot market in Alberta)
- The KCC facility is designed to operate in baseload, >96% annual Load Factor
- The Toll is effectively a cross-commodity hedge or arbitrage for the gas producer
- This also protects the gas producer from uncapped future power market risk
- The incentives available in Alberta for power generation, including Distribution Grid and STS (transmission) credits flow to the gas producer
- The Toll reduces Gas Producers' exposure to AECO gas pricing index

The outcome of this arrangement is that a gas producer could achieve power index exposure with a potential for realized equivalent gas prices of C\$2.50 to \$3.00 per Gj. The gas price (as at 28 July 2020) for a producer in the region that KDP is focusing on is C\$1.80.

The tolling contract model is summarised as follows:



Potential near term Cashflow from first 5 Projects under Akira Partnership

KDP is currently undertaking the development activities required to reach FNTP on projects 1 and 2 by Q1 2021. COD for these two projects is anticipated to be Q4 2022.

KDP intends to commence projects 3, 4 and 5 such that FNTP on these 3 further projects will be in Q1, 2022 and COD in Q4, 2023.

Key assumptions in order to maintain this timetable will be:

- satisfying the conditions for the Akira funding for each project, including Akira exercising their right to make a first offer to fund future projects beyond the first two;
- sourcing and satisfying the conditions for debt funding on each project;
- no material delays in equipment supply, and in particular for long lead items due to Covid-19;
- no material delays in regulatory approvals and any third party construction related to the regulatory requirements.

If the projects are developed as currently anticipated and planned by KDP, the payments due to KDP and KPO will be approximately as follows:

Projects 1 & 2 (combined payments)

- Reimbursement of costs to end Q1 2021 at FNTP = CAD\$4.5m
- Half of 4% development fee at end Q1 2021 at FNTP = CAD\$3m
- Half of 4% development fee Q4 2022 at COD = CAD\$3m

Projects 3, 4 & 5 (combined payments)

- Reimbursement of costs to end Q1 2022 at FNTP= CAD\$2.2m
- 4% Development fee at end Q1 2022 at FNTP = CAD\$9m

Once in operation, each project will pay the annual royalty to KALiNA and as appropriate any waterfall cashflow participation.

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 continued to provide 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 leverage its success in Alberta to then 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 has 337 International patents. This represents a comprehensive Intellectual Property portfolio across applications, processes and designs.

The IP patent portfolio operates in combination with KALiNA's extensive technical know-how, proprietary process knowledge and trade secrets to provide comprehensive protection and added value to the Company's technology platform.

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.

COVID-19

The Covid-19 pandemic has caused a number of challenges in the funding process undertaken by the Company, including restrictions on travel and meetings which would have otherwise taken place. Working together with various capital providers and engineering partners, management and its advisors have adapted to the situation and continued to be constructively engaged in moving the projects forward.

Whilst Covid-19 has not materially impacted the project development or funding process to date, there is continued uncertainty as to the duration of and further impact of Covid-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian, Canadian and global economy. There is a risk that if the spread of Covid-19 continues, and/or the actions taken to combat Covid-19 persist, the Company's operational and financial performance could deteriorate. This could also affect delivery of equipment where suppliers and their supply chains are adversely impacted by Covid-19, site specific activities related to site preparation and construction or a drop in demand for electricity due to economic impacts of Canadian and International responses to Covid-19.

Corporate

Loss for the year attributed to owners of the parent was \$4,523,365 (2019: loss \$4,797,721).

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 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. He has a strong competency in corporate finance, business development and the strategic management of developing companies; including intellectual property management and technology commercialization.

Mr. MacLachlan 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.

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.

Mr Peter Littlewood MA in Engineering, Cambridge University

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 was 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.

Mr Timothy Horgan BA (Hons), L.L.B

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.

Mr. Horgan also has extensive licensing experience having overseen the USD 1.2 Billion acquisition of the 2002 and 2006 FIFA world cup broadcast rights.

Mr Horgan 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.

Mr, Horgan 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).

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 organisations 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.

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

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.

	Fully paid ordinary shares	Options
Directors and senior management	Number	Number
Directors		
Ross MacLachlan	25,055,400	14,931,995
Tim Horgan	8,132,813	4,965,997
Malcolm Jacques	2,164,853	2,545,596
Jeffry Myers	12,466,646	9,931,995
Peter Littlewood	10,223,104	10,745,596
Senior Management		
Nigel Chea	13,000,000	11,835,000
Raymond McKay	213,160	6,750,160
Kesh Thurairasa	2,328,000	5,863,000

Since the end of the financial year 33,911,000 share options (2019: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 are shown below. During the financial year, 6 Board meetings and 2 Audit Committee meetings were held.

	Board of	Directors	Audit and Finance Committee		
Name	Held	Attended	Held	Attended	
Tim Horgan	6	6	•	-	
Ross MacLachlan	6	6	•	-	
Malcolm Jacques	6	6	2	2	
Jeffry Myers	6	6	2	2	
Peter Littlewood	6	6	2	2	

Company secretary

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

Name	
Alwvn	Davev

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.

Resigned 11 October 2019

Kesh Thurairasa

Mr Kesh Thurairasa was appointed to the position of Company Secretary on 11 October 2019. Mr Thurairasa has experience in listed companies over 25 years both in energy and mining. Mr Thurairasa holds an MBA, and is a member of Certified Practising Accountants and Fellow member of Governance Institute of Australia.

Principal activities

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

Rusiness Risks

Aside from the Coronavirus (COVID-19) pandemic mentioned above, the following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years and how we propose to mitigate such 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 will be adequate to prevent misappropriation of its technology or that KALiNA's competitors will not independently develop technologies that are substantially equivalent or superior to KALiNA's technology. In addition, the laws of some foreign countries may not protect KALiNA'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 94,057,143 ordinary shares at 3.5 cents each raising \$3,292,000 before costs.
- The Company issued 30,000,000 options exercisable at 2.3 cents each to its Directors. The Company further issued 2,800,000 Options to its executives exercisable at 3.8 cents. These options expire on 30 November 2022.
- The financial statements also include 9,000,000 options issued in May 2019 that were mistakenly not accounted for
 in the previous year. Management have determined the impact is immaterial on these financial statements and thus
 prior year financial information has not been restated.

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 7 July 2020, the Company announced that it had secured \$8.00m equity placement facility with Long State Investment Limited. Under the terms of the facility, the Company at its discretion, can place new ordinary shares in the Company with Long State up to a total of \$8.00m over the next 24 months. This facility allows the Company to draw in tranches of \$400,000 in any period of 20 trading days.
- 2. On 24 July 2020, the Company announced that it intends to undertake a \$6.15m before expenses fully underwritten non-renounceable entitlement offer to all eligible shareholders on the basis of 3 new shares for every 10 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue.
- On 27 July 2020, the company entered into a \$500,000 short term loan agreement for working capital management until the rights issue was completed. Interest is payable at 10% per annum.
- 4. On 29 July 2020, the Company announced that the entitlement offer increased and was fully underwritten at \$6.84m to all eligible shareholders on the basis of 1 new shares for every 3 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue. On 3 August 2020, the Company filed a prospectus for non-renounceable issue to raise \$6.84m.
- 5. On 2 August 2020, The Victorian Government introduced stage 4 restrictions initially for six weeks. These restrictions forced the corporate office staff to work remotely from home. However, this has not had any material impact on the company's operations as the Company was able to adopt to these restrictions.
- 6. On 1 September 2020 the Company announced that the non-renounceable offer of \$6.83m closed with shareholders taking up 51.70% of the offer and the remaining 48.30% of the offer to allocate to underwriters and sub-underwriters. The Company further announced that the board was considering undertaking a follow-up placement on the same terms as entitlement offer.
- 7. On 9 September 2020, the Company announced that \$1.19m was received from the placement and the total capital raised amounted to \$8.02m.

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 (2019: Nil).

Shares under option or issued on exercise of options

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

	Number of shares	Class of	Exercise price of	
Issuing Entity	under option	shares	option	Expiry date of options
KALiNA Power Limited	16,600,000	Ordinary	6.0 cents	30 November 2020
KALiNA Power Limited	2,250,000	Ordinary	1.3 cents	26 May 2022
KALiNA Power Limited	2,250,000	Ordinary	1.8 cents	26 May 2022
KALiNA Power Limited	2,250,000	Ordinary	2.3 cents	26 May 2022
KALiNA Power Limited	2,250,000	Ordinary	2.8 cents	26 May 2022
KALiNA Power Limited	16,400,000	Ordinary	2.3 cents	19 June 2022
KALiNA Power Limited	30,000,000	Ordinary	2.3 cents	30 November 2022
KALiNA Power Limited	2,800,000	Ordinary	3.8 cents	30 November 2022
KALiNA Power Limited	600,000	Ordinary	4.4 cents	6 July 2023
KALiNA Power Limited	16,955,500	Ordinary	3.5 cents	9 February 2022
KALiNA Power Limited	16,955,500	Ordinary	4.4 cents	9 August 2024
KALiNA Power Limited	300,167,890	Ordinary	4.4 cents	27 August 2022

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

Issuing Entity	Number of	Class of shares	Exercise price of option	Expiry date of options
KALiNA Power Limited	Nil	Ordinary	Nil	Nil

Directors' report (cont'd)

Likely developments and expected results of operations

Even though Covid-19 has brought in unexpected challenges particularly in the movement of staff, the Company has quickly adopted to these new conditions and does not expect any material changes in the outcome of the Alberta project development which is expected to reach full notice to proceed stage by end of 1st quarter 2021.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

Auditor's independence declaration

The auditors' independence declaration is included on page 19 of the annual report.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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 years ended 30 June 2020 and 2019. The prescribed details for each person covered by this report are detailed below under the following headings:

- · directors and senior management personnel
- remuneration policy
- relationship between the remuneration policy and Company 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

Ross MacLachlan Jeffry Myers Tim Horgan

Non-executive Directors

Malcolm Jacques
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)

Ray McKay (General Manager – KALiNA Distributed Power Limited)

Kesh Thurairasa (Company Secretary and 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.

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.

Remuneration report - audited (cont'd)

Incentive based compensation

The Company does not currently operate a short-term incentive scheme and, in 2020, 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 2020 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 2021 financial year.

In the 2020 financial year, 30,000,000 options were issued to directors and 2,800,000 to 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 2020 financial year were \$40,000 (2019: \$40,000) per annum, plus statutory superannuation if applicable.

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 2021 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 five 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.

Remuneration report - audited (cont'd)

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2020.

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Revenue	-	-	98,740	29,503	523,216
Net profit/(loss) before tax	(4,714,632)	(5,167,996)	(5,022,985)	(11,814,313)	(3,971,280)
Net profit/(loss) after tax	(4,714,632)	(5,167,996)	(5,022,985)	(11,814,313)	(3,971,280)
Share price at start of year (\$)	0.022	0.017	0.056	0.048	0.060
Share price at end of year (\$)	0.029	0.022	0.017	0.056	0.048
Dividends paid (cents)	=	=	=	-	=
Basic (loss)/profit per share (cents)	(0.6)	(1.0)	(1.1)	(3.6)	(3.0)
Diluted (loss)/profit per share (cents)	(0.6)	(1.0)	(1.1)	(3.6)	(3.0)

Remuneration of directors and senior management - audited

		Short-term	employme	nt benefits	Post- employ ment		Share- based payment		
		Salary & Fees	Other payments	Non- monetary	Superann uation	Other long term benefits	Options and rights	Value of options as proportion of total remuneration	Total
Executive Directors		\$	\$	\$	\$	\$	\$	%	\$
John Byrne (retired 30 June 2019)	2020	-	-	-	1	1	1	-	•
	2019	98,333	-	-	-	-	-	-	98,333
Ross MacLachlan	2020	280,000	-	9,050	26,600	-	249,359	44	565,009
	2019	280,000	-	11,782	26,600	-	-	-	318,382
Tim Horgan	2020	200,000	-	-	19,000	-	76,726	26	295,726
	2019	200,000		-	19,000	-	-	-	219,000
Jeffry Myers	2020	121,000	-	-	-	-	153,452	56	274,452
Non-executive directors									
Malcolm Jacques	2020	40,000	-	-	•	•	19,181	32	59,181
	2019	40,000	-	-	-	-	-	-	40,000
Peter Littlewood	2020	40,000	-	-	-	-	76,726	66	116,726
	2019	45,200	-	-	-	-	-	-	45,200
Jeffry Myers	2019	126,312	-	-	-	-	-	-	126,312
Senior Management									
Nigel Chea	2020	32,303		-	-	-	-	-	32,303
	2019	198,428					45,348	19	243,776
Ray McKay	2020	36,862	-	-		-	-	-	36,862
	2019	-	-	-		-	-	-	-
Kesh Thurairasa	2020	178,000	-	-	18,650	-	-		196,650
	2019	159,000	-	-	27,150	-	12,957	7	199,107
Alwyn Davey (resigned 30 June 19)	2020	-	-	-	-	-	-	-	-
	2019	200,000	-	-	22,500	1	20,731	6	243,231
TOTALS	2020	928,165	-	9,050	64,250	-	575,444	36	1,576,909
TOTALS	2019	1,347,273	-	11,782	95,250		79,036	5	1,533,341

None of the key management personnel remuneration in the current year or in previous year was linked to performance. Except for Ross Maclachlan who was provided an advance to cover future travel expenses as disclosed in note 23(c), no Key management personnel was provided with any loans during the year.

Remuneration report - audited (cont'd)

Equity instruments

Options

During the financial year the shareholders approved the issue of 30 million options to directors and the board approved the issue of 2.8m options to Groups executives.

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

2.8m options were granted as remuneration to Group executives.

Apart from the above, during the financial year there were no other share-based payment arrangements in existence.

Key management personnel equity holdings

Fully paid ordinary shares of KALiNA Power Limited

	Balance at 1 July 2019 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. (i)	Bal at 30 June 2020 No.	Balance held nominally No.
2020						
Directors						
R MacLachlan	20,266,262	-	-	2,857,143	23,123,405	-
T Horgan	4,309,673	=	-	2,857,143	7,166,816	-
M. Jacques	960,435	=	-	(341,178)	619,257	-
J Myers	7,677,508	=	-	2,857,143	10,534,651	-
P Littlewood	8,677,508	-	-	-	8,677,508	-
Senior						
Management						
Raymond McKay	-	=	-	=	=	-
K. Thurairasa	700,000	=	-	-	700,000	-
N Chea	11,500,000	=	-	=	11,500,000	-

(i) Participation in placement following shareholder approval in November 2019.

	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) Participation in placement

Directors' report (cont'd) Remuneration report – audited (cont'd)

Share options of KALiNA Power Limited

	Balance at 1 July 2019 No.	Granted as compensation No.	Value \$	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2020 No.	Bal vested at 30 June 2020 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2020										
Directors										
R. MacLachlan	23,300,000	13,000,000	249,359	(23,300,000)	-	13,000,000	13,000,000	-	13,000,000	13,000,000
T. Horgan	7,800,000	4,000,000	76,726	(7,800,000)	-	4,000,000	4,000,000	-	4,000,000	4,000,000
M. Jacques	1,000,000	1,000,000	19,181	(1,000,000)	-	1,000,000	1,000,000	-	1,000,000	1,000,000
J Myers	5,200,000	8,000,000	153,452	(5,200,000)	-	8,000,000	8,000,000	-	8,000,000	8,000,000
P Littlewood	5,200,000	4,000,000	76,726	-	-	9,200,000	9,200,000		9,200,000	4,000,000
Senior										
Management										
Nigel Chea	8,700,000	-	-	-	-	8,700,000	8,700,000	-	8,700,000	-
R McKay	-	-	-	-	-	-	-	-	-	-
K. Thurairasa	3,000,000	-	-	(400,000)	-	2,6000,000	2,600,000	-	2,600,000	-

	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	-	2,600,000	-
R. MacLachlan	23,300,000	=	-	-	-	23,300,000	23,300,000	-	23,300,000	-
T. Horgan	7,800,000	-	-	-	-	7,800,000	7,800,000	-	7,800,000	-
M. Jacques	1,000,000	-	-	-	-	1,000,000	1,000,000	-	1,000,000	-
J Myers	5,200,000	-	-	-	-	5,200,000	5,200,000	-	5,200,000	-
P Littlewood	5,200,000	-	-	-	-	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	-	8,700,000	3,500,000
A. Davey	2,600,000	1,600,000	20,731	-	-	4,200,000	4,200,000	-	4,200,000	1,600,000
K. Thurairasa	2,000,000	1,000,000	12,957	-	-	3,000,000	3,000,000	-	3,000,000	1,000,000

Options

The terms and conditions of each grant of options over ordinary shares issued in the current affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	No of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
R MacLachlan	13,000,000	28 November 2019	28 November 2019	30 November 2022	2.3cents	249,359
T Horgan	4,000,000	28 November 2019	28 November 2019	30 November 2022	2.3cents	76,726
M Jacques	1,000,000	28 November 2019	28 November 2019	30 November 2022	2.3cents	19,181
J Myers	8,000,000	28 November 2019	28 November 2019	30 November 2022	2.3cents	153,452
P Littlewood	4,000,000	28 November 2019	28 November 2019	30 November 2022	2.3cents	76,726

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and link to current remuneration. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Remuneration report - audited (cont'd)

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

Except for Ross Maclachlan who was provided an advance to cover future travel expenses as disclosed in note 23(c), 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.

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

R. MacLachlan, T Horgan, M. Jacques, Ray McKay, K. Thurairasa and Nigel Chea are key management personnel of the Company. 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 make 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 2020



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 2020, 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 the Kalina Power Limited and the entities it controlled during the period.

HLB Mann Judd

HLB Mann Judd Chartered Accountants

Melbourne 30 September 2020 Michael Gummery Partner

hlb.com.au

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of profit and loss and other comprehensive income for the financial year ended 30 June 2020

Note 1908 1909			Consc	olidated
Revenue		N		
Cost of Sales C	D.	Note_	\$	\$
Gross profit/(loss) 1 2 1			-	-
Other income 5(a) 405,170 186,116 Finance income 5(a) 1,413 13,916 Employee benefits expenses 5(b) (2,20,7627) (2,846,482) Administration expenses 3(318,993) (322,609) Despeciation and amortisation expenses 5(b) (4,889) (4,657) Doubtful debts 5(b) (30,802) (30,802) Travel expenses 1(70,803) (318,903) (32,801) Gain/(scs) on revaluation of financial assets fair valued through profit and loss 1,287 - Gos 1,287 - - Patient costs (2,022,046) (1,330,243) - Patient costs 2(2,022,046) (1,330,243) -	Cost of Sales		<u></u>	
Finance income 5(a) 1,413 13,916 Employee benefits expenses 5(b) (2,207,627) (22,404,642) Administration expenses 5(b) (4,889) (4,687) Depreciation and amortisation (4,889) (4,687) expenses 5(b) (4,889) (4,687) Doubtful debts 5(b) (170,386) (342,881) Travel expenses (170,386) (342,881) Gain/floss) on revaluation of financial assets fair valued through profit and loss 1,287 - Legal and professional fees (2,022,046) (1,330,243) Patent costs (20,220,461) (1,330,243) Patent costs (2,722,046) (1,330,243) Foreign exchange gain/(loss) 5(a) 11,908 (21,515) Finance costs 4 (134,869) (12,517) Loss befor tax (4,714,632) (5,167,996) Loss for the year (4,714,632) (5,167,996) Attributed to: (4,714,632) (5,167,996) Owners of the parent 17 (4,523,365) <td>Gross profit/(loss)</td> <td></td> <td>-</td> <td>-</td>	Gross profit/(loss)		-	-
Finance income 5(a) 1,413 13,916 Employee benefits expenses 5(b) (2,207,627) (2,846,428) Administration expenses 5(b) (4,889) (4,687) Expenses 5(b) (4,889) (4,687) Doubtful debts 5(b) (4,889) (4,687) Travel expenses (100) (4,780) (342,881) Gain/(Joss) on revaluation of financial assets fair valued through profit and loss (2,022,046) (1,330,243) Patent costs (2,022,046) (1,330,243) Patent costs (275,150) (398,488) Patent costs (275,150) (3398,488) Proreign exchange gain/(loss) 5(a) 11,908 (21,913) Proreign exchange gain/(loss) 5(a) 11,908 (21,617,906) Loss before tax (4,714,632) (5,167,996) Loss before tax (4,714,632) (5,167,996) Nomers of the parent 17 (4,523,365) (4,797,711) Nomers of the parent 17 (4,523,365) (4,797,711) <td< td=""><td>Other income</td><td>5(a)</td><td>405,170</td><td>186,116</td></td<>	Other income	5(a)	405,170	186,116
Administration expenses	Finance income		1,413	13,916
Depreciation and amortisation expenses 5(b) (4,889) (4,672) Doubtful debts 5(b) - (15,290) Travel expenses (170,836) (342,881) Gain/(loss) on revaluation of financial assets fair valued through profit and loss 1,287 - Legal and professional fees (202,046) (1,30,243) Legal and professional fees (275,150) (398,488) Foreign exchange gain/(loss) 5(a) 11,908 21,515 Finance costs 4 (134,869) (128,913) Loss before tax (4,714,632) (5,167,996) Income tax benefit/(expense) 6 - - Loss for the year 17 (4,523,365) (4,797,721) Non-controlling interest 16.5 (191,267) (370,275) Other comprehensive income (4,714,632) (5,167,996) Other comprehensive income (4,714,632) (5,167,996) Other comprehensive income (4,79,721) (4,79,721) Other comprehensive income for the period of to fax (43,964) (91,182) Other comp	Employee benefits expenses	5(b)	(2,207,627)	(2,846,482)
Repenses 5(b) (4,887) (4,687) (15,200) (15,	Administration expenses		(318,993)	(322,609)
Doubtful debts 5(b) - (15,290) Travel expenses (170,836) (342,881) Gain/floss yon revaluation of financial assets fair valued through profit and loss 1,287 - Legal and professional fees (2,022,046) (1,30,243) Patent costs (2,75,150) (388,468) Foreign exchange gain/(loss) 5(a) 11,386 212,815 Finance costs 4 (134,869) (128,913) Loss before tax (4,714,632) (5,167,996) Income tax benefit/(expense) 6 - - Loss for the year (4,714,632) (5,167,996) Attributed to: (4,714,632) (5,167,996) Owners of the parent 17 (4,523,365) (4,797,721) Non-controlling interest 16.5 (191,267) (370,275) Items that may be reclassified subsequently to profit or loss (4,714,632) (5,167,996) Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) <t< td=""><td>Depreciation and amortisation</td><td></td><td></td><td></td></t<>	Depreciation and amortisation			
Travel expenses	expenses	5(b)	(4,889)	(4,657)
Casin/(loss) on revaluation of financial assets fair valued through profit and loss 1,287	Doubtful debts	5(b)	-	(15,290)
Assets fair valued through profit and loss 1,287 3,200 1,300 2,000 1,300 2,000 1,300 2,000 1,000	Travel expenses		(170,836)	(342,881)
Legal and professional fees (2,022,046) (1,330,243) Patent costs (275,155) (398,468) Foreign exchange gain/(loss) 5(a) 11,908 21,515 Finance costs 4 (134,869) (128,913) Loss before tax (4,714,632) (5,167,996) Income tax benefit/(expense) 6 Loss for the year (4,714,632) (5,167,996) Attributed to: (2,23,365) (4,797,721) Owners of the parent 17 (4,523,365) (4,797,721) Non-controlling interest 16.5 (191,267) (370,275) Items that may be reclassified subsequently to profit or loss Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: (4,297,511) (4,864,555) Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (4,610,	Gain/(loss) on revaluation of financi	al		
Patent costs (2,022,046) (1,330,243) Patent costs (275,150) (398,488) (319,1515 Foreign exchange gain/(loss) 5(a) (1134,869) (128,913) (12	assets fair valued through profit and			
Patent costs (275,150) (398,468) Foreign exchange gain/(loss) 5(a) 11,908 21,515 Finance costs 4 (134,869) (128,913) Loss before tax (4,714,632) (5,167,996) Income tax benefit/(expense) 6 - - Loss for the year (4,714,632) (5,167,996) Attributed to: Owners of the parent 17 (4,523,365) (4,797,721) Non-controlling interest 16.5 (191,267) (370,275) Other comprehensive income (4,714,632) (5,167,996) Items that may be reclassified subsequently to profit or loss (4,714,632) (5,167,996) Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period (43,964) (91,182) Total comprehensive income/(loss) attributable to: (4,295,51) (4,297,511) Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (5,259,178) (Loss) per share (4,758,596)				-
Proreign exchange gain/(loss) 5(a) 11,908 21,515 5 5 5 5 5 5 5 5 5	•			,
Consist			•	, ,
Loss before tax (4,714,632) (5,167,996) (1,714,632) (5,167,996) (1,714,632) (5,167,996) (1,714,632) (5,167,996) (1,714,632) (5,167,996) (1,714,632) (5,167,996) (1,714,632				
Loss for the year Content of the year	Finance costs	4	(134,869)	(128,913)
Loss for the year (4,714,632) (5,167,996) Attributed to: (4,523,365) (4,797,721) Owners of the parent 17 (4,523,365) (4,797,721) Non-controlling interest 16.5 (191,267) (370,275) Other comprehensive income Items that may be reclassified subsequently to profit or loss Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Loss before tax		(4,714,632)	(5,167,996)
Attributed to: Owners of the parent 17 Non-controlling interest 16.5 (191,267) (370,275) Other comprehensive income Items that may be reclassified subsequently to profit or loss Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) (394,623) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Income tax benefit/(expense)	6		-
Owners of the parent Non-controlling interest 17 (4,523,365) (4,797,721) (370,275) Non-controlling interest 16.5 (191,267) (370,275) Other comprehensive income Items that may be reclassified subsequently to profit or loss Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) (394,623) (4,758,596) (5,259,178) Non-controlling interest (461,085) (394,623) (4,758,596) (5,259,178) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Loss for the year		(4,714,632)	(5,167,996)
Non-controlling interest 16.5 (191,267) (370,275)	Attributed to:			
(4,714,632) (5,167,996) Other comprehensive income Items that may be reclassified subsequently to profit or loss Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period Comprehensive income/(loss) attributable to: Owners of the parent Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Owners of the parent	17	(4,523,365)	(4,797,721)
Other comprehensive income Items that may be reclassified subsequently to profit or loss Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: (4,297,511) (4,864,555) Owners of the parent (461,085) (394,623) Non-controlling interest (4758,596) (5,259,178) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Non-controlling interest	16.5	(191,267)	(370,275)
Items that may be reclassified subsequently to profit or loss Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)			(4,714,632)	(5,167,996)
Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Other comprehensive income			
Exchange reserve arising on translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	•	equently to		
translation of foreign operations (43,964) (91,182) Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: 5 (0.6) (1.0) Basic (cents per share) 25 (0.6) (1.0)	•			
Other comprehensive income for the period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	· ·			
period net of tax (43,964) (91,182) Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share (4,758,596) (5,259,178) From continuing and discontinued operations: (0.6) (1.0) Basic (cents per share) 25 (0.6) (1.0)	• •		(43,964)_	(91,182)
Total comprehensive income/(loss) for the period (4,758,596) (5,259,178) Total comprehensive income/(loss) attributable to: (4,297,511) (4,864,555) Owners of the parent (461,085) (394,623) Non-controlling interest (4,758,596) (5,259,178) (Loss) per share From continuing and discontinued operations: (0.6) (1.0) Basic (cents per share) 25 (0.6) (1.0)	•	•	(40.00.1)	(24.400)
Total comprehensive income/(loss) attributable to: Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)			(43,964)	(91,182)
Owners of the parent (4,297,511) (4,864,555) Non-controlling interest (461,085) (394,623) (Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Total comprehensive income/(loss)	or the period	(4,758,596)	(5,259,178)
Non-controlling interest (461,085) (394,623) (Loss) per share (4,758,596) (5,259,178) From continuing and discontinued operations: (0.6) (1.0) Basic (cents per share) 25 (0.6) (1.0)	Total comprehensive income/(loss)	attributable to:		
(Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Owners of the parent		(4,297,511)	(4,864,555)
(Loss) per share From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)	Non-controlling interest		(461,085)	(394,623)
From continuing and discontinued operations: Basic (cents per share) 25 (0.6) (1.0)			(4,758,596)	(5,259,178)
operations: Basic (cents per share) 25 (0.6) (1.0)	(Loss) per share			
Basic (cents per share) 25 (0.6)				
	·	25	(0.6)	(1.0)
	` ' '			, ,

The financial statements should be read in conjunction with the notes included on pages 23 to 55.

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES

Consolidated statement of financial position as at 30 June 2020

Current assets 440,600 1,028,238 Cash and cash equivalents 20 440,600 1,028,238 Trade and other receivables 7 98,101 47,271 Other financial assets 2,573 Total current assets 541,274 1,075,509 Non-current assets Trade and other receivables 8 - 25,131 Investments accounted for using the equity method 9 9,200 9,200 Property, plant and equipment 10 19,707 15,498 Total non-current assets 28,907 49,829 Total assets 974,110 791,453 Total accounted for using the equity method 9 92,00 9,200 Provestion 9 9,200 9,200 19,000 Total accounted for using the equity method 9 9,200 19,000 10,25,338 Total accounted several formations 19,707 49,829 10,200 10,200 10,200 10,200 10,200 10,200 10,200 10,200 10,200			2020	2019
Cash and cash equivalents 20 440,600 1,028,238 Trade and other receivables 7 98,101 47,271 Other financial assets 2,573 1 Total current assets 541,274 1,075,509 Non-current assets Trade and other receivables 8 - 25,131 Investments accounted for using the equity method 9 9,200 9,200 Property, plant and equipment 10 19,707 15,498 Total non-current assets 28,907 49,829 Total assets 28,907 49,829 Total assets 291,703 334,097 Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities 3,8673 - Borrowings 13 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 3,185,619		Note		
Trade and other receivables Other financial assets 7 98,101 (2,573) 47,271 (2,573) - Total current assets 541,274 (2,575) -	Current assets			
Trade and other receivables Other financial assets 7 98,101 (2,573 (2,573) (2	Cash and cash equivalents	20	440,60	0 1,028,238
Other financial assets 2,573	•	7	98,10	
Non-current assets Trade and other receivables 8 - 25,131 Investments accounted for using the equity method 9 9,200 9,200 Property, plant and equipment 10 19,707 15,498 Total non-current assets 28,907 49,829 Total assets 570,181 1,125,338 Current liabilities 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) 2,855,615 1,730,0277 Equity/(net deficiency) 1 113,804,238 1,17,30,277 Issued capital 14 113,804,238 1,17,30,277 Equity/(net deficiency) 1	Other financial assets			
Trade and other receivables 8 25,131 Investments accounted for using the equity method 9 9,200 9,200 Property, plant and equipment 10 19,707 15,498 Total non-current assets 28,907 49,829 Total assets 570,181 1,125,338 Current liabilities Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities Borrowings 13 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) 3,185,619 2,855,615 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company	Total current assets		541,27	4 1,075,509
Property nethod 9 9,200	Non-current assets			
equity method 9 9,200 9,200 Property, plant and equipment 10 19,707 15,498 Total non-current assets 28,907 49,829 Total assets 570,181 1,125,338 Current liabilities Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities Borrowings 13 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) Issued capital 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attribu	Trade and other receivables	8		- 25,131
Property, plant and equipment 10 19,707 15,498 Total non-current assets 28,907 49,829 Total assets 570,181 1,125,338 Current liabilities Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,25,550 Non-current liabilities 3,881,133 1,730,065 Provision 12 38,673 Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) 3,185,619 2,855,615 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (10,8650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Investments accounted for using the			
Total non-current assets 28,907 49,829 Total assets 570,181 1,125,338 Current liabilities 771,453 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities 8 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) 2,855,615 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (10,865,0252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	equity method	9	9,20	9,200
Total assets 570,181 1,125,338 Current liabilities Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities 1 8,81,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) (2,615,438) 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Property, plant and equipment	10	19,70	7 15,498
Current liabilities Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities 38,673 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) 15 13,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Total non-current assets		28,90	7 49,829
Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities \$	Total assets		570,18	1 1,125,338
Trade and other payables 11 974,110 791,453 Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities \$				
Provisions 12 291,703 334,097 Total current liabilities 1,265,813 1,125,550 Non-current liabilities 13 1,881,133 1,730,065 Provision 12 38,673	Current liabilities			
Non-current liabilities 1,265,813 1,125,550 Non-current liabilities 8	Trade and other payables	11	974,11	0 791,453
Non-current liabilities Borrowings 13 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) Equity/(net deficiency) Issued capital 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Provisions	12	291,70	3 334,097
Borrowings 13 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) 1 113,804,238 110,666,415 Issued capital 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Total current liabilities		1,265,81	3 1,125,550
Borrowings 13 1,881,133 1,730,065 Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) 1 113,804,238 110,666,415 Issued capital 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)				
Provision 12 38,673 - Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) 1 13,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Non-current liabilities			
Total non-current liabilities 1,919,806 1,730,065 Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) 1 13,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Borrowings	13	1,881,13	3 1,730,065
Total liabilities 3,185,619 2,855,615 Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) Sequity/(net deficiency) 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Provision	12	38,67	3 -
Net assets/(liabilities) (2,615,438) (1,730,277) Equity/(net deficiency) 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Total non-current liabilities		1,919,80	6 1,730,065
Equity/(net deficiency) Issued capital 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Total liabilities		3,185,61	9 2,855,615
Issued capital 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Net assets/(liabilities)		(2,615,43	8) (1,730,277)
Issued capital 14 113,804,238 110,666,415 Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)				
Reserves 16 2,918,442 1,956,976 Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Equity/(net deficiency)			
Accumulated losses 17 (108,650,252) (104,126,887) Total equity attributable to equity holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)		14	113,804,23	8 110,666,415
Total equity attributable to equity 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Reserves	16	2,918,44	2 1,956,976
holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Accumulated losses	17	(108,650,25	2) (104,126,887)
holders of the company 8,072,428 8,496,504 Non-controlling interest 16.5 (10,687,866) (10,226,781)	Total equity attributable to equity			
			8,072,42	8,496,504
Total equity/(net deficiency) (2,615,438) (1,730,277)	Non-controlling interest	16.5	_ (10,687,86	6) (10,226,781)
	Total equity/(net deficiency)		(2,615,43	8) (1,730,277)

The financial statements should be read in conjunction with the notes included on pages 23 to 55.

	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 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 16.3)	-	-	212,488	-	-	-	212,488	-	212,488
Issue of shares (note 14.1)	2,816,202	-	-	-	-	-	2,816,202	-	2,816,202
Share issue cost (note 14.1)	(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)
Balance at 1 July 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)
Profit/(loss) for the year	-	-	-	-	-	(4,523,365)	(4,523,365)	(191,267)	(4,714,632)
Movement in foreign exchange values		225,854	-	-	-	-	225,854	(269,818)	(43,964)
Total comprehensive income for the period	-	225,854	-	-	-	(4,523,365)	(4,297,511)	(461,085)	(4,758,596)
Value of options issued (note 16.3)	-	-	735,612	-	-	-	735,612	-	735,612
Issue of shares (note 14.1)	3,292,000	-	-	-	-	-	3,292,000	-	3,292,000
Share issue cost (note 14.1)	(154,177)	-	-	-	-	-	(154,177)	-	(154,177)
Balance at 30 June 2020	113,804,238	3,509,070	9,800,008	(9,939,836)	(450,800)	(108,650,252)	8,072,428	(10,687,866)	(2,615,438)

The financial statements should be read in conjunction with the notes included on pages 23 to 53.

KALINA POWER LIMITED AND ITS CONTROLLED ENTITIES

Consolidated cashflow statement for the financial year ended 30 June 2020

		Consol	idated
		2020	2019
<u>-</u>	Note	\$	\$
Cash flows from operating activities			
Receipts from management fees		100,737	163,213
Interest and finance costs paid		-	(6,895)
Payments to suppliers and employees		(4,017,027)	(4,887,866)
Government cash flow boost		50,000	<u> </u>
Net cash provided by/(used in) operating	00(1)	(0.000.000)	(4.704.540)
activities	20(i)	(3,866,290)	(4,731,548)
Cook flows from investing activities			
Cash flows from investing activities Interest received		1,413	24 750
Payment for plant and equipment		(9,098)	21,750
Proceeds from investment held for trade		(9,098) 147,827	-
			(10 553)
Receipts/(payment) for deposits		10,191	(10,553)
Net cash provided by/(used in) investing activities		150,333	11,197
		,	,
Cash flows from financing activities			
Proceeds from issue of shares and options		3,292,000	2,816,202
Capital raising costs		(163,681)	(195,016)
Net cash provided by/(used in) financing activities		3,128,319	2,621,186
Not (decrees) / increes in each and each			
Net (decrease) / increase in cash and cash equivalents		(587,638)	(2,099,165)
Cash and cash equivalents		(307,030)	(2,099,100)
at the beginning of the financial year		1,028,238	3,127,403
		-,,	-,,
Cash and cash equivalents			
at the end of the financial year	20	440,600	1,028,238

The financial statements should be read in conjunction with the notes included on pages 23 to 55.

Notes to the financial statements for the financial year ended 30 June 2020

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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

Suite 6, 795 Glenferrie Road Hawthorn VIC 3122 **Principal place of business** Suite 6, 795 Glenferrie Road 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 2020.

Going concern

The consolidated entity's operating loss for the year ended 30 June 2020 amounted to \$4,714,632 (30 June 2019: loss of \$5,167,996)

The consolidated entity had net current liabilities as at 30 June 2020 of \$724,539 (30 June 2019: net current assets \$50,041). 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 September 2021.

The above statement is underpinned by certain key assumptions including:

- Subsequent to year end, on 7 July 2020, the Company announced that it had secured \$8m equity placement facility with Long State Investment Limited. Under the terms of the facility, the Company at its discretion, place new ordinary shares in the Company with Long State up to a total of \$8m over the next 24 months. This facility allowed the Company to draw in tranches of \$400,000 in any period of 20 trading days.
- On 24 July 2020, the Company announced that it intends to undertake a \$6.1m fully underwritten non-renounceable entitlement offer to all eligible shareholders on the basis of 3 new shares for every 10 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue.
- On 29 July 2020, the Company announced that the entitlement offer increased and was fully underwritten at \$6.8m to all eligible shareholders on the basis of 1 new shares for every 3 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue and on 3 August 2020, the Company filed a prospectus for non-renounceable issue to raise
- With the above fully underwritten capital raising the company expects to reach "Full Notice to Proceed" stage by end
 of first quarter 2021, at which stage the Company expects to receive approximately \$8.3m (C\$7.5m) by way of
 reimbursement of development costs and development fee for the first two projects the Company is currently working
 on.

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.

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 circumstances, 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), 7, 8, and 9).
- The fair value of share options issued by the Company have been valued using a Black-Scholes pricing model (Note 16.3 & 26) which takes into account the terms and conditions upon which the options are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 26 for further information.
- 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.
- Coronavirus (Covid-19) pandemic
 - Judgement has been exercised in considering the impacts that the Coronavirus (Covid-19) pandemic has had, or may have, on the consolidated entity based on known information. Whilst Covid-19 has not materially impacted the project development or funding process to date, there is continued uncertainty as to the duration of and further impact of Covid-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian, Canadian and global economy. There is a risk that if the spread of Covid-19 continues, and/or the actions taken to combat Covid-19 persist, the Company's operational and financial performance could deteriorate. This may also affect delivery of equipment where suppliers and their supply chains are adversely impacted by Covid-19, site specific activities related to site preparation and construction or a drop in demand for electricity due to economic impacts of Canadian and International responses to Covid-19

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Revenue from contracts with customers involving sale of goods
 When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Standards and interpretation adopted with no effect in the financial statements

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements

Adoption of new and revised accounting standards

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements

As indicated above, the group has adopted AASB 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 2(r).

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases.

Measurement of lease liabilities:

Below is a reconciliation between the operating lease commitments reported as at 30 June 2019 and lease liabilities recognised AASB16 on 1 July 2019

Opening lease commitments disclosed as at 30 June 2019 Less: short term lease not recognised as a liability	109,455 (53,088)
Less: adjustment as a result of a different treatment of extension and termination option	(56,367)
Lease liability recognised as at 1 July 2019	-

(a) Principle of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kalina Power Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Kalina Power Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity 'or "the Group".

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(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.

(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) 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.

Impairment of financial assets

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 21 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

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.

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

(f) Foreign 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).

(g) 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.

(h) Income taxes

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).

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.

(h) Income taxes (cont'd)

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.

(i) 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

. .

(j) 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.

(k) Revenue

Revenue from contracts with customers

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.

(I) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(q) 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.

(r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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

Information regarding these segments is presented below.

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

	Segment other income		Segment p	rofit/(loss)
_	2020	2019	2020	2019
_	\$	\$	\$	\$
Continuing operations				
Investments	298,677	182,056	(1,421,397)	(2,824,857)
Power business	107,906	17,976	(3,293,235)	(2,343,139)
Total of all Segments	406,583	200,032	(4,714,632)	(5,167,996)
Unallocated items Share of loss of associate			-	-
Total loss before tax			(4,714,632)	(5,167,996)
Exchange reserve arising on translation of foreign operations Company tax			(43,964)	(91,182) -
Total comprehensive income for the period			(4,758,596)	(5,259,178)

The segment income reported above represents other income recognised during the period. There were no intersegment sales in the current year (2019: 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

	2020	2019
	\$	\$
vestments	458,824	1,080,214
ower business	111,357	45,124
otal segment assets	570,181	1,125,338
nallocated assets	-	-
otal assets	570,181	1,125,338
Segment liabilities		
nvestments	795,548	877,474
Power business	2,390,071	1,978,141
otal liabilities	3,185,619	2,855,615

3. Segment information (cont'd)

(iv) Geographical information

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

	Non-curre	Non-current assets	
	2020	2019	
	\$	\$	
Australia	28,907	49,829	
China	<u>-</u>	-	
Canada	-	-	
JSA	-	-	
	28,907	49,829	

(v) Other segment information

	Depreciation an	Depreciation and amortisation	
	2020	2019	
	\$	\$	
Investments	4,889	4,657	
Power	-	-	
	4,889	4,657	

4. Finance costs

	Consolidated	
	2020 \$	2019 \$
Interest and expenses – related parties	1,370	-
Interest – borrowings	133,499	128,913
	134,869	128,913

5. 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	
	2020	2019
	\$	\$
Management fee	91,171	165,011
Profit on sale of investments	156,093	-
Government cashflow boost	50,000	-
Gain on creditors no longer payable	107,906	21,105
Other income	405,170	186,116
Interest income	1,413	13,916
Net foreign exchange gains	11,908	21,515

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated	
	2020 \$	2019 \$
Operating lease charges	83,781	83,408
Depreciation of plant and equipment	4,889	4,657
Loss allowance on other receivable	-	15,290
Employee benefit expense:		
Defined contribution plans	73,494	99,741
Share based payments	575,444	137,341
Salaries and wages	1,558,689	2,609,400
	2,207,627	2,846,482

6. Income taxes

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

	Consolidated	
	2020 \$	2019 \$
(Loss) before tax from continuing operations	(4,714,632)	(5,167,996)
Income tax (benefit) calculated at 30%	(1,414,389)	(1,550,398)
Effect of expenses that are not deductible in determining taxable income	209,825	76,633
Effect of temporary differences	54	2,466
Effect of deferred tax losses not brought to account	1,204,510	1,471,299
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	
	2020	2019
	<u> </u>	\$
The following deferred tax assets have not been brought to account:		
- tax losses – revenue	11,676,831	9,456,990
- tax losses - capital	8,487,576	6,557,957
- temporary differences	1,659,318	1,952,188
	21,823,725	17,967,135

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	
	2020	2019
	<u></u>	\$
Deferred tax assets		
- Investments	1,530,097	1,530,482
- Provisions	111,863	118,908
- Provision for bad debt	17,358	302,798
	1,659,318	1,952,188

7. Trade and other receivables: current

	Consolidated	
	2020	2019
	\$	\$
Trade receivables	1,253	14,935
Goods and services tax recoverable	46,929	21,028
Receivable from key management personnel (note 23)	16,322	732
Other receivables	33,597	26
Receivables from director related entities	_	10,550
	98,101	47,271

The average credit period for trade receivables is 30 days after the end of the month in which the invoice is raised.

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 within note 5.

8. Trade and other receivables: non-current

	Cons	Consolidated	
	2020 \$	2019 \$	
Rental bond	<u>-</u>	14,578	
Deposit for land site	-	10,553	
	<u> </u>	25,131	

9. Investments accounted for using the equity method

	Consolidated	
	2020 \$	2019 \$
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

			Ownership interest	
			2020	2019
Name of entity	Country of incorporation	Principal activity	%	%
Associates				
Exergy Inc	USA	Investment	46.0%	46.0%

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

	Consolidated	
	2020	2019
	\$	\$
Financial position:		
Total assets	9,200	9,200
Total liabilities		-
Net assets	9,200	9,200
Group's share of associates' net assets	1,529	1,160
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 Investments during the period	1,160	897
Group's share of associates' other comprehensive income	369	263
Group's share of dividends paid by associates		-
Group's share of associates' closing net assets	1,529	1,160

Dividends received from associates

No dividends were received during the year (2019: Nil) from its associate.

10. Property, plant and equipment

10. Property, plant and equipment	Consolidate	d
	Plant and equipment at cost	Total
	\$	\$
Gross carrying amount		
Balance at 1 July 2018	57,888	57,888
Additions	-	-
Balance at 30 June 2019	57,888	57,888
Assets written off	(12,748)	(12,748)
Additions	9,098	9,098
Balance at 30 June 2020	54,238	54,238
Accumulated depreciation		
Balance at 1 July 2018	37,733	37,733
Depreciation expenses	4,657	4,657
Balance at 30 June 2019	42,390	42,390
Assets written off	(12,748)	(12,748)
Depreciation expense	4,889	4,889
Balance at 30 June 2020	34,531	34,531
Net book value		
As at 30 June 2019	15,498	15,498
As at 30 June 2020	19,707	19,707

11. Trade and other payables - current

	Consc	olidated
	2020 \$	2019 \$
Unsecured: Trade payables (i)	974,110	791,453
	974,110	791,453

⁽i) Payment terms for the Group during the current year and comparative period is an average of 30 days.

12. Provisions:

	Consolidated	
	2020	2019
	\$	\$
Employee benefits	330,376	334,097
	330,376	334,097
Disclosed as current	291,703	334,097
Disclosed as non-current	38,673	-
	330,376	334,097

13. Borrowings: non-current

	Consolidated	
	2020 \$	2019 \$
Borrowings - unsecured (i)	1,881,133	1,730,650
	1,881,133	1,730,650

(i) Relates to amounts owing to key outside shareholders of New Energy Asia (NEA), on account of expenses incurred and 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.

14. Issued capital

	Conso	lidated
	2020	2019
	\$	\$
Fully paid ordinary shares		
30 June 2020:819,200,174		
(30 June 2019: 725,143,031)	113,804,238	110,666,415

	2020		201	19
	No.	\$	No.	\$
14.1 Ordinary shares				
Balance at beginning of year	725,143,031	110,666,415	443,522,812	108,055,758
Exercise of options	-	-	-	-
Issue of shares	94,057,143	3,292,000	281,620,219	2,816,202
Share issue costs		(154,177)		(205,545)
Balance at end of financial year	819,200,174	113,804,238	725,143,031	110,666,415

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 2019	725,143,031		110,666,415
New Issue	30 October 2019	74,570,485	0.035	2,609,967
New Issue	7 November 2019	6,499,999	0.035	227,500
New Issue	28 November 2019	12,986,659	0.035	454,533
Capital raising costs		<u>-</u>		(154,177)
Balance	30 June 2020	819,200,174		113,804,238

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.

15. Options

	2020 No	2019 No
Balance at beginning of the year	84,900,000	59,500,000
Issue of options (i)	32,800,000	25,400,000
Exercise of options	-	-
Options expired	(42,900,000)	-
Balance at end of financial year	74,800,000	84,900,000

(i) Comparative amount includes 9m options issued in May 2019 that was mistakenly not recorded in the 2019 financial statements. Management consider the impact of the omission to be immaterial and therefore, whilst the 2019 option balance has been updated for accuracy, the expense related to these options has been recognised in the current

The following Options were on issue at 30 June 2020:

Tranche	Number	Exercise Price	Expiry Date
Tranche 1 (granted on 20 November 2017)	16,600,000	6 cents	30 November 2020
Tranche 2 (granted on 27 May 2019)	2,250,000	1.3 cents	26 May 2022
Tranche 3 (granted on 27 May 2019)	2,250,000	1.8 cents	26 May 2022
Tranche 4 (granted on 27 May 2019)	2,250,000	2.3 cents	26 May 2022
Tranche 5 (granted on 27 May 2019)	2,250,000	2.8 cents	26 May 2022
Tranche 6 (granted on 20 June 2019)	16,400,000	2.3 cents	19 June 2022
Tranche 7 (granted on 28 November 2019)	30,000,000	2.3 cents	30 November 2022
Tranche 8 (granted on 2 December 2019)	2,800,000	3.8 cents	30 November 2022
Total	74,800,000		

16. Reserves

	Consolid	dated
	2020 \$	2019 \$
Treasury shares	(450,800)	(450,800)
Foreign currency translation reserve	3,509,070	3,283,216
Share based payment reserve	9,800,008	9,064,396
Other reserve	(9,939,836)	(9,939,836)
	2,918,442	1,956,976

16.1 Treasury shares	Consolida	ated
	2020 \$	2019 \$
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.

16. Reserves (cont'd)

16.2 Foreign currency translation reserve

	Consolidated		
	2020 \$	2019 \$	
Balance at beginning of year Exchange differences arising on translating	3,283,216	3,350,050	
the net assets of foreign operations (i)	225,854	(66,834)	
Balance at end of year	3,509,070	3,283,216	

(i) 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.

16.3 Share based payments reserve

	Consolidated	
	2020 \$	2019 \$
Balance at beginning of year	9,064,396	8,851,908
Value of options issued with shares (i)	735,612	212,488
Balance at end of year	9,800,008	9,064,396

(i) 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 26 to the financial statements.

16.4 Other reserve

	Consolidated		
	2020		
	\$	\$	
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 share holding in New Energy Asia Ltd decreasing by 5.10% in prior years.

16.5 Non-controlling interest

•	Consoli	Consolidated		
	2020	2019		
	\$	\$		
Balance at beginning of year	(10,226,781)	(9,832,158)		
Share of profit/(loss) for the year	(191,267)	(370,275)		
Movement in foreign exchange values	(269,818)	(24,348)		
Difference arising on loss of control of subsidiaries	-	-		
Balance at end of year	(10,687,866)	(10,226,781)		

17. Accumulated losses

	2020 *	2019
	T	Ψ
Balance at beginning of year	(104,126,887)	(99,329,166)
Net profit/(loss) attributable to members of the		
parent entity	(4,523,365)	(4,797,721)
Balance at end of year	(108,650,252)	(104,126,887)

Consolidated

18. Commitments

Capital commitments

The Company had no capital commitments as at 30 June 2020 (2019: None).

19. Subsidiaries

9. Subsidiaries		Ownershi	p interest
	_	2020	2019
Name of entity	Country of incorporation	%	%
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	China	100	100
Development Co Ltd (i)			
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	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.

20. Cash and cash equivalents

Consc	olidated	
2020 \$	2019 \$	
440,600	1,028,238	

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

	Consol	idated
	2020	2019
	\$	\$
Profit/(loss) for the year	(4,714,632)	(5,167,996)
Fair value (gains)/losses financial assets	(1,287)	-
(Profit)/loss from sale of financial assets	(156,093)	-
Equity settled share based payment	735,612	212,488
Depreciation of property, plant and equipment	4,889	4,657
Bad debts	-	15,290
Foreign exchange (gains)/losses	15,925	1,839
Interest income received and receivable	(1,413)	(13,916)
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	(28,368)	3,489
Increase / (decrease) in liabilities:		
Trade and other payables	282,797	190,982
Provisions	(3,720)	21,619
Net cash from/(used in) operating activities	(3,866,290)	(4,731,548)

(ii) Non-cash investing/financing transactions

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

21. 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 borrowings. 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 net of any impairment provision for those 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.

21. Financial instruments (cont'd)

(d) Liquidity risk management

Liquidity risk is the risk that the Group 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 \$
-	-	1,252	-	-	-
-	-	-		-	-
-	6,980	-	26,389	230	-
	700.070	20.640	450 200	05.004	
100/	700,073	30,618	158,388		-
10%	-	-	-	1,001,133	-
10%	14,935 707 - 549,592	- 103 21,056 22,038	- 2,952 - 118,609 -	7,518 - 101,214 1,730,065	- - - -
	Effective Interest Rate	Effective Interest Rate	Effective Interest Rate 1,252 6,980 700,073 30,618 10% 14,935 103 - 707 103 - 707 103 - 707 21,056 549,592 22,038	Effective Interest Rate Less than 1 month	Less than 1 month

21. 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.

Interest rate sensitivity analysis

Financial assets

As at 30 June 2020, the Group held \$440,600 (2019: \$1,028,238) in cash and cash equivalents with interest revenue of \$1,413 (2019: \$13,916) for the year then ended. A sensitivity of 1% (2019: 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% (2019: 1%) increase in the cash rate would have resulted in a \$7,344 (2019: \$20,778) increase in interest revenue and equity. A 1% (2019: 1%) decrease in the cash rate would have resulted in a \$7,344 (2019: \$20,778) decrease in interest revenue and equity.

Financial liabilities

As at 30 June 2020, the Group's borrowings and interest bearing trade and other payables amounted to \$1,881,131 (2019: \$1,730,065) with interest expenses of \$134,869 (2019: \$128,913) for the year then ended. A sensitivity of 1% (2019: 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% (2019: 1%) increase in the cash rate would have resulted in a \$12,892 (2019: \$12,195) increase in interest expenses. A 1% (2019: 1%) decrease in the cash rate would have resulted in a \$12,892 (2019: \$12,195) decrease in interest expenses.

21. Financial instruments (cont'd)

(f) 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 minimising the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, unsecured secured borrowings listed below are denominated in United States Dollars (USD) British Pounds (GBP) and Canadian Dollars (CAD). Average rate applied during the year \$0.67 (2019: \$0.73) and reporting date spot rate \$0.69 (2019: \$0.74) for USD and average rate applied during the year £0.532 (2019: £0.492) and reporting date spot rate £0.558 (2019: £0.555) for GBP, and average rate applied during the year \$0.899 (2019: nil) and reporting date spot rate \$0.938 (2019: nil) for CAD.

Amounts of foreign currency in creditors	s of foreign currency in creditors		Consolidated		
		2020 \$		2019 \$	
Trade Payables (USD) Trade Payable (GBP) Trade Payable (CAD)		,	023)	(1,973,143) (5,324)	
Trade Receivables (USD) Trade Receivables (CAD)	(414,196) - 38,566		<u>-</u>	2,681 -	
Movement in USD, CAD and GBP against AUD					
	-20% 2020 \$	-20% 2019 \$	+20% 2020 \$	+20% 2019 \$	
Change in gain/(loss) -USD Change in gain/(loss) -GBP	(486,946) (7,006)	(494,617) (670)	324,632 4,671	329,745 447	
Change in gain/(loss) -CAD	(93,907)	•	62,605	-	

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.

22. 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	
2020	2019
\$	\$
027.245	1 500 055
937,215	1,599,055
575,444	99,767
64,250	117,750
1.576,909	1,776,572
	2020 \$ 937,215 575,444

23. Related party transactions

(a) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 19 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 9 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 22 to the financial statements.

ii. Other transactions with key management personnel of the Group

R MacLachlan, T Horgan, M. Jacques, J Myers, N Chea, R McKay, 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.

- During the year the Ross Maclachlan advanced \$100,000 to the Company as a loan which was subsequently
 converted to equity in the Company. An amount of \$1,370 was paid as interest at 8% on funds advanced to the
 Company.
- Ross MacLachlan owed \$16,322 on account of a travel advance at year end.

(d) Transactions with other related parties

Transactions between the Group and its related parties

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

- The following loans were advanced by the company during the year to Imparator Green Energy Plc \$26,210 (2019: \$24,035), KCT Power Limited \$17,364 (2019: \$43,005), New Energy Asia Limited \$36,614 (2019: \$359,185)
 Recurrent Engineering LLC \$493,284 (2019: \$1,206,933) and Kalina Distributed Power Limited \$1,304,514 (2019: nil).
- Interest charged on loan to New Energy Asia Limited at 10% amounted to \$249,123 (2019: \$229,364) and on loan to KCT Power Limited. At 3.25% amounted to \$116,614 (2019: \$103,566) and on loan to Recurrent Engineering amounted to \$553,455 (2019: \$440,006). Further interest charged on Loan to Kalina Distributed Power Limited at 10% amounted to \$45,936 (2019: nil).

23. Related party transactions (cont'd)

(e) Parent entity

The parent entity in the Group is KALiNA Power Limited.

24. Remuneration of auditors

	Consolidated	
	2020 \$	2019 \$
Audit and review of the financial report HLB		
Mann Judd	84,000	80,500
Review and lodgment of tax return	10,500	-
	94,500	80,500

25. Earnings per share

	Consolidated		
	2020	2019 Cents per share	
	Cents per snare	Cerits per snare	
Basic earnings (loss) per share	(0.6)	(1.0)	
Diluted earnings (loss) per share	(0.6)	(1.0)	

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:

	2020 \$	2019 \$
(i)	(4,523,365)	(4,797,721)

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

	2020 No.	2019 No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	786,933,706	500,345,297

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.

26. Share-based payments

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date
28/11/2019	30/11/2022	3.3cents	2.8cents	125.88%	Nil	0.77%	575,444
2/12/2019	30/11/2022	3.0cents	3.8cents	122.84%	Nil	0.77%	42,895

During the financial year 30,000,000 options were issued to Directors 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:

Balance at beginning of the financial year (ii)
Expired during the year
Granted during the financial year (a)
Balance at end of the financial year (iii)
Exercisable at end of the financial year

2020		201	2019		
Number of rights	Weighted average exercise price cents	Number of rights	Weighted average exercise price		
			cents		
84,900,000	4.6	59,500,000	5.6		
(42,900,000)	5.5	-	-		
32,800,000	2.4	25,400,000	2.2		
74,800,000	3.1	84,900,000	4.6		
74,800,000	3.1	84,900,000	4.6		

⁽a) Included in the 2019 balance are 9,000,000 options that were mistakenly not recorded in the 2019 financial statements. The value of these options have been included in the current year profit and loss as management are of the view that the amount is immaterial.

(i) Exercised during the financial year

During the financial year nil (2019: nil) options granted under the employee share option plan were exercised.

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of 3.1 cents (2019: 4.6 cents) and average remaining contractual life of 654 days (2019: 501 days).

27. 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 7 July 2020, the Company announced that it had secured \$8m equity placement facility with Long State Investment Limited. Under the terms of the facility, the Company at its discretion, place new ordinary shares in the Company with Long State up to a total of \$8m over the next 24 months. This facility allowed the Company to draw in tranches of \$400,000 in any period of 20 trading days.
- 2. On 24 July 2020, the Company announced that it intends to undertake a \$6.1m fully underwritten non-renounceable entitlement offer to all eligible shareholders on the basis of 3 new shares for every 10 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue.
- 3. On 27 July 2020, the company entered into a \$500,000 short term loan agreement for working capital management until the rights issue was completed. Interest is payable at 10% per annum.
- 4. On 29 July 2020, the Company announced that the entitlement offer increased and was fully underwritten at \$6.8m to all eligible shareholders on the basis of 1 new shares for every 3 shares currently held at \$0.025 per new share, along with the free attaching option for each new share issued exercisable at \$0.044 each for a period of 2 years from their date of issue and on 3 August 2020, the Company filed a prospectus for non-renounceable issue to raise \$6.8m.
- 5. On 2 August 2020, The Victorian Government introduced stage 4 restrictions initially for six weeks. These restrictions forced the corporate office staff to work remotely from home. However this has not had any material impact on the company's operations as the Company was able to adopt to these restrictions.
- 6. On 1 September 2020 the Company announced that the non-renounceable offer of \$6.83m closed with shareholders taking up 51.70% of the offer and the remaining 48.30% of offer to allocate to underwriters and sub-underwriters. The Company further announced that the board was considering undertaking a follow-up placement on the same terms as entitlement offer.
- 7. On 9 September 2020, the Company announced that \$1.19m was received from the placement and the total capital raised amounted to \$8.02m.

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.

28. 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.

29. 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

	2020	2019
	\$	\$
Assets		
Current assets	429,917	1,030,386
Non-current assets	16,329,224	14,842,398
Total assets	16,759,141	15,872,784
Liabilities		
Current liabilities	756,874	872,150
Non-current liabilities	38,673	-
Total liabilities	795,547	872,150
Equity		
Issued capital	113,804,238	110,666,415
Accumulated losses	(106,652,046)	(103,741,571)
Reserves		
Equity settled benefits	8,811,402	8,075,790
Total equity	15,963,594	15,000,634
Financial performance		
	Year ended	Year ended
	2020	2019
	\$	\$
(Loss)/Profit for the year	(2,910,475)	(9,249,694)
Other comprehensive income		

Contingent liabilities of the parent entity

Total comprehensive income

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.

(2,910,475)

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.

(9,249,694)

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 2020, 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 2020



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 2020, 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 2020 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 Going Concern in the financial report, which indicates that the Group incurred a net loss of \$4,714,632 (2019: loss of \$5,167,996) during the year ended 30 June 2020 and, as of that date, its current liabilities exceeded its current assets by \$724,539 (2019: net current liabilities of \$50,041). 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 Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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 2020, 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 Group 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 13 to 18 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of the Group for the year ended 30 June 2020 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

Melbourne 30 September 2020 Michael Gummery

Partner

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report as at 25 September 2020.

Twenty largest Shareholders

	Shareholder	% of Issued Capital
1	CARPE DIEM ASSET MANAGEMENT PTY LTD <lowe a="" c="" family=""> *</lowe>	5.90
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4.97
3	SINALUNGA PTY LTD <the a="" c="" sinalunga=""></the>	3.45
4	KEO PROJECTS PTY LTD <superannuation a="" c="" fund=""></superannuation>	3.14
5	MR ROSS MACLACHLAN	2.24
6	INVIA CUSTODIAN PTY LIMITED <kenneth a="" c="" everett="" ltd="" prod=""></kenneth>	2.06
7	SASSEY PTY LTD <avago a="" c="" fund="" super=""></avago>	1.93
8	LIGHTGLOW ENTERPRISES PTY LTD <paloma a="" c="" investments=""></paloma>	1.80
9	MOMENTUM NORTH PTY LTD <halliley a="" c="" f="" s=""></halliley>	1.56
10	PAN ANDEAN CAPITAL PTY LTD	1.50
11	NATIONAL NOMINEES LIMITED	1.33
12	MR TIMOTHY NICHOLAS WISE	1.31
13	INFINITY OIL LIMITED	1.20
14	GINGA PTY LTD <tg a="" c="" f="" klinger="" s=""></tg>	1.20
15	THIRTY SIXTH VILMAR PTY LTD	1.16
16	SASSEY PTY LTD <avago a="" c="" fund="" super=""></avago>	1.13
17	MYERS DEVELOPMENT CORPORATION	1.11
18	PYXIS HOLDINGS PTY LTD <the a="" c="" mapletree=""></the>	1.07
19	BLACKCOURT (NSW) PTY LIMITED <lawsam a="" c="" fund="" super=""></lawsam>	1.05
20	MR MAN YIN CHEA * Significant Shareholder of the Company	1.03

Distribution of shareholdings

Range	Total holders	Units	% Units
1 - 1,000	1,902	292,274	0.03
1,001 - 5,000	178	368,386	0.03
5,001 - 10,000	40	307,361	0.03
10,001 - 100,000	428	18,262,265	1.63
100,001 Over	552	1,101,471,111	98.28
Total	3,100	1,120,701,397	100.00

The number of shareholders holding less than a marketable parcel is 2,215

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.