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**KALINA POWER LIMITED**

**ACN 000 090 997**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 10.30am (AEDST)

**DATE:** 26 October 2017

**PLACE:** Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Executive Chairman or Company Secretary on (03) 9236 2800.*

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The Annual General Meeting of the Shareholders of Kalina Power Limited to which this Notice of Meeting relates will be held at 10.30 am (AEDST) on 26 October 2017 at:

Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000

**YOUR VOTE IS IMPORTANT**

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The business of the Annual General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the Annual General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

- (a) By mail  
C/- Computershare Investor Services  
Pty Limited, GPO Box 242, Melbourne,  
Victoria, 3001
- (b) By facsimile  
on 1800 783 447 (within Australia) or  
(61 3) 9473 2555 (outside Australia)
- (c) Online at  
[www.investorvote.com.au](http://www.investorvote.com.au)
- (d) Online at  
[www.intermediaryonline.com](http://www.intermediaryonline.com)  
(for Intermediary Online subscribers only)

so that it is received not later than 10.30 am (AEDST) on 24 October 2017.

**Proxy forms received later than this time will be invalid.**

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders of Kalina Power Limited will be held at Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000, at 10.30 am (AEDST) on 26 October 2017.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 10.30am on 24 October 2017.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

### BUSINESS

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#### ADOPTION OF THE ANNUAL FINANCIAL REPORT

To receive the Annual Financial Report, including Directors' declarations and accompanying reports of the Directors and auditors for the financial year ended 30 June 2017.

#### 1. RESOLUTION 1 - ADOPTION OF THE REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given to the adoption of the Remuneration Report as contained in the Company's financial report for the year ended 30 June 2017."*

**Short Explanation:** The vote on this resolution is advisory only and does not bind the Directors or the Company.

**Voting Exclusion:**

Resolution 1 is directly connected with the remuneration of members of the key management personnel of the Company. Accordingly, the Company will disregard any votes cast (in any capacity) on Resolution 1 either:

- by or on behalf of any member of the key management personnel whose remuneration details are included in the Remuneration Report;
- by a closely related party of such key management personnel; and
- by any proxy for a member of the key management personnel or a closely related party of the key management personal.

unless the vote is cast as a proxy for a person entitled to vote:

- in accordance with a direction on the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation in the proxy form to exercise the proxy as the Chairman sees fit, even though Resolution 1 is connected with the remuneration of a member of the key management personnel.

**2. RESOLUTION 2 – RE-ELECTION OF A DIRECTOR**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That Dr Malcolm Jacques, a director of the Company who retires by rotation in accordance with clause 75.1 of the Constitution, and being eligible, is re-elected as a director of the Company."*

**3. RESOLUTION 3 – ELECTION OF A DIRECTOR – MR PETER LITTLEWOOD**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, Mr Peter Littlewood, a director of the Company who retires in accordance with clause 71.2 of the Constitution and, being eligible, is elected as a Director of the Company."*

**4. RESOLUTION 4 - GRANT OF OPTIONS TO PETER LITTLEWOOD**

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

*"That for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given to the grant to Mr Peter Littlewood of 5,200,000 Options exercisable at 6 cents per share on or before 30 November 2020, and otherwise on the terms and conditions set out in the Explanatory Statement"*

**Voting Exclusion:** A vote must not be cast (in any capacity) on Resolution 4 by or on behalf of:

- (a) Peter Littlewood; and
- (b) an associate of Peter Littlewood.

However, a vote may be cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution, and if it is not cast on behalf of Peter Littlewood or an associate of Peter Littlewood.

**5. RESOLUTION 5 – APPROVAL TO ISSUE SECURITIES**

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

*"That for the purposes of Listing Rule 7.1, the Directors are authorised to issue up to 11,400,000 options exercisable on or before 30 November 2020 at an exercise price of 6 cents per share and otherwise on the terms and conditions set out in the Explanatory Statement to employees and consultants of the Company."*

**Voting Exclusion:** The Company will disregard any votes cast on resolution 5 by a person (and any associates of such a person) who may participate in the issue of options and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder if resolution 5 is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**6. RESOLUTION 6 – ISSUE OF SHARES TO PETER LITTLEWOOD**

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

*“That for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given to the issue to Mr Peter Littlewood of 1,500,000 Shares at 5c per share, and otherwise on the terms and conditions set out in the Explanatory Statement”*

**Voting Exclusion:** A vote must not be cast (in any capacity) on Resolution 6 by or on behalf of:

- (a) Peter Littlewood; and
- (b) an associate of Peter Littlewood.

However, a vote may be cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution, and if it is not cast on behalf of Peter Littlewood or an associate of Peter Littlewood.

**If you appoint the Chairman as your proxy, and you do not direct him/her how to vote on Resolutions 1, 4 and 6, the Chairman may only vote in favour of Resolutions 1, 4 or 6 if you expressly authorise him/her to do so by marking the relevant box in the attached proxy form and lodging your proxy form in accordance with the instructions set out in the proxy form.**

**7. RESOLUTION 7 – ADDITIONAL PLACEMENT CAPACITY**

To consider, and if thought fit, to pass the following resolution as a **special resolution**:

*“That for the purposes of Listing Rule 7.1A, the directors are authorised to issue up to 44,202,281 shares at an issue price, or for non-cash consideration, that is at least 75% of the volume weighted price for the Company's shares calculated over the period prescribed under Listing Rule 7.1A.3, and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on resolution 7 by a person (and any associates of such a person) who may participate in the issue of shares and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder if resolution 7 is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Important notes to the resolutions**

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For further information and explanation on the Resolutions to be put to the Meeting, please refer to the Explanatory Statement which is **enclosed** and forms part of this Notice of Annual General Meeting.

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**DATED: 20 September 2017**  
**BY ORDER OF THE BOARD**  
**KALINA POWER LIMITED**  
**ALWYN DAVEY**  
**COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000 on 26 October 2017 at 10.30 am (AEDST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. FINANCIAL STATEMENTS AND DIRECTORS' REPORTS

In accordance with the Company's Constitution, the business of the meeting will include receipt and consideration of the Company's Financial Report and reports of Directors and Auditors for the year ended 30 June 2017.

### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

At a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the Shareholders.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The vote on this Resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR

Clause 75.1 of the Constitution requires that one third of the Company's Directors must retire at each annual general meeting. Clause 75.4 of the Constitution provides that a retiring Director is eligible for re-election.

Dr Malcolm Jacques will retire by rotation in accordance with the Constitution, and seeks re-election.

### 4. RESOLUTION 3 – ELECTION OF DIRECTOR

Mr Peter Littlewood was appointed as an additional Director to the Board on 24 July 2017. The Company's Constitution provides that a Director appointed as an additional Director to the Board must not hold office (without re-election) past the next annual general meeting. Mr Littlewood will therefore retire, and seek election at the Meeting.

As one of Asia-Pacific's leading sector professionals, Mr. Littlewood was formerly the Group Director of Operations at CLP Group ("China Light and Power") and was responsible for developing and implementing power projects across China, Hong Kong, India, and other Asia-Pacific countries. He was a member of the Group Executive Committee and Investment Committee, and a Director for numerous China Light and Power subsidiaries and has over 40 years of experience in the energy and power sector.

Over a 36 year career with China Light and Power in Hong Kong, Mr. Littlewood was responsible for engineering, project management, construction, operations and fuel supply for the entire power generation portfolio with Mr. Littlewood being instrumental in the development of multiple projects using coal, natural gas, nuclear, hydro, wind, solar and biomass technologies. During his tenure, China Light and Power became the largest international investor in the Asia-Pacific power market and is the largest external investor in the mainland China power market. It is a significant international investor in the conventional and renewable power sectors and holds significant investments, joint ventures and operations across China, Hong Kong, India, Thailand, Taiwan, and Australia including 100% ownership of Australian subsidiary, Energy Australia.

Mr. Littlewood is currently a member of the Advisory Board for Bloomberg New Energy Finance. He holds a Master's Degree in Engineering (first class honours) from the University of Cambridge and has completed the Harvard Business School Advanced Management Program.

## **5. RESOLUTION 4 – GRANT OF OPTIONS TO DIRECTOR**

The Company proposes to grant options to Mr Peter Littlewood as part of his remuneration package.

The ASX Listing Rules prohibit the issue of securities to directors without shareholder approval (except in certain circumstances, none of which apply here). In addition, if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The following information is given to shareholders as required by the Listing Rules:

- (a) The related party to whom the options will be issued is Mr Peter Littlewood and the maximum number of options to be granted to him is 5,200,000. There is no issue price for the options.
- (b) No funds will be raised by the issue of the options. If all of the options are exercised, \$312,000 will be received by the Company which will be used as working capital.
- (c) Terms of the Options:
  - a. Each Option entitles Mr Littlewood to subscribe for one (1) fully paid Ordinary Share in the capital of the Company.
  - b. The Options are exercisable before 5.00pm (EST) on 30 November 2020 (Expiry Date).
  - c. The Options are exercisable at a price of \$0.06 each.
  - d. If Mr Littlewood is no longer a director of the Company for any reason, the Options must be exercised by him within 3 months of the date on which he ceased to be a director, after which time the Options will automatically lapse.
  - e. All shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued shares. The Options will be unlisted. No quotation will be sought from ASX for the Options.
  - f. The Options are not transferable
  - g. There will be no participation rights inherent in the Options to participate in the new issues of capital by the Company offered to Shareholders during the currency of the Options.
  - h. In the event of a reorganisation of the capital of the Company the rights attaching to the Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

The Options will be issued within 1 month of approval by shareholders.

### **Other Information**

The directors are remunerated at a level commensurate with the current stage of the Company's development and its financial capacity. Each of the non-executive directors, including Mr Littlewood, are paid an annual cash remuneration of \$25,000.

The Company believes it is appropriate to grant equity options to non-executive directors alongside its key management personnel, including executive directors. Smaller entities often elect to use equity instruments to remunerate key personnel in order to attract and retain high calibre individuals while minimizing the cash cost of engaging those people. In addition, the options also help to create alignment between directors and shareholders. In particular, the Company wishes to grant the Options to Mr Peter Littlewood under the proposed Resolution 4 in order to align Mr Littlewood's remuneration with that of the other Directors who were granted options with shareholder approval in December 2016, rather than other alternatives considered by the Company including increasing Directors' fees or providing other forms of cash based remuneration in recognition of the calibre of Mr Littlewood. The Company considers the issue of the Options to be preferable to other available alternatives because it provides a means of appropriately remunerating and incentivising Mr Littlewood while preserving cash resources and also aligns his interests with the interests of shareholders.

The Remuneration Committee has approved the grant of the Options to Mr Littlewood having regard to his role, the number of Options held by the other directors and the current stage of the Company's development.

The Options, if their issue is approved by shareholders, will be valued at the grant date. However, an indicative valuation of each tranche of Options as at 8 August 2017 (being the date the Company agreed to issue the options, subject to shareholder approval) is detailed below:

| <u>Option Holder</u> | <u>Number of Options</u> | <u>Exercise Price</u> | <u>Indicative value of Options</u> |
|----------------------|--------------------------|-----------------------|------------------------------------|
| Peter Littlewood     | 5,200,000                | \$0.06                | \$190,778                          |

The indicative value of the options is based on a Black and Scholes valuation of the options as at 8 August 2017 based on the following inputs:

- Underlying Share Price: \$0.07 per share (closing price of Kalina on 8 August 2017)
- Exercise Price: \$0.06 per share (representing an 8.7% premium to the 30 day VWAP between the end of May and end of June when the negotiations for the appointment of Peter Littlewood to the board and other new senior management was materially undertaken)
- Risk free rate: 1.95% (Australian Government 3 year bond yield)
- Volatility: 109% (Kalina historic 12 month volatility)
- Indicative Grant Date: 27 October 2017
- Expiry: 30 November 2020

In accordance with AASB 2, the value of the options to be granted to Mr Littlewood will be calculated on the issue date using the Black and Scholes method and expensed in the Statement of Profit & Loss in the year ended 30 June 2018. However, based on the latest indicative valuation set out above, the charge to profit and loss for the year ended 30 June 2018, would be approximately \$190,778.

The number of Options to be issued to Mr Littlewood if Resolution 4 is approved represents, on a fully diluted basis assuming all other options on issue are converted, 0.99% of the Company's issued capital as at the date of this Notice. Mr Littlewood currently holds no Shares in the Company, but if Resolution 6 is passed, he will purchase 1,500,000 Shares. If Mr Littlewood is granted, and subsequently exercises the options the subject of Resolution 4, he will hold 6,700,000 Shares, representing 1.5% of the Company's capital. The issue of the Shares and subsequent exercise of the Options will therefore have no effect on the control of the Company.



The issue of the Shares and exercise of the Options will dilute existing Shareholders' interests by 1.5% (assuming no other changes in the Company's capital as at the date of this Notice).

### **Chapter 2E of the Corporations Act**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The proposed grant of the Options constitutes giving a financial benefit and Mr Littlewood is a related party of the Company by virtue of being a Director.

Shareholder approval is sought for Resolution 4 in accordance with Chapter 2E of the Corporations Act. Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, information is set out above and throughout this Explanatory Statement in relation to the proposed issue of Options to Mr Littlewood.

Mr Littlewood is to receive the Options under the relevant Resolution and accordingly makes no recommendation and abstains from making a recommendation because of his material personal interest in the Resolution:

The other Directors consider that it is a matter of good practice to avoid making a recommendation about other Directors' remuneration in these circumstances as there may be a conflict of interest if such a recommendation was made. Accordingly, no Director makes any recommendation on the issue of Options to Mr Littlewood under Resolution 4.

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4. The full terms of the Options to be issued to Mr Littlewood are set out in Section 5 (c) above of this Explanatory Statement.

## **6. RESOLUTION 5 – APPROVAL TO ISSUE SECURITIES**

The Directors are seeking shareholder approval to Resolution 5 in order to provide approval for the Directors to grant options to employees and consultants of the Company as announced on 8 August 2017 to the ASX.

Listing Rule 7.1 limits a company's ability to issue securities in excess of 15% of its ordinary issued capital in a 12 month period. While the Company has the placing capacity to issue the options the Company has decided to seek approval from shareholders for the issuing of options, so that the issue will not limit the Company's placing capacity.

A maximum of 11,400,000 options will be issued under Resolution 5 and the options will be issued no later than 3 months after the date of the meeting. The issue will occur progressively as determined by the Directors to current employees and consultants of the Company in relation to long term incentives. The recipients of the Options will be: Mr N Chea, (5,200,000); Mr J Fitzowich (2,600,000); Mr K Thurairasa (1,600,000); Mr M Mirolli (1,000,000); Mr J Tse (500,000) and Mr D Chan (500,000).

The options will be issued for no consideration.

If all of the options are exercised \$684,000 would be received by the Company for use as working capital.

Terms of the Options:

- a. Each Option entitles the holder to subscribe for one (1) fully paid ordinary share in the capital of the Company.
- b. The Options are exercisable before 5.00pm (EST) on 30 November 2020 (Expiry Date).
- c. The Options are exercisable at a price of \$0.06 each.
- d. If the Option holder is no longer an employee or consultant of the Company for any reason, the Options must be exercised by them within 3 months of the date on which they ceased to be an employee, after which time they will automatically lapse.
- e. All shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued shares. The Options will be unlisted. No quotation will be sought from ASX for the Options.
- f. The Options are not transferable
- g. There will be no participation rights inherent in the Options to participate in the new issues of capital by the Company offered to Shareholders during the currency of the Options.
- h. In the event of a reorganisation of the capital of the Company the rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

A vote will not be cast (in any capacity) on Resolution 5 by or on behalf of:

- (a) Mr N Chea, Mr J Fitzowich, Mr K Thurairasa, Mr M Miroll, Mr J Tse or Mr D Chan; or
- (b) any associate of Mr N Chea, Mr J Fitzowich, Mr K Thurairasa, Mr M Miroll, Mr J Tse or Mr D Chan.

However a vote may be cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution, and if it is not cast on behalf of Mr N Chea, Mr J Fitzowich, Mr K Thurairasa, Mr M Miroll, Mr J Tse or Mr D Chan or their associates.

## **7. RESOLUTION 6 – ISSUE OF SHARES TO PETER LITTLEWOOD**

The Company has issued Shares at 5c to members of the new senior management team for China. Mr Littlewood is a key member of that team, and subject to the passing of this Resolution 6, the Company proposes to issue 1,500,000 shares at 5 c per share to him.

Listing Rule 10.11 prohibits the issue of securities to a director, or a party related to a director, without shareholder approval (with certain exceptions, none of which apply here). In addition, if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

The following information is given to shareholders as required by the Listing Rules:

- The maximum number of securities that may be issued is 1,500,000 ordinary shares
- The Shares will be issued no later than 1 months after the date of the meeting.
- The issue price of any shares issued under Resolution 6 will be 5c.

- The Company will issue the shares to Mr Peter Littlewood or his related entities, for example to his superannuation funds.
- \$75,000 will be raised by the issue of securities and will be used for general working capital in delivering the business plan of the Company in relation to the Kalina Cycle technology.
- The Shares to be issued pursuant to Resolution 6 will rank pari passu with all other Shares.

As the issue of the Shares at 5 cents per Share to Mr Littlewood could constitute the giving of a financial benefit to him, shareholder approval is being sought under Chapter 2E of the Corporations Act.

As Mr Littlewood has a material personal interest in the outcome of Resolution 6, he abstains from making a recommendation in relation to Resolution 6.

The other Directors consider that it is a matter of good practice to avoid making a recommendation about other Directors' remuneration in these circumstances as there may be a conflict of interest if such a recommendation was made. Accordingly, no Director makes any recommendation on the issue of Shares to Mr Littlewood under Resolution 6.

### **Other Information**

The Company's last funding was at 5c per share in September 2016. Included at the time of the funding were options which expired on 30 August 2017. These options were fully underwritten and the exercise of these options was well supported by option holders with a key component of that support being the appointment of high calibre individuals, such as Mr Littlewood to the board of the Company. Mr Littlewood indicated a desire to underwrite 1,500,000 of the options however as a director he was unable to underwrite the exercise of the options.

As set out in Resolution 4, the Company is proposing to grant options to Mr Littlewood and he has indicated a desire to still purchase shares in the Company. Given the size of the Company it is difficult to remunerate people such as Mr Littlewood at the level they would otherwise be able to achieve in a larger organisation. By allowing Mr Littlewood to purchase 1,500,000 shares at the same price as the last funding and option exercise this will further align the interest of Mr Littlewood with the success of the shareholders as a whole.

The price of 5 cents per share represents a discount of 16% to the 30 day VWAP of 6.0 cents and a discount of 18% to the 90 day VWAP of 6.1 cents. The Company would almost certainly have to offer a similar level of discount from the market price if it sought to place shares with a non-related party, so the Company is not foregoing the opportunity to raise a greater amount by issuing shares to Mr Littlewood at the discount proposed.

The issue of shares to Mr Littlewood will have no impact on the Company, other than to raise \$75,000 for general working capital in delivering the business plan of the Company in relation to the Kalina Cycle technology.

The issue of the Shares (the subject of resolution 6) and exercise of the Options (the subject of resolution 4) will dilute existing Shareholders' interests by 1.5% (assuming no other changes in the Company's capital as at the date of this Notice).

The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

## Voting Exclusion

- A vote will not be cast (in any capacity) on Resolution 6 by or on behalf of:
  - (a) Peter Littlewood; or
  - (b) an associate of Peter Littlewood.

However, a vote may be cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution, and if it is not cast on behalf of Peter Littlewood or an associate of Peter Littlewood.

## 8. RESOLUTION 7 – ADDITIONAL PLACEMENT CAPACITY

Listing Rule 7.1A provides eligible companies, being those with a market capitalisation less than \$300 million and which are not included in the S&P/ASX 300, (which includes Kalina Power) the ability to raise an additional 10% of issued capital by way of placements over a 12 month period. This is in addition to a company's ability to issue up to 15% of its issued capital in a 12 month period without Shareholder approval. The number of shares which may be issued by a company under Listing Rule 7.1A is calculated in accordance with the following formula:

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

where

- A** is the number of shares on issue 12 months before the date of issue or agreement:
- plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
  - plus the number of partly paid shares that became fully paid in the 12 months;
  - plus the number of fully paid shares issued in the 12 months with the approval of Shareholders under Listing Rule 7.1 or Listing Rule 7.4;
  - less the number of fully paid ordinary shares cancelled in the 12 months.
- D** is 10%.
- E** is the number of shares issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or Listing Rule 7.4.

The Directors are seeking approval to issue a number of shares representing 10% of the issued share capital of the Company pursuant to Listing Rule 7.1A.

The primary purpose for which shares may be issued pursuant to resolution 7 is to pursue possible further investment opportunities which may arise, for working capital to utilise within the Group for operations and project development, or for further investment opportunities for non-cash consideration.

The shares must be issued at an issue price that is no less than 75% of the volume weighted average market price for securities in that class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- a. The date of which the price at which the equity securities are to be issued is agreed; or
- b. If the equity securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the equity securities are issued.

The Company may issue some of the shares for non-cash consideration, for example, as part of the consideration for an acquisition of assets but the issue price attributable to the shares shall be at least 75% of the volume weighted price as referred to above.

In the event that shares are issued for non-cash consideration, the Company will announce to the market the valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

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

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issued pursuant to the 10% placement facility under Listing Rule 7.1A. The identity of the allottees of shares will be determined on a case by case basis having regard to factors including but not limited to the following:

- (i) The methods of raising funds that are available to the Company, including rights issue or other issues in which existing Shareholders can participate;
- (ii) The effect of the issue the shares on the control of the Company;
- (iii) The financial situation of the Company;
- (iv) Advice from corporate, financial and broking advisors; and
- (v) The potential benefits an allottee could provide to the Company as a strategic investor (if applicable).

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

Provided that Shareholder approval is granted for resolution 7, then there is a risk that the share price may be lower on the issue date than on the date on which approval is given to this resolution 7, and the shares may be issued at a discount to the market price for those equity securities. The table below is provided to illustrate the potential dilution of existing Shareholders on the basis of the current market price of shares and the current number of shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at 13 September 2017.

| Variable "A" in Listing Rule 7.1A.2                       |                            | Dilution                                 |                       |   |
|---|----------------------------|--|-----------------------|---|
|   |                            | \$0.03<br>50% decrease in<br>Issue Price | \$0.06<br>Issue Price | \$0.12<br>100% increase in<br>Issue Price |
| <b>Current Variable A</b><br>442,022,812 shares           | <b>10% Voting dilution</b> | 44,202,281                               | 44,202,281            | 44,202,281                                |
|   | <b>Funds raised</b>        | \$1,326,068                              | \$2,652,137           | \$5,304,274                               |
| <b>50% increase in current Variable A</b><br>663,034,218  | <b>10% Voting dilution</b> | 66,303,422                               | 66,303,422            | 66,303,422                                |
|   | <b>Funds raised</b>        | \$1,989,103                              | \$3,978,205           | \$7,956,411                               |
| <b>100% increase in current Variable A</b><br>884,045,624 | <b>10% Voting dilution</b> | 88,404,562                               | 88,404,562            | 88,404,562                                |
|   | <b>Funds raised</b>        | \$ 2,652,137                             | \$5,304,274           | \$10,608,547                              |

The table is prepared on the following assumptions:

- (i) The Company issues the maximum number of shares available under Listing Rule 7.1A;
- (ii) The table shows only the effect of shares issues under Listing Rule 7.1A and does not factor in the Company's ability to issue up to 15% of its issued capital under Listing Rule 7.1;
- (iii) The issue price is \$0.06

The table shows:

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

If Shareholder approval is granted for resolution 7, then that approval will expire on the earlier of:

- (i) 26 October 2018 being 12 months from the date of the Meeting; or
- (ii) the date Shareholder approval is granted to a transaction under Listing Rule 11.1.2 (proposed change to nature and scale of activities) or Listing Rule 11.2 (change involving main undertaking).

The Company has previously obtained Shareholder approval under Listing Rule 7.1A on 15 December 2016.

In the 12 months prior to the date of this notice, the Company issued 138,457,221 ordinary shares which represents 46% of the issued capital of the Company at the commencement of the 12 month period. In addition the Company issued 80,014,006 warrants and options, which if converted represents 26.7% of the issued capital of the Company at the commencement of the 12 month period.

Issue of Securities in previous 12 Months:

|  |  |
|--|--|
| Date of Issue  | 25 October 2016                                    |
| Number Issued  | 25,068   |
| Class/Type of Security   | Ordinary Shares                                    |
| Summary of Terms   | Fully Paid   |
| Name of persons who received securities or basis on which those persons was determined | Option Holders conversion                          |
| Price  | 10c  |
| Discount to market price (if any)  | nil  |
| Total consideration received   | \$2,506.80   |
| Amount of cash consideration spent   | \$2,506.80   |
| Use of cash consideration  | Working capital for the Company general operations |
| Intended use for remaining amount of cash (if any)                                     | n/a  |

|  |  |
|--|--|
| Date of Issue  | 1 December 2016                                      |
| Number Issued  | 24,986,769   |
| Class/Type of Security   | Ordinary Shares                                      |
| Summary of Terms   | Fully paid   |
| Name of persons who received securities or basis on which those persons was determined | Harrington Global Limited from conversion of Options |
| Price  | 5c   |
| Discount to market price (if any)  | nil  |
| Total consideration received   | \$1,249,338.45                                       |
| Amount of cash consideration spent   | \$1,249,338.45                                       |
| Use of cash consideration  | Working capital                                      |
| Intended use for remaining amount of cash (if any)                                     | n/a  |

|  |   |
|--|---|
| Date of Issue  | 2 December 2016   |
| Number Issued  | 3,500,000   |
| Class/Type of Security   | Options   |
| Summary of Terms   | Converts to fully paid ordinary shares at 5c per share up to 30 August 2017 |
| Name of persons who received securities or basis on which those persons was determined | Consultants and advisors to the Company.                                    |
| Valuation*   | \$182,264   |
| Discount to market price (if any)  | nil   |
| Total consideration received   | nil   |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | n/a   |
| Intended use for remaining amount of cash (if any)                                     | Future working capital of the Company                                       |

\* Black Scholes Method

|  |                           |
|--|---------------------------|
| Date of Issue  | 19 December 2016          |
| Number Issued  | 3,588,010                 |
| Class/Type of Security   | Ordinary Shares           |
| Summary of Terms   | Fully paid                |
| Name of persons who received securities or basis on which those persons was determined | Harrington Global Limited |
| Price  | 5c                        |
| Discount to market price (if any)  | -                         |
| Total consideration received   | \$179,400                 |
| Amount of cash consideration spent   | \$179,400                 |
| Use of cash consideration  | Working capital           |
| Intended use for remaining amount of cash (if any)                                     |                           |



|  |   |
|--|---|
| Date of Issue  | 19 December 2016  |
| Number Issued  | 1,794,005   |
| Class/Type of Security   | Options   |
| Summary of Terms   | Converts to fully paid ordinary shares at 5c per share up to 30 August 2017 |
| Name of persons who received securities or basis on which those persons was determined | Harrington Global Limited   |
| Valuation*   | \$91,795  |
| Discount to market price (if any)  | nil   |
| Total consideration received   | nil   |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | n/a   |
| Intended use for remaining amount of cash (if any)                                     | Future working capital of the Company                                       |

\* Black Scholes valuation

|  |   |
|--|---|
| Date of Issue  | 19 December 2016  |
| Number Issued  | 17,500,000  |
| Class/Type of Security   | Options   |
| Summary of Terms   | Convert to fully paid ordinary shares at 5c per share up to 28 April 2017 |
| Name of persons who received securities or basis on which those persons was determined | Harrington Global Limited   |
| Valuation*   | \$949,970   |
| Discount to market price (if any)  | nil   |
| Total consideration received   | nil   |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | n/a   |
| Intended use for remaining amount of cash (if any)                                     | Future working capital of the Company                                     |

\* Black Scholes valuation

|  |   |
|--|---|
| Date of Issue  | 19 December 2016  |
| Number Issued  | 42,900,000  |
| Class/Type of Security   | Options   |
| Summary of Terms   | Converts to fully paid ordinary shares at 5.5c per share up to 30 November 2019 |
| Name of persons who received securities or basis on which those persons was determined | Directors and Management of the Company   |
| Valuation*   | \$2,690,895   |
| Discount to market price (if any)  | nil   |
| Total consideration received   | nil   |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | n/a   |
| Intended use for remaining amount of cash (if any)                                     | Future working capital of the Company   |

\* Black Scholes valuation

|  |   |
|--|---|
| Date of Issue  | 22 December 2016  |
| Number Issued  | 97,503  |
| Class/Type of Security   | Ordinary Shares   |
| Summary of Terms   | Fully Paid  |
| Name of persons who received securities or basis on which those persons was determined | Option holders who participated in the Company's Rights Issue in September 2016 |
| Price  | 5c  |
| Discount to market price (if any)  | n/a   |
| Total consideration received   | \$4875.15   |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | nil   |
| Intended use for remaining amount of cash (if any)                                     | Investment in subsidiary, working capital                                       |

|  |   |
|--|---|
| Date of Issue  | 10 February 2017  |
| Number Issued  | 51,469  |
| Class/Type of Security   | Ordinary Shares   |
| Summary of Terms   | Fully Paid  |
| Name of persons who received securities or basis on which those persons was determined | Option holders who participated in the Company's Rights Issue in September 2016 |
| Price  | 5c  |
| Discount to market price (if any)  | n/a   |
| Total consideration received   | \$2,573.45  |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | nil   |
| Intended use for remaining amount of cash (if any)                                     | Investment in subsidiary, working capital                                       |

|  |   |
|--|---|
| Date of Issue  | 9 May 2017  |
| Number Issued  | 17,519,241  |
| Class/Type of Security   | Ordinary Shares   |
| Summary of Terms   | Fully Paid  |
| Name of persons who received securities or basis on which those persons was determined | Harrington Global Limited (17,500,000 Ordinary Shares) and Option holders (19,241 Ordinary Shares) who participated in the Company's Rights Issue in September 2016 |
| Price  | 5c  |
| Discount to market price (if any)  | n/a   |
| Total consideration received   | \$875,962.05  |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | nil   |
| Intended use for remaining amount of cash (if any)                                     | Investment in subsidiary, working capital for engineering services  |

|  |   |
|--|---|
| Date of Issue  | 15 June 2017  |
| Number Issued  | 6,481   |
| Class/Type of Security   | Ordinary Shares   |
| Summary of Terms   | Fully Paid  |
| Name of persons who received securities or basis on which those persons was determined | Option holders who participated in the Company's Rights Issue in September 2016 |
| Price  | 5c  |
| Discount to market price (if any)  | n/a   |
| Total consideration received   | \$324   |
| Amount of cash consideration spent   | nil   |
| Use of cash consideration  | nil   |
| Intended use for remaining amount of cash (if any)                                     | Investment in subsidiary, working capital for engineering services              |

|  |  |
|--|--|
| Date of Issue  | 13 September 2017  |
| Number Issued  | 77,542,680 (refer Appendix 3B dated 22 August 2017)<br>4,000,000 (refer Appendix 3B dated 14 September 2017)   |
| Class/Type of Security   | Ordinary Shares  |
| Summary of Terms   | Fully Paid   |
| Name of persons who received securities or basis on which those persons was determined | Option holders who participated in the Company's Rights Issue in September 2016 and Underwriters of the unexercised Options from the same Rights Issue and the new china management team |
| Price  | 5c   |
| Discount to market price (if any)  | n/a  |
| Total consideration received   | \$4,077,134  |
| Amount of cash consideration spent   | nil  |
| Use of cash consideration  | nil  |
| Intended use for remaining amount of cash (if any)                                     | Investment in subsidiary, working capital for engineering services   |

## 8. ENQUIRIES

Shareholders are required to contact the Chairman or Company Secretary on +61 (3) 9236 2800 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**\$** means Australian dollars.

**AEDST** means Australian Eastern Daylight Savings Time.

**ASX** means ASX Limited (ACN 008 624 691).

**Board** means the board of directors of the Company.

**Company or Kalina** means Kalina Power Limited (ACN 000 090 997).

**Constitution** means the Company's constitution.

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

**Directors** mean the current directors of the Company.

**Explanatory Statement** means the explanatory statement which accompanies, and forms part of, the Notice of Meeting.

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

**Listing Rules** means the Listing Rules of ASX.

**Meeting** means the meeting convened by the Notice.

**Notice** means the notice of general meeting accompanying this Explanatory Statement.

**Resolution** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the Company.


**Shareholder** means a holder of a Share.

# Kalina Power Limited

ABN 24 000 090 997

## Lodge your vote:

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

KPO  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

XX



### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



### Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10.30am (AEDST) on Tuesday, 24 October 2017**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Kalina Power Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Kalina Power Limited to be held at Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000 on Thursday, 26 October 2017 at 10.30am (AEDST) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4, 6 & 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4, 6 & 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4, 6 & 7 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|              |  | For                      | Against                  | Abstain                  |
|--------------|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Adoption of the Remuneration Report            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Re-election of a Director - Dr Malcolm Jacques | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Election of a Director - Mr Peter Littlewood   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Grant of Options to Peter Littlewood           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 | Approval to Issue Securities                   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 | Issue of Shares to Peter Littlewood            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 | Additional Placement Capacity                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

KPO

999999A

Computershare +