

KALiNA POWER LIMITED

ACN 000 090 997

PROSPECTUS

for

a non-renounceable Rights Issue of new fully paid Ordinary Shares to Eligible Shareholders at a price of 7.5 cents per Ordinary Share on the basis of 1 new Ordinary Share for every 2 Ordinary Shares held, with, for each two new Ordinary Share issued, an Option to acquire a further Ordinary Share exercisable at 7.5 cents on or before 15 June 2017.

THE OFFER CLOSSES AT 5.00 pm MELBOURNE TIME ON

9 June 2016

IMPORTANT NOTICE

This document is important and should be read in its entirety. If, after reading this Prospectus you have any questions about the Offer, then you should consult your stockbroker, accountant or other financial adviser without delay. Certain capitalised terms and abbreviations used in this document have defined meanings which are set out in the Glossary.

The Ordinary Shares and Options offered by this Prospectus are a speculative investment.

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KALiNA POWER LIMITED

Corporate Directory

Directors:

John Byrne (Chairman)

(John) Ross MacLachlan

Malcolm Jacques

Timothy Horgan

Jeffry Myers (Proposed)

Secretary:

Alwyn Davey

Registered and Principal Office:

Level 1, 114-116 Auburn Road

Hawthorn, Vic, 3122

Tel: +61 (03) 9236 2800

Fax: +61 (03) 9818 3656

Share Registry:

Computershare Investor Services Pty Limited

452 Johnston Street, Abbotsford, Victoria 3067

Tel: 1300 787 272

UK Depositary:

Computershare Company Nominees Limited

The Pavilions, Bridgwater Road, Bristol BS99
6ZZ

Stock Exchange Listing:

Australian Securities Exchange (ASX)

Code: KPO

For more information regarding this Offer please contact:

Alwyn Davey, Company Secretary on +61 (03) 9236 2800

IMPORTANT INFORMATION

This Prospectus is dated 11 May 2016 and a copy of this Prospectus was lodged with the Australian Securities & Investments Commission (ASIC) on that date. ASIC takes no responsibility for the content of this document.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of the Prospectus.

This Prospectus has not been approved by the Financial Conduct Authority in the UK as a prospectus under the Prospectus Rules (made under Part VI of the UK Financial Services and Markets Act 2000).

Timetable

Closing date for receipt of acceptances and payment	9 June 2016
Shares and Options quoted on ASX on deferred settlement basis	10 June 2016
Shortfall notification date	14 June 2016
Issue of Offer Shares and Options	17 June 2016
Deferred settlement trading ends	18 June 2016
Closing date by which the Shortfall Shares remaining after the Offer has completed may be placed by the directors	9 September 2016

The Company reserves the right to extend the Closing Date, in which case subsequent dates will alter accordingly. The ASX Listing Rules require at least 3 Business Days' notice to be given of any extension to the Closing Date.

The Offer is Underwritten to \$3,410,000 and the minimum amount to be raised under the offer, excluding Underwriting, is \$1,590,072, or such lesser amount as reduced by further underwriting of the Offer secured by the Company by the Shortfall Date. If this amount is not raised, the Underwriters are not obliged to underwrite the balance of the offer. If the minimum subscription is not raised within 4 months of the date of this Prospectus, or such shorter period as may be imposed by ASX, the Directors will withdraw the Offer, and all applications monies will be returned (without interest) to Applicants.

1 LETTER TO SHAREHOLDERS

Dear Shareholder

As previously advised to the market, the Company is undertaking a non-renounceable Rights Issue to raise gross proceeds of approximately \$5 million to strengthen the Company's balance sheet and to deliver the business plan outlined in the Investment Overview. This Prospectus contains details of the Offer. You should read this Prospectus carefully.

The Company

In mid-2015, new executive directors, Mr Ross MacLachlan and Mr Tim Horgan, were appointed to the board of the Company and led a number of reviews focusing on the underlying business plan of the Company, the drivers for revenue and profitability and the structure of the Group.

The outcomes of the reviews included:

Key objectives identified:

- Simplify and strengthen the corporate structure
- Improve contracting and licensing procedures to be more profitable and effective
- Provide more effective oversight and control to ensure quality and compliance for project execution
- Recruit team skilled in technology commercialisation, power plant project development and management

Steps identified to improve future profit margins:

- Enhanced engineering improvements
- Engineering charges for improvements to existing KALiNA Cycle® plants
- Standardisation of plant components and procurement for quicker lead times and for better quality and margins
- Develop an international project financing package for qualified projects built to KALiNA Cycle® design specifications
- Enhanced IP portfolio and KALiNA Cycle® technology 'trade secrets' to command increased licensing fees

In progressing the objectives identified, the following results have been achieved:

- Simplified corporate structure removing substantially all debt from the group (other than the \$2.5 million loan advanced to the Company in January 2016 from Harrington to be satisfied through the rights issue) while significantly increasing subsidiary ownership levels

Key highlights:

- Removal of over US\$12,500,000 of external debt at Asia, China and US subsidiary levels
- Increased ownership of New Energy Asia from 49.2% to 75% in July 2016
- Increased ownership and control of operations in China to 49.9% non-dilutable A class shares
- Increased ownership of Recurrent Engineering to 100% in May 2016.
- In process of restructuring commercial terms and management for the construction of initial Sinopec Hainan project

In order to achieve the above, a growing team of business development professionals has been working closely with the technical team and stakeholders to complete the strategic and operational reviews. Together they identified the key objectives that we believe will create a strong, focused and effective company to deliver KALiNA Cycle[®] power projects around the world.

The implementation of the Company's business plan is set against a backdrop of increasing awareness by government and commercial stakeholders of the benefits that energy efficiency and clean energy can provide in achieving global climate targets. At the December 2015 climate talks in Paris an agreement was reached to help mobilize \$100 billion each year by 2020, and beyond, through public and private financing to assist developing countries in reducing emissions and adapting to climate change. The provision of financing will encourage the number of potential projects to be implemented and reduce the financing risk to project providers, such as KALiNA, as countries around the world strive to meet the revised emission targets set down at the Paris conference.

The directors believe that renewable energy, energy efficiency and innovation will play a critical role in the implementation of the Paris agreement emission targets. As the owner of KALiNA Cycle technology, the Company provides one of the most efficient renewable energy and energy efficiency solutions which is commercially available today.

The proceeds of the Offer will be used as set out on page 19 of this document.

The Offer is underwritten up to \$3,410,000. The directors are in discussions with investors to underwrite the balance of the Offer. In addition to the Offer, the directors reserve the right to undertake a placement of up to \$1,000,000 on the same terms as the Offer.

Yours Sincerely

On behalf of the Board

John Byrne

Chairman

2 INVESTMENT OVERVIEW

This information is a selective overview only. Investors should read the Prospectus in full before deciding whether to invest.

The Company	<p>KALiNA will focus on delivery of turnkey projects in markets with opportunities for multiple projects with access to project financing from customers, local financial institution or governments in order to deliver projects in the most capital efficient manner.</p> <p>The current primary focus of KALiNA is in China where we are working with Sinopec. The Chinese government has mandated a 16% reduction in energy consumption requiring large industrial enterprises to seek to achieve energy efficiencies within their operations. This mandate is driving large companies such as Sinopec to invest capital into projects using technologies such as the KALiNA Cycle[®] to achieve these targets. This allows for the delivery of projects without the need for substantial capital being provided by the Company.</p> <p>Outside of China there exists a number of opportunities for the Company where similar government strategic initiatives and commercial demand drivers are in place.</p> <p>These include opportunities in Japan which has significant power prices available for projects that are ideally suited to the KALiNA Cycle[®]. The Company has recently submitted a design proposal for a 0.5MW plant on a large hot spring in Japan which is supported by a local conglomerate and the Japanese government.</p> <p>Further opportunities exist for the Company in sectors such as the oil sands in western Canada. The oil sand operators are seeking ways to reduce their emissions and energy consumption which are two key concerns within the industry. The KALiNA Cycle[®] has applicability within the oil sands recovery process to generate electricity and reduce the carbon footprint of the oil produced. The Canadian government's recent strategy is supportive of such opportunities with a range of grants and other funding available.</p> <p>The Company expects to be in a position to access various sources of project level funding as it moves forward on projects.</p> <p>A significant factor in being able to access project financing is that the KALiNA Cycle[®] has been deployed to date at 15 plants around the world. These plants have provided us with a wealth of experience in operating diverse applications such as petrochemical and steel facilities as well as geothermal power plants. We have come to learn what is required to develop and execute successful projects. Projects across a number of industries such as at Sumitomo Metals and Fuji Oil Refinery in Japan and the Unterhaching geothermal power plant in Germany have proven the reliability of the technology over a long period of time when designed and delivered to a very high standard. With this experience we have developed a plan that includes a far more involved role in the execution of KALiNA Cycle[®] projects across the project cycle of engineering, design, procurement and construction.</p>
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KALiNA will provide the best of plant design, project execution and ongoing reliability for KALiNA Cycle[®] power plants, consistent with industry best practices. To achieve this high level of delivery and reliability, the Company will work closely with leading industry firms and equipment vendors who have a record of successful projects within our core market places of geothermal and industrial heat to power projects.

In line with the plan to deliver projects with select technical partners, the Company has entered into a teaming agreement with Power Engineers Inc, a global consulting engineering firm with over 1000 employees, specializing in the delivery of integrated engineering solutions. Power Engineers was ranked 7th in the Power sector in the Engineering News-Record (ENR) magazine's Top 500 Design Firms list. Power Engineers has extensive experience with the KALiNA Cycle[®] and was involved in the engineering phase of the first KALiNA Cycle[®] geothermal plant in Iceland as well as providing engineering and design services on a number of other KALiNA Cycle[®] projects. The Agreement provides for the Company to engage Power Engineers as our lead third party consultants to provide process engineering and design reviews to ensure the Company is meeting its high standards of project delivery.

Alongside the teaming agreement with Power Engineers, the Company is in the process of negotiating several preferred vendor agreements with leading international suppliers with a view to establishing standardization in design and product execution together with improved supply chain efficiencies.

Application of the KALiNA Cycle[®] to industrial processes such as petrochemical, steel and cement manufacturing will significantly contribute to reduced carbon emissions and reduce energy costs for the organisations involved. KALiNA Power through its ownership and delivery of the KALiNA Cycle[®] can help the global drive to cap global temperatures and reduce carbon emissions whilst delivering value to its stakeholders. For example, a 4 Megawatt KALiNA Cycle[®] plant can offset upwards of 19,000 tonnes of CO₂ per year in displacing coal fired electricity which releases over 500 kg/MWh.

Intellectual Property (IP)

The Company has expanded its growing intellectual property portfolio with the recent approval for its patent, titled Systems and Methods for Increasing the Efficiency of a KALiNA Cycle[®], granted in Canada, the U.S., Japan and China. It is expected to be granted in the EU shortly and in Indonesia, Malaysia and Philippines in the coming months. Each of these territories in which the patent has been granted, or is expected, represent large markets for the KALiNA Cycle[®] in both energy efficiency and geothermal applications.

The Company has continued to expand its intellectual property over the years since the original filing of patents relating to the KALiNA Cycle[®] and now has over 140 granted patents representing 10 different patent families. The Company is constantly seeking to add to its intellectual property portfolio with new inventions and documentation of its tremendous body of proprietary know-how and process knowledge.

Further work is being undertaken to identify additional IP opportunities for the Group.

This is part of an overall review of the intellectual property strategy in which the maintenance of existing patents is being assessed and the technical know-how and trade secrets are being documented in such a way as to afford comprehensive protection and maximum effect in aggressively staking the Company's claims in the sector.

New Energy Asia Limited (NEA)

The Company acquired a further 26.42% of NEA through conversion of its loans to NEA, upon which it was consolidated as a subsidiary as of 31 July 2015. NEA holds the KALiNA Cycle[®] License for the Asia region (excluding China).

As part of this restructuring, a new Chinese entity, A&W (Shanghai) New Technology Development Co. Limited (A&W) has been formed to deploy the KALiNA Cycle[®] in China.

In line with the establishment of the new entity in China, the Company has appointed Mr George Yan as the Chief Operating Officer of A&W. Mr Yan is responsible for operations in China, including the technical interface for project deployment between the technology team in China and our KALiNA Cycle[®] technical team based in the United States.

Mr Yan's appointment is in line with KALiNA Power's revised business strategy to provide turnkey solutions that will provide the best of plant design and project execution for KALiNA Cycle[®] power plants, consistent with industry best practices. His skill set compliments that of the KALiNA Power engineers and provides an additional experienced interface between the Company, its fulfillment partners, preferred vendors and customers.

George has extensive project experience in both China and North America holding senior engineering roles at companies including Jacobs and Worley Parsons as well as owning and managing an EPC company in China with 400 staff.

A&W will replace SSNE as the exclusive licensee for China. A&W has been formed with a primary focus on completing the Sinopec Hainan project and the anticipated roll out of multiple plants at identified Sinopec industrial facilities.

The failure of SSNE to execute the Hainan contract in a timely manner and its failure to have KALiNA review the design and details of the project as required under its license agreement has prompted this corporate reconstruction. Agreements have been negotiated with SSNE and major shareholders of NEA and agreements detailing the changes are now being completed.

At the request of Sinopec, KALiNA engineers have now reviewed and reported to Sinopec on the plans for the Hainan project and the Company is in direct discussions with Sinopec over requirements to reach mechanical completion of the plant. KALiNA engineers have identified a number of issues that will be addressed in an updated project completion plan being developed for the project by the Company and Sinopec. To ensure continuity on the Hainan plant, A&W has recruited staff from companies familiar with the project to work for Mr Yan on this important Kalina Cycle[®] initiative.

	<p>The framework agreement with Sinopec has been negotiated relating to completion of the project and it is anticipated that formal documentation will be authorized in the near future. This anticipates that Sinopec will make payment for plant and equipment already installed at the Hainan plant. As previously disclosed, approximately RMB 5,500,000 (A\$1,100,000) of outstanding payments was financed by SSNE through a facility with the Bank of East Asia guaranteed by KALiNA. The Company has received confirmation of non-payment by SSNE from the Bank of East Asia and payment requests under the guarantees. Whilst the Company has held discussions with Sinopec, SSNE and the Bank of East Asia on the basis that SSNE is expected to repay this loan in the near term from the anticipated payments to be made by Sinopec there may be delays in this payment being made to Bank of East Asia. In this event, 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.</p> <p>The Company is completing a project completion plan for Sinopec which details the time lines to mechanical completion and the schedule of payments required for the various vendors as well as the Bank of East Asia.</p> <p>The directors of KALiNA are particularly encouraged with the Company's direct engagement through A&W with Sinopec, which had previously been conducted through third parties. Working together with Sinopec the Company is confident that the Hainan project can be completed in the third quarter of 2016.</p>
<p>The Business Model</p>	<p>The Company's business model concentrates initially on providing turnkey licensing of the KALiNA Cycle[®] without assuming the risks inherent in developing its own power plants. Once properly capitalized, the Company will pursue select opportunities where sufficient non-dilutive project funding and supportive regulatory environments are in place. The Company's goals are to:</p> <ul style="list-style-type: none"> - provide turnkey power projects to industry to improve the efficiency of thermal power generation globally - become a partner of choice for leading industry players looking to reduce their power costs by adopting efficient power cycle technologies; and - develop power projects based on sound economics and minimal risk profiles in relation to funding, location and power purchase counter-party. <ul style="list-style-type: none"> ▪ Its strategy is to: <ul style="list-style-type: none"> - industrialise the KALiNA Cycle[®] by providing turnkey project delivery with specific leading energy industry strategic companies, including EPC and preferred vendors; and - strengthen its core strengths: engineering, optimisation and validation of innovative power cycle technologies.

	<ul style="list-style-type: none"> ▪ The Company proposes to create strategic value by: <ul style="list-style-type: none"> - pursuing opportunities with its EPC partners to integrate the KALiNA Cycle[®] into fast growing or very large industrial markets - positioning the Company to generate revenues and value without taking the risk of large capital investments; and - retaining ownership of the technology and seeking to evergreen the IP portfolio through technology co-development <p>The Core Income Streams are anticipated to flow from:</p> <ul style="list-style-type: none"> ▪ Turnkey fees, engineering and design support ; and ▪ Licensing of the KALiNA Cycle[®] to projects through both an upfront fee and annual royalty 																																	
Financials	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;">6months to 31 December 2015</th> <th style="text-align: right; width: 20%;">6 months to 31 Dec 2014</th> </tr> <tr> <th></th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Revenue from continuing operations</td> <td style="text-align: right;">2,312</td> <td style="text-align: right;">1,006,067</td> </tr> <tr> <td>Profit / (Loss) for period</td> <td style="text-align: right; border-top: 1px solid black;">(13,618,314)</td> <td style="text-align: right; border-top: 1px solid black;">9,439,685</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">1,074,508</td> <td style="text-align: right;">404,067</td> </tr> <tr> <td>Non-current assets</td> <td style="text-align: right;">5,881,805</td> <td style="text-align: right;">16,176,977</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">6,956,313</td> <td style="text-align: right;">16,581,044</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">670,143</td> <td style="text-align: right;">1,013,180</td> </tr> <tr> <td>Non-current liabilities</td> <td style="text-align: right;">1,511,130</td> <td style="text-align: right;">56,598</td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right; border-top: 1px solid black;">2,181,273</td> <td style="text-align: right; border-top: 1px solid black;">1,069,778</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;">4,775,040</td> <td style="text-align: right;">15,511,266</td> </tr> </tbody> </table> <p>The major items that have impacted the Loss for the half year period to 31 December 2015 as set out above are:</p> <ul style="list-style-type: none"> • the re-acquisition of control of New Energy Asia Limited (NEA) through the conversion of the loans due from NEA to the Company. Under the relevant accounting standards, this re-acquisition of control requires a value to be attributed to NEA at the time of acquisition, that being 31 July 2015. Due to the ongoing restructuring of activities in China by the Company and NEA, the value that the Directors see in the operations in China moving forward are not able to be included in the value assessment of NEA at the time of acquisition. In addition the turnkey business model means that significant revenue that would otherwise have been generated in NEA will now be generated in KALiNA with respect to engineering and licensing revenues. • This re-acquisition of NEA has resulted in a loss in the consolidated entity. In effect this reverses the profit in the prior period that was primarily related to the loss of control of NEA during that period. <p>The above are predominantly non-cash items.</p>		6months to 31 December 2015	6 months to 31 Dec 2014		\$	\$	Revenue from continuing operations	2,312	1,006,067	Profit / (Loss) for period	(13,618,314)	9,439,685	Current assets	1,074,508	404,067	Non-current assets	5,881,805	16,176,977	Total assets	6,956,313	16,581,044	Current liabilities	670,143	1,013,180	Non-current liabilities	1,511,130	56,598	Total liabilities	2,181,273	1,069,778	Net assets	4,775,040	15,511,266
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<p>Executive Directors and Management</p>	<p>(John) Ross MacLachlan – Executive Director</p> <p>Mr. MacLachlan has been successful in technology development and commercialization as an active venture capital investor and executive for over 30 years in a range of industries, especially those in the conventional and alternative energy sectors.</p> <p>He has a strong competency in corporate finance, business development and the strategic management of developing companies, including intellectual property management and technology commercialization.</p> <ul style="list-style-type: none"> • Raised over C\$100 million for the companies in which he has been the leading corporate executive. • Engaged in over \$400 million worth of M&A and financing transactions involving the companies in which he has been an actively involved director. <p>Member of the British Columbia (BC) Cleantech CEO Alliance and has also served in the past as a board member for the following industry associations:</p> <ul style="list-style-type: none"> • BC Technology Industry Association • BiotechCanada <p>Mr MacLachlan was an early investor and active director of Pristine Power which became Canada’s fastest growing Independent Power Producer. Developed projects across Canada totalling over 600 Megawatts, including waste to heat projects. He assisted with the sale of the company to Veresen Corp in a share swap transaction.</p>
	<p>Tim Horgan – Executive Director</p> <p>Tim is a qualified lawyer and business executive with over 20 years experience in Europe, Africa, Asia and Australia.</p> <p>Tim 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 Board overseeing annual sales in excess of USD 1.2 Billion.</p> <p>Tim also has extensive licensing experience having overseen the US\$1.2 billion acquisition of the 2002 and 2006 FIFA world cup broadcast rights and their US \$1 billion world-wide licensing in each of 2002 and 2006.</p> <p>Tim has acted as founder, director and advisor to numerous mining and energy companies. His recent experience includes listing South African Coal Company Universal Coal Plc on the ASX, and Hungarian energy company Wildhorse Energy PLC, on AIM.</p> <p>Tim has extensive experience in China including with Gillette, South China Resources Plc and more recently in advising Kalahari Minerals on its US\$ 1 billion takeover by China Guangdong Nuclear Power Corp.</p>

	<p>Mark Mirolli – CTO, Recurrent Engineering</p> <p>Mark Mirolli is Chief Technology Officer and head of Recurrent Engineering’s engineering and technical support staff. Holding a chemical engineering degree from Worcester Polytechnic Institute and a mechanical engineering degree from Rensselaer Polytechnic Institute, Mr. Mirolli has had over 25 years experience in thermal power generation system design and construction.</p> <p>Formerly the director of Technology Development for ABB Combustion Engineering, Mr. Mirolli was responsible for ABB's R&D engineering functions relating to utility steam generation technology. He has authored over 25 major published papers on advanced power plant design and operations, he is a widely regarded thermal power expert.</p>
	<p>George Yan – Chief Operating Officer, A&W</p> <p>Mr Yan is a senior project management professional engineer with extensive EPC experience in both China and Canada.</p> <p>Mr Yan graduated from China’s prestigious Tsinghua University, Beijing in 1985 and later developed his own successful Engineering Procurement Construction company near Shanghai with over 400 staff. He subsequently went on to hold senior engineering roles at both Jacobs and Worley Parsons in Canada which included project management of several, multi-hundred million dollar projects in Canada’s oils sands.</p>
<p>Non – Executive Board Members</p>	<p>John Byrne – Non-Executive Chairman</p> <p>John Byrne has over 30 years experience in the natural resources industry as an investor and resource business developer. Mr. Byrne has founded and built a number of companies from the ground up, including resource companies from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 4 wash plants, totalling in excess of \$500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since 2009 Mr Byrne has been the Chairman of KALiNA Power Limited.</p>
	<p>Jeffry Myers – Proposed Non-Executive Director</p> <p>Jeff is a Senior Operating Partner with Stonepeak Infrastructure and is responsible for investments in the power generation sector. Jeff has over 30 years of experience in all aspects of the downstream energy sector with focus on mid to large infrastructure project development, financing, execution and operations. Jeff was a co-founder, Chairman, President and Chief Executive Officer of Pristine Power from its founding in 2002, public listing in 2008 and successful sale to Veresen in late 2010. From 1994 to 2002, Jeff was involved in leadership roles in the development of several major natural gas pipeline projects and the development, execution and operations of 3 gigawatts of independent power projects in 4 countries. He continues to be involved in the development of independent power projects and is involved as an investor and Board member of companies in the clean tech space.</p>

	<p>Malcolm Jacques – Non-Executive Director</p> <p>Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA.</p> <p>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.</p>
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<p>Corporate Governance</p>	<p>The Company seeks to ensure that the requirements of good Corporate Governance are adhered to at all times. It strives to meet and exceed the guidelines set out around the principles of Corporate Governance. A detailed summary of the Company’s Corporate Governance can be found in the Company’s 2015 Annual Report, lodged with ASIC, or on the Company's website. The Company will provide a copy of the Annual Report free of charge to anyone who asks for it during the period in which applications may be made under this Prospectus.</p>
<p>Loan Agreement</p>	<p>Harrington Global Limited, via its related entity, Harrington Global Opportunities Fund, currently the largest shareholder in the Company, has provided a loan of \$2.5 million to the Company in advance of its commitment to underwrite that amount of the Offer.</p> <p>The loan provided to the Company is on the basis of 10% interest rate per annum, and is repayable on 30 January 2017, if not satisfied through the underwriting.</p> <p>It is anticipated that this loan will be offset against Harrington's obligations under the underwriting, or if Harrington is not required to fully underwrite the \$2.5 million, from the proceeds of the Offer.</p> <p>The underwriting by Harrington is conditional on \$5 million being raised, inclusive of the underwriting by Harrington and others.</p>

Key Company Risks	
Going concern	<p>The operating loss for the 6 months period ended 31 December 2015 was \$13,618,314 (half-year ended 31 December 2014: profit \$9,439,685). The consolidated entity had net current assets as at 31 December 2015 of \$404,365 (30 June 2015: net current liabilities \$609,113). At the date of this Prospectus, the Directors, having considered the above factors, 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 July 2017.</p> <p>The Directors opinion is based on certain key assumptions including:</p> <ul style="list-style-type: none"> a) The Offer is expected to raise \$5,000,000 before costs. b) The Company received a loan of \$2,500,000 on 2 January, 2016 from the major shareholder. This loan is to be either offset against the lender's underwriting commitment, or repaid out of the proceeds of the issue. <p>In the event that the Company does not raise the amount sought under the Offer, there is material uncertainty whether it will be able to 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.</p>
Contingent Liability	<p>The Company supported NEA by way of financial guarantees of certain liabilities including in part those related to the building of the Sinopec Hainan plant. The Company may have a liability to the Bank of East Asia with respect of a loan made to SSNE. The Company has held discussions with Sinopec, SSNE and the Bank of East Asia on the basis that SSNE is expected to repay this loan in the near term from the anticipated payments to be made by Sinopec. However, the Company has received requests for payment of this amount owing. If there is a delay in the repayment being made from funds received from Sinopec, the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend any claim under the guarantees provided and will contest any claim made.</p>
Adoption of Technology	<p>Major companies with large scale industrial plants most suitable for the application of the KALiNA Cycle[®] Technology may be slower than anticipated to adopt the technology, or may not adopt it to the extent necessary to generate the revenues required for KALiNA to become self-funding.</p> <p>If the costs of power generally fall, the economies of applying the technology to industrial processes may be less attractive.</p> <p>If any of the above risks eventuate, the sustainability of the business model may be threatened.</p>

Delayed Project Delivery	In part, the future revenues of the KALiNA Group are based on fees and royalties expected to be received as projects are completed. Delays in completion of these projects may lead to delays in the KALiNA Group receiving the fee and royalty payments and this will impact on the working capital available to the KALiNA Group.
Future capital requirements for turnkey business model	The Company's strategy of providing turnkey projects to customers will require the Company itself, or the project company, to access financing for project working capital in order to complete a project prior to receiving the majority of the payment from a customer. However, if the project company and the Company are not able to secure the necessary capital which will be required, the Company may not be able to implement its turnkey business plan. The Company has an established engineering team who will be able to provide engineering support and project delivery to customers in a fee for service approach and this provides revenue opportunities to the Company even if it is unable to undertake turnkey projects. Furthermore, regulatory, commercial, environmental or political risks may impact on the ability of the Company to establish and/or continue to undertake projects in various global jurisdictions.
Technology	Although the Company has a defined and proven technology, newer and alternative technologies may come onto the market, and reduce the opportunities for the Company to continue in its current business.
Foreign exchange	<p>Foreign exchange risk is relatively high due to the global nature of the Company's core business. Foreign exchange risk arises as it is likely to receive payment for services in currencies other than the Company's functional currency.</p> <p>In addition the value of its investments, assets and liabilities in foreign jurisdictions will be affected by currency movements and will therefore impact on the Company's financial statements</p>

<p>Dependence on Proprietary Technology</p>	<p>KCT Power Limited (“KCT”) (A wholly owned subsidiary of the Company)</p> <p>The Company’s success and ability to compete is in large part dependent upon its proprietary technology. The Company relies on a combination of patents, copyrights, trade secrets and non-disclosure agreements to protect its technology, the majority of which are held through KCT and its wholly owned subsidiaries. KCT holds a number of US patents and US patent applications. KCT also has patents and applications pending in other countries that cover the same subject matter covered by US patents and pending applications. There can be no assurance that patents will be issued with respect to pending or future patent applications or that KCT’s patents will be maintained or upheld as valid or that their granting will prevent the development of competitive technologies. The Company, and KCT enter into confidentiality or licence agreements with its employees, licensees and others, and limits access to its documentation, software and other proprietary information. There can be no assurance that steps taken by the Company and KCT in this regard will be adequate to prevent misappropriation of its technology or that KCT’s competitors will not independently develop technologies that are substantially equivalent or superior to KCT’s technology. In addition, the laws of some foreign countries may not protect KCT’s proprietary rights against others.</p> <p>Third parties may assert infringement claims in the future with respect to KCT’s current or future technologies. Such claims may require the Company and/ or KCT to enter into licence arrangements or result in protracted and costly litigation, regardless of the merits of such claims. No assurance can be given that any necessary licence will be available or that, if available, such licenses could be obtained on commercially reasonable terms.</p> <p>The Company and KCT have agreed, in certain cases, to indemnify the licensees for liability incurred in connection with the infringement of a third party’s intellectual property rights. Any claim(s) under those indemnities may cause significant detriment to the Company or KCT in the future.</p> <p>The uncertainty of the legal environment in certain foreign countries could make it more difficult for the Company and KCT to enforce the intellectual property rights and other rights under agreements relating to projects located in those countries.</p>
<p>International Operations/ Sovereign Risk</p>	<p>The Company expects to derive a portion of its revenues from recurring royalties earned from the operation of power plants internationally. Power plant projects entail political and financial risks (including uncertainties associated with first-time privatisation efforts in some countries involved, currency exchange rate fluctuations, currency repatriation restrictions, political instability, civil unrest and expropriation) and other structuring issues that have the potential to cause substantial delays in, or material impairment of, the value of the project being developed.</p>

<p>Government Legislation Policy Changes</p>	<p>Government legislation and policies are subject to review and change from time to time. Such changes are likely to be beyond the control of the Company and may affect profitability.</p> <p>The operation of power plants is subject to extensive environmental laws and regulations and owners may be required to obtain a licence to operate in a manner designed to promote safety and to prevent the release of hazardous substances from the plants. Violations of these requirements could result in liabilities that affect the operator's financial condition.</p> <p>Revenue and expenditure of the Company may be affected by changes in international, federal, state or local government laws, regulations or policies, or in taxation legislation.</p>
<p>Lending facilities</p>	<p>The Company currently has a lending facility for working capital of \$2,500,000 which is fully drawn down and which will be repaid with the proceeds of the Offer, assuming it is fully subscribed.</p> <p>The loan provided to the Company is on the basis of 10% interest rate per annum, and is repayable on 30 January 2017, if not satisfied through the underwriting.</p> <p>If in the future, the Company requires loan facilities it may not be successful in securing these facilities.</p>
<p>Management – Reliance on key personnel</p>	<p>The Company's success depends largely on the core competencies of its directors and management, and the directors and management of the companies in which it has invested and their familiarisation with, and ability to operate in, a renewable energy business or clean technology business such as is carried on by the relevant company and their ability to retain their key executives.</p> <p>While there is stable senior management in the Company it is possible that personnel changes could impact on the business of the Company. If required, identification of suitable candidates with skills in power production, technology development or other relevant areas may take longer than the Company would expect. This could place extra pressure on existing management to operate the Company effectively.</p>

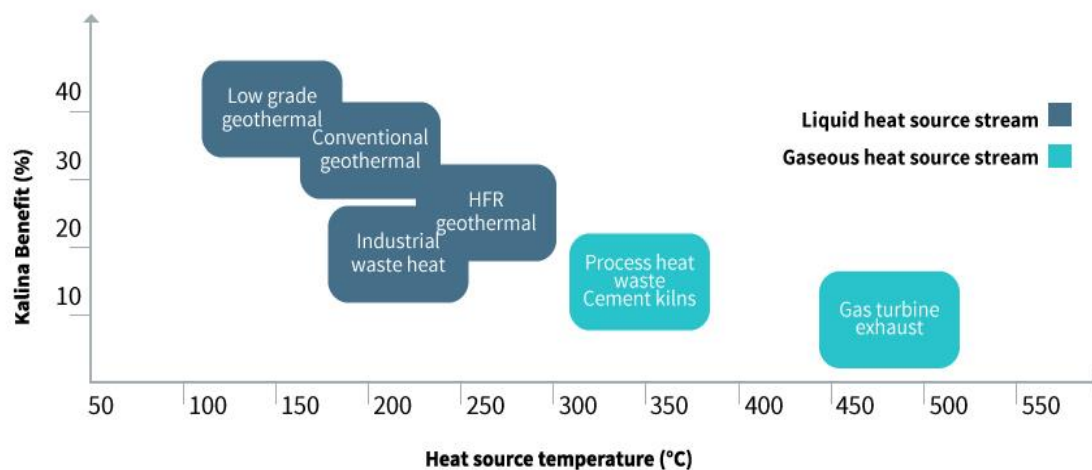
Key Offer Statistics											
Offer price per Share	\$0.075										
Existing Shares	133,335, 253 Ordinary Shares										
Existing Options	21,928,767 options exercisable at \$0.10 on or before 30 September 2016 140,000 options exercisable at \$0.075 on or before 15 June 2017 21,600,000 options exercisable at \$0.11 on or before 30 June 2018										
Shares and Options offered under this Prospectus	66,667,626 Ordinary Shares with 33,333,813 attaching options										
Total issued Shares at conclusion of the offer	200,002,880 Ordinary Shares										
Market Capitalisation at the offer price	\$15,000,216										
ASX Listed Options on issue*	33,473,813 exercisable at \$0.075 on or before 15 June 2017										
Unlisted Options on issue	21,928,767 @ \$0.10 21,600,000 @ \$0.11										
Funds and Use of Proceeds	<p>The Company intends to use the funds raised from the Offer as follows:</p> <table> <tbody> <tr> <td>Offer expenses including cost of the Prospectus</td> <td>\$310,000</td> </tr> <tr> <td>Repayment of Harrington Global Debt[#]</td> <td>\$2,500,000</td> </tr> <tr> <td>Investment in Subsidiary (NEA)</td> <td>\$1,000,000</td> </tr> <tr> <td>Additional Working Capital*</td> <td>\$1,190,072</td> </tr> <tr> <td>Total (AUD)</td> <td>\$5,000,072</td> </tr> </tbody> </table> <p>[#] Harrington Global has underwritten \$2,500,000 of the Offer. If the Harrington Global loan, the funds from which were received in January 2016 is not fully offset against its underwriting obligation, any amount not offset will be repaid in cash.</p> <p>*The above use of funds assumes full subscription. The directors reserve the right to place any Shortfall and the above is based on the assumption any Shortfall is placed. In addition the directors reserve the right to place a further \$1,000,000 (13,333,333 shares) on the same terms as the Offer. In this event the working capital available to the Company would increase to approximately \$3,400,000 inclusive of the current cash balance in the Company.</p>	Offer expenses including cost of the Prospectus	\$310,000	Repayment of Harrington Global Debt [#]	\$2,500,000	Investment in Subsidiary (NEA)	\$1,000,000	Additional Working Capital*	\$1,190,072	Total (AUD)	\$5,000,072
Offer expenses including cost of the Prospectus	\$310,000										
Repayment of Harrington Global Debt [#]	\$2,500,000										
Investment in Subsidiary (NEA)	\$1,000,000										
Additional Working Capital*	\$1,190,072										
Total (AUD)	\$5,000,072										

3 TECHNOLOGY AND MARKETS

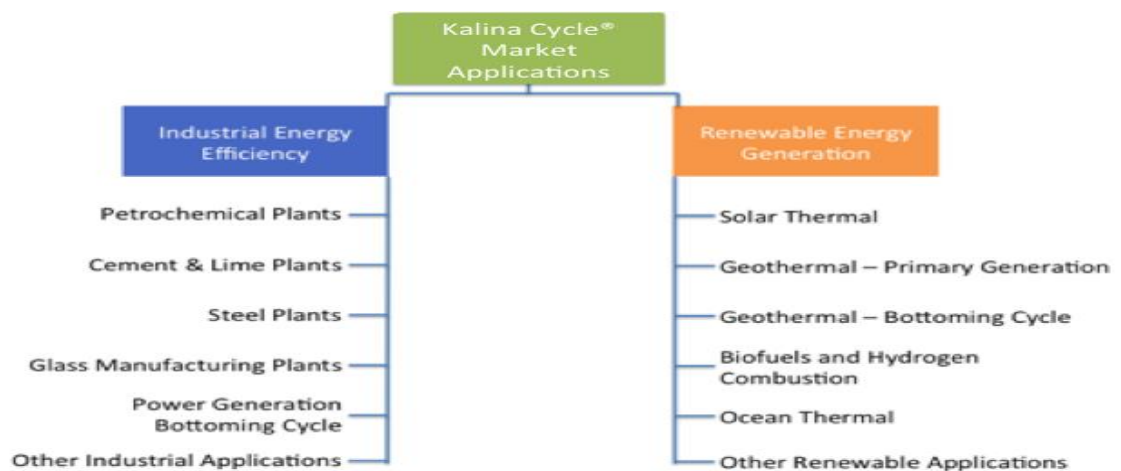
The Technology

The KALiNA Cycle[®] is an innovative power cycle technology, owned by the KALiNA Group, which involves the patented use of ammonia-water mixtures in specific ratios as a highly efficient working fluid based around a modified steam Rankine Cycle[®] configuration for power generation.

The superior thermodynamic properties of ammonia-water mixtures, including boiling at variable temperatures, means that the KALiNA Cycle[®] delivers significant improvements in power output from a given heat source. The KALiNA Cycle[®] is applicable at a variety of heat ranges but has its greatest efficiency in low heat range when compared to competing technologies such as the Rankine Cycle or Organic Rankine cycle.



The KALiNA Cycle[®] has application in a wide range of industrial and renewable energy sectors. These have been divided into two key areas – industrial energy efficiency and renewable energy generation. The Industrial Energy Efficiency sources heat generated as a by-product or waste from an existing industrial process, including power generation. The Renewable Energy Generation is based on heat from a renewable source, for example, geothermal groundwater or solar thermal applications.



Opportunities for KALiNA

The directors believe there are significant challenges facing industry that provide opportunity to KALiNA, in particular within China where energy efficiency savings are mandated for large industrial operators.

It is estimated that there is an additional 29,000 MW of generating capacity to be installed in Asia in the 2014-2021 period that is suitable for use of the KALiNA Cycle. The worldwide market for the technology exceeds 1,000,000 MW.

4 DETAILS OF THE ISSUE

4.1 The Offer

The Company is inviting existing registered holders of Ordinary Shares to subscribe for new fully paid Ordinary Shares via a non-renounceable *pro rata* entitlement offer on the basis of one new Ordinary Share at an issue price of 7.5 cents for every two fully paid Ordinary Shares held in the capital of the Company as at the 17th May 2016, with an accompanying Option exercisable at 7.5 cents per Ordinary Share on or before 15 June 2017 for every two new Ordinary Shares issued. Fractional entitlements will be rounded up to the next whole Ordinary Share. If fully subscribed, the Offer will raise \$5,000,072 (gross). If the Options are fully exercised, a further \$2,500,036 will be raised.

4.2 No Trading of Rights

As trading in the shares of the Company is currently at low volumes there will be no trading in Entitlements to the Offer.

4.3 Offer period

Applications for Offer Shares may be lodged at any time after the receipt of this Offer Document. The Closing Date for Applications is 5.00pm Melbourne time on 9 June 2016.

The Company reserves the right to extend the Closing Date or to withdraw the Offer.

4.4 Payment for Offer Shares

Australian and other non UK Eligible Shareholders

The issue price of each Offer Share is 7.5 cents, payable in full on acceptance. Payment from Eligible Shareholders (other than those with addresses in the UK registered with Computershare Company Nominees Limited as Depositary Interest holders as set out below) will only be accepted in Australian currency as follows:

- (a) cheque or money order drawn on and payable at any Australian bank,
- (b) bank draft drawn on and payable at any Australian bank, or
- (c) by BPAY. If you pay by Bpay you do not need to lodge the Entitlement and Acceptance Form. Payment by Bpay should be made in accordance with the instructions set out in the Entitlement and Acceptance Form.

If paying via Bpay, Shareholders should note that their own financial institution may implement earlier cut off times with regard to electronic payment. You should take this into consideration to ensure that your Application is received before the close of the Offer.

Make sure you use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form.

If you have more than one shareholding of Ordinary Shares and consequently receive more than one Entitlement and Acceptance Form, use the CRN specific to that shareholding as set out in the applicable Entitlement and Acceptance Form. DO NOT use the same CRN for more than one of your shareholdings. This can result in your application monies being applied to your entitlement in respect of only one of your shareholdings (with the result that any application in respect of your remaining shareholdings will not be recognised as valid).

Your cheque, money order, bank draft must be made in Australian currency and where applicable drawn on an Australian branch of a financial institution. Such payment must be made payable to KALiNA Power Limited and crossed "Not Negotiable".

Please ensure that you make arrangements so that your cheque, money order or bank draft is received at the below address by the end of the offer period.

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne Victoria 3001
Australia

Please do not forward cash. Receipts for payment will not be issued. Post dated cheques will not be accepted. Entitlement and Acceptance Forms will not be accepted at any other address other than that shown above.

Application monies received in excess of your maximum entitlement or, if you apply for Additional Offer Shares and are not allocated any or are allocated less than the number you applied for, the Application Monies (and greater than A\$1) will be refunded as soon as practicable after the close of the offer. The refund method will be at the discretion of the Company.

UK Eligible Shareholders - Action required by Depositary Interest holders

UK Eligible Shareholders will receive an Entitlement and Application Form with details for accepting their entitlements in British Pounds.

The issue price of 7.5 cents per Offer Share equals 3.9 pence based on an exchange rate of AUD\$1:GBP£0.52.

Payment will only be accepted in British Currency as follows:

- (a) cheque or money order drawn on and payable at any United Kingdom bank,
- (b) bank draft drawn on and payable at any United Kingdom bank.

Payments must be made by cheque or banker's draft in pounds sterling drawn on a bank or building society or a branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, and banker's drafts should be made payable to "CIS PLC, re Kalina Power Limited" and crossed "a/c payee only". Such payments will be held by Computershare on behalf of KALiNA, which is acting as principal on receipt of such

monies. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or banker's draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

4.5 Entitlement

The number of Offer Shares to which you are entitled ("**Entitlement**"), is shown on the enclosed Entitlement and Acceptance Form. Your acceptance of the Offer must be made on the Entitlement and Acceptance Form unless you pay by Bpay (see section 4.4(c)).

4.6 What you may do

You may:

- take up all of your Entitlement;
- take up part of your Entitlement;
- take up Additional Offer Shares
- allow whole or part of your Entitlement to lapse. If you allow your Entitlement to lapse, you will receive no benefit from the Offer, and your proportional shareholding in the Company will be diluted.

Details of how to apply for your Entitlement (in full or part) are set forth on the Entitlement and Acceptance Form.

4.7 Additional Offer Shares

Eligible Shareholders who apply for their full Entitlement, may apply for Additional Offer Shares with the minimum application being for 6,667 Additional Offer Shares (\$500). Applicants for Additional Offer Shares will be allocated Additional Offer Shares from any Shortfall prior to the Underwriting. Please note that Additional Offer Shares will only be allocated to you if there are sufficient Offer Shares available in the Shortfall. If you apply for Additional Offer Shares there is no guarantee you will receive an allocation. If you apply for Additional Offer Shares and are not allocated any or are allocated less than the number you applied for, the Application Monies in relation to those Additional Offer Shares will be returned to you, without interest, as soon as practicable. If the number of Shortfall Shares is less than the number of Additional Offer Shares applied for, the Shortfall Shares will be allocated first to those shareholders who do not hold a marketable parcel and then on a pro-rata basis having regard to each applicants' holding as at the Record Date.

4.8 Offer Shares Not Taken Up by Eligible Shareholders or Underwriter

The Directors reserve the right to place any Shortfall Shares at their discretion during the 3 month period immediately subsequent to the Closing Date, at an issue price of not less than 7.5 cents per share. The Directors cannot participate in any such placement.

4.9 Non Eligible Shareholders

This Offer is being made only to Shareholders with a registered address in Australia, New Zealand, the United Kingdom, Channel Islands and Switzerland.

In accordance with the requirements of the ASX Listing Rules, having regard to:

- (a) the number of holders resident outside Australia, New Zealand, the United Kingdom Channel Islands and Switzerland;
- (b) the number and value of Ordinary Shares that Shareholders resident outside Australia, New Zealand, the United Kingdom, Channel Islands and Switzerland would be offered; and
- (c) the cost of complying with the legal requirements and the requirements of regulatory authorities in places other than Australia, New Zealand, the United Kingdom, Channel Islands and Switzerland,

the Directors have decided that it is not reasonable to extend the Offer to Shareholders resident outside Australia or New Zealand, other than to those in the United Kingdom, Channel Islands and Switzerland.

This Prospectus and the Entitlement and Acceptance Form do not constitute an offer of, or any invitation to subscribe for, any of the Ordinary Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Where this Prospectus has been despatched to Shareholders resident outside Australia and New Zealand, the United Kingdom, Channel Islands or Switzerland and where the relevant jurisdiction's laws prohibit or restrict in any way the making of the offer contemplated by this Prospectus, this Prospectus is provided for information purposes only.

Shareholders resident in Australia, New Zealand, the United Kingdom, Channel Islands and Switzerland holding existing Ordinary Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up their Entitlements does not breach the laws of the relevant overseas jurisdiction. The return of a duly completed Entitlement and Acceptance Form (or payment) will constitute a representation by the Applicant that there has been no breach of any such laws.

4.10 Allotment

In accordance with the Corporations Act, all subscription monies, before the allotment and issue of Offer Shares and Options, will be held by the Company in trust in a bank account established solely for the purpose of depositing application monies received. Any interest earned will be for the Company's account.

4.11 Applications for Listing on the ASX, Settlement and Dealings

Applications has been made to ASX by the Company for the Offer Shares and Options to be quoted on ASX.

The Company will not be issuing share certificates. The Company participates in CHESS, the electronic transfer system operated by the ASX. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation. Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out

the number of Offer Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders in circumstances in which there have been any changes in their security holding in the Company during the preceding month.

The Ordinary Shares will remain listed and traded on the ASX, with trades settled electronically on the Australian registry through the CHESS system.

If permission for official quotation of the Offer Shares and Options is not granted by ASX within 3 months after the Closing Date, the Company, in accordance with the Corporations Act, will either:

- (a) repay all Application Moneys; or
- (b) issue a supplementary Prospectus advising that the Offer Shares and Options will not be listed on ASX and give applicants one month to withdraw their application and be repaid in full.

No interest will be paid on any monies repaid.

4.12 Dividend Policy on Increased Capital

The Offer Shares offered by this document will be entitled to any dividend declared on Ordinary Shares in respect of the financial year in which the shares are issued. The Directors do not anticipate declaring a dividend during the current financial year, being the financial year in which the Offer Shares will be issued.

4.13 Underwriting

The Issue is underwritten as to \$3,410,000 (45,466,666 Shares). Of this \$2,500,000 (33,333,333 Shares) is underwritten by entities associated with Harrington Global Limited, a shareholder of the Company. A further \$910,000 which in aggregate amounts to 12,133,333 Shares has been underwritten by BW Equities. The Company anticipates further amounts to be underwritten prior to the Closing date.

Conditions

The obligations of the Underwriter is conditional on the Company receiving Applications for not less than 21,200,960 shares or such lesser amount as reduced by further underwriting of the Offer secured by the Company by the Shortfall Date. Each underwriting agreement otherwise contains standard termination clauses which allow the Underwriter to terminate the agreement in the circumstances specified.

4.14 Taxation

The potential tax effects relating to the Offer will vary between each investor. Investors are advised to consider the possible tax consequences of participating in the Offer or to consult a professional tax adviser.

4.15 Minimum Subscription

The minimum amount to be raised under the offer is \$1,590,072, or such lesser amount as reduced by further underwriting of the Offer secured by the Company by the Shortfall Date. If

this amount is not raised, the Underwriters are not obliged to underwrite the balance of the offer. If the minimum subscription is not raised within 4 months of the date of this Prospectus, or such shorter period as may be imposed by ASX, the Directors will withdraw the Offer, and all applications monies will be returned (without interest) to Applicants.

4.16 Speculative Investment

There are risks associated with an investment in the Company and the Ordinary Shares and Options offered by this Prospectus must be regarded as a speculative investment. The Ordinary Shares offered under this Prospectus (including any issued on the exercise of Options) carry no guarantee in respect to the return on capital invested, payment of dividends, or future value of the Ordinary Shares.

In making representations in this Prospectus, regard has been given to the fact that certain matters may reasonably be expected to be known to shareholders and the professional advisers whom shareholders or other potential investors may consult.

4.17 Privacy Act

If you complete an Application, you will be providing personal information to the Company (directly or by the Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a security holder, facilitate distribution payments and corporate communications to you as a security holder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out on page 3 of this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for securities, the Company may not be able to accept or process your application.

5 CAPITAL STRUCTURE & EFFECT OF THE ISSUE

5.1 Capital Structure

Issued Capital as at date of Prospectus

Number of Securities	Class
133,335,253	Ordinary fully paid
21,928,767	Options at \$0.10
140,000	Options at \$0.075
21,600,000	Options at \$0.11

Securities offered by this Prospectus

66,667,626 Ordinary shares at 7.5 cents per share which represents 33.3% of the share capital of the Company post Offer as set out below along with 33,333,813 Options.

Capital Structure Post Offer

Number of Shares	Class
200,002,880*	Ordinary fully paid

Options (quoted on ASX)

33,473,813 exercisable at 7.5 cents each until 15 June 2017

Options (unquoted)

21,928,767 exercisable at 10 cents each until 30 September 2016

21,600,000 exercisable at 11 cent each until 30 June 2018

* For the purpose of calculating this figure it is assumed that, (i) the Offer will be fully subscribed and/or (ii) any Shortfall Shares will be issued by the Directors within 3 months of the Closing Date

5.2 Effect of the Offer

Assuming the Offer is fully taken up by Eligible Shareholders, \$5 million less expenses of the Offer, which are estimated to be \$310,000, will be raised. The funds raised will be used as set out in the Use of Proceeds paragraph on page 19.

If the Offer is fully subscribed, a further 66,667,626 Ordinary Shares will be issued, increasing the Company's issued capital by 50%, and 33,333,813 Options will be issued.

If the Options are all exercised, the Company will raise a further \$2.5 million and the Company's issued capital will increase to 233,336,693 Ordinary Shares. Funds raised as a result of the exercise of Options will increase the Company's working capital.

5.3 Effect of the Offer on control of the Company

As the Offer is being made as a pro-rata rights issue on a 1 for 2 basis, the maximum number of new Ordinary Shares which may be issued under the Offer represents 50% of the share capital of the Company currently on issue. Accordingly, the Offer could have a material effect on the control of the Company.

By way of example, the most significant effect which the Offer could have on the control of the Company would occur if Harrington Global Limited, an Underwriter, participated to the full extent of its underwriting.

As a required condition for Harrington Global to complete its underwriting, unless waived, is the subscription for at least 21,200,960 Shares, less any further underwriting, the maximum possible increase in the voting power of Harrington Global would be from 24.7% to 33.1%.

If the Underwriter was to waive the condition that 21,200,960 Shares be subscribed for, and no Shareholder took up their entitlement, the voting power of Harrington Global would increase from 24.7% to 37%, but would be reduced if the Company was able to subsequently place the Shares not taken up by Eligible Shareholders.

If Eligible Shareholders participate in the Offer beyond the 21,200,960 Shares which are the pre-condition to the underwriting, the proportional increase in the holdings of Harrington Global will be less than shown above.

6 PRO FORMA STATEMENT OF FINANCIAL POSITION

KALINA POWER LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2015

	Group accounts at Dec-15 \$	Rights Issue	Adjusted BS Dec-15 \$
Current assets			
Cash	157,537	4,690,072	4,450,163
Trade and other receivables	32,549		863,088
Receivable from Recurrent Engineering	884,351		0
Other financial assets	71		70
Total current assets	1,074,508	4,690,072	5,313,321
Non-current assets			
Trade and other receivable	924,911		924,911
Other assets	763,616		763,616
Investments accounted for using the equity method	9,200		9,200
Property, plant and equipment	46,404		46,847
Intangible	4,137,674		4,137,674
Total non-current assets	5,881,805	0	5,882,248
Total assets	6,956,313	4,690,072	11,195,569
Current liabilities			
Trade and other payables	582,530		924,999
AL-Provision	87,613		87,613
Total current liabilities	670,143	0	1,012,612
Non current liabilities			
Trade and other payables	1,448,123		1,448,123
LSL-Provision	63,007		63,007
Total non-current liabilities	1,511,130	0	1,511,130
Total liabilities	2,181,273	0	2,523,742
Net assets	4,775,040	4,690,072	8,671,827
Shareholders' equity			
Share capital	91,675,329	4,690,072	96,365,401
Reserves	632,886		632,886
Accumulated losses	(87,743,542)		(88,536,827)
Total equity attributable to equity holders of the company	4,564,673	4,690,072	8,461,460
Non-controlling interest	210,367		210,367
Total Equity	4,775,040	4,690,072	8,671,827

This pro forma statement of financial position set out above reflects the Company's financial position as at 31 December 2015 adjusted to show the effect of the Offer (assuming full subscription) and the adjustments made to reflect the increase in ownership of Recurrent Engineering to 100%.

7 RIGHTS ATTACHING TO ORDINARY SHARES

The following is a summary of the more significant rights attaching to Ordinary Shares in the Company. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders in the Company. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Ordinary Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

7.1 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

7.2 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

7.3 Dividend Rights

The Directors may from time to time declare a dividend to be paid to shareholders entitled to the dividend. The dividend shall (subject to Clause 134 of the Company's Constitution and to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act. No dividend shall carry interest as against the Company.

7.4 Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

7.5 Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

7.6 Changes to Capital Structure

The Directors have the power to increase the number of shares that may be issued and the Company in general meeting may convert all or any of its shares into a larger or smaller number of shares, without altering the proportion between the amount paid and the amount (if any) unpaid on the shares concerned, subject to the Listing Rules.

7.7 Variation of Rights

The rights and privileges attaching to a class of shares can be altered with the approval of a resolution passed at a separate general meeting of that class by a three quarters majority of the members of that class present and voting, or with the written consent of the holders of at least three quarters of the shares on issue in that class within 2 months of the date of the meeting.

8 TERMS OF OPTIONS

The Options granted pursuant to this Prospectus will entitle the holder to subscribe for and be allotted Ordinary Shares on the following terms and conditions:

- (a) each Option entitles the holder to subscribe for one Ordinary Share at an exercise price per Option of 7.5 cents;
- (b) the Options are exercisable, at any time prior to 5.00pm Melbourne time on 15 June 2017 (**Expiry Date**). Options not exercised on or before the Expiry Date will automatically lapse;
- (c) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- (d) upon the exercise of the Options and receipt of all relevant documents and payment, Ordinary Shares will be issued ranking pari passu with the then issued Ordinary Shares;
- (e) The Company will apply to ASX to have the Ordinary Shares issued pursuant to the exercise of Options granted official quotation;
- (f) a summary of the terms and conditions of the Options including the Notice of Exercise will be sent to all holders of Options when the initial holding statement is sent;
- (g) any Notice of Exercise received by the Company's share registry on or prior to the Expiry Date will be deemed to be a Notice of Exercise as at the last Business Day of the month in which such notice is received;
- (h) there are no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of Options will be notified by the Company and will be afforded 10 Business Days before the record date (to determine entitlements to the issue), to exercise Options;
- (i) in the event of any reorganisation of the issued capital of the Company prior to the Expiry Date, the rights of an option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation;
- (j) Subject to the Corporations Law, the ASX Listing Rules and the Company's Constitution, the Options may be transferred at any time prior to the Expiry Date;
- (k) Ordinary Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of Notice of Exercise.
- (l) An Option holder will be entitled to nominate the Ordinary Share issued pursuant to the exercise of an Option to be issued by way of a Depository Interest to them.

9 ADDITIONAL INFORMATION

Continuous Disclosure Obligations

This document is issued pursuant to section 713 of the Corporations Act in accordance with the special prospectus content rules for offers of continuously quoted securities and options to acquire continuously quoted securities. The Company is a disclosing entity under the Corporations Act and, as such, is subject to regular reporting and disclosure requirements. As a listed company, the Company is subject to the Listing Rules that require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of the Company's Shares.

Copies of documents lodged in relation to the Company with ASIC may be obtained from or inspected at any office of ASIC.

Information that is already in the public domain has not been reported in this document, other than that which is considered necessary to make this document complete.

The Company will provide a copy of each of the following documents free of charge, to any person on request during the application period in relation to this document:

- the Annual Financial Report of the Company most recently lodged with ASIC;
- any half year financial report lodged with ASIC by the Company after the lodgement of the Company's Annual Financial Report and before the lodgement of this Prospectus with ASIC; and
- any continuous disclosure given by the Company after the lodgement of that Annual Financial Report and before lodgement of this document with ASIC.

For details of documents lodged with the ASX since the date of lodgement of the Annual Report refer to the table set out below:

Date	Headline
29 October 2015	Notice of Annual General Meeting/Proxy form
29 October 2015	Annual General Meeting
10 November 2015	Response to ASX aware query
11 November 2015	Canadian Patent Grant
30 November 2015	Results of Meeting
4 December 2015	Appendix 3B
7 December 2015	Appendix 3B – 14 October 2015

7 December 2015	Appendix 3B – Corrected Securities Quoted Number
23 December 2015	603 and 605 Substantial shareholding announcement
6 January 2016	Funding and proposed Rights Issue
28 January 2016	Appendix 4C – Quarterly
26 February 2016	Half Year Accounts
26 February 2016	Appendix 4D
5 April 2016	Update on Operations in China
18 April 2016	Appointment of Chief Operating Officer in China
19 April 2016	Jeffrey Myers to be appointed as a Non-Executive Director
28 April 2016	Appendix 4C – Quarterly
4 May 2016	Corporate Presentation

No information has been excluded from a continuous disclosure notice in accordance with the Listing Rules which investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- i) the assets and liabilities, financial position and performance, profits and losses and prospects of the company; and
- ii) the rights and liabilities attaching to the Ordinary Shares and Options being offered.

Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with ASIC.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which is it named.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

BW Equities Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Underwriter in the form and context in which is it named.

BW Equities has had no involvement in the preparation of any part of the Prospectus other than being named as Underwriter to the Company. BW Equities Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Directors' Interests and Remuneration of Directors

Other than as set out below or elsewhere in this Prospectus, no Director, including the proposed Director, nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

1. the promotion or formation of the Company;
2. property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities pursuant to this Prospectus; or
3. the offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or shares or otherwise) and no benefit given or agreed to be given to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company or the Offer.

The Directors' interests in Shares and Options at the date of this Prospectus are:

Director	Shares	Unlisted options
John Byrne	27,946,617	2,000,000
John Ross MacLachlan	nil	10,000,000
Timothy Horgan	919	5,000,000
Malcolm Jacques	415,082	Nil

The above does not take into account any Ordinary Shares or Options the Directors may acquire under the Offer.

The Constitution of the Company provides that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting or until so determined as the Directors resolve (currently set at \$200,000), to be divided among the Directors and in default of agreement then in equal shares.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

No non-executive Director shall be paid as part or whole of his remuneration a commission on or a percentage of profits or operating revenue.

If any of the Directors are called upon to perform extra services or make any special exertions on behalf of the Company or its business, the Directors may remunerate that Director in accordance with such services or exertions, and this remuneration may be either in addition to or in substitution for the remuneration provided in the form of directors fees.

The executive directors, Mr Ross MacLachlan and Mr Tim Horgan are anticipated to receive revised employment contracts and increased remuneration after the Offer is successfully completed. Such increases will be determined by the board and will be in line with industry standard remuneration, taking into account the size and stage of development of the Company.

Expenses of the Offer

The estimated expenses of the Offer (excluding GST) are as follows:

ASIC fees	\$2,320
Printing, mailing and other expenses	\$20,000
ASX fees	\$25,649
Legal fees	\$35,000
Underwriting fees	\$225,000
Miscellaneous	\$2,031
Total	\$310,000

10 DIRECTORS AUTHORISATION AND CONSENT

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director and the proposed director has consented to the lodgement of this Prospectus with ASIC.

Mr Timothy Horgan
For and on behalf of
KALiNA Power Limited

GLOSSARY

ASIC means the Australian Securities and Investments Commission;

ASX means, as the context requires, ASX Limited (ACN 008 624 691) or the Australian Securities Exchange;

Business Day means a day on which trading takes place on the stock market of ASX;

Closing Date means the closing date of the Offer, being 5pm (Melbourne time) on 9 June 2016 (unless varied by the Directors);

Company or **KALiNA** means KALiNA Power Limited (ABN 24 000 090 997);

Constitution means the Company's Constitution as at the date of this Prospectus;

Corporations Act means the Corporations Act 2001 (Cth);

Directors means the directors of the Company at the date of this Prospectus;

Dollar or "\$" means Australian dollars;

Eligible Shareholder means a person registered as a Shareholder as at the Record Date whose registered address is in Australia, New Zealand, the United Kingdom or Switzerland;

Entitlement means the entitlement of a Shareholder to participate in the Offer;

Entitlement and Acceptance Form means the entitlement and acceptance form accompanying this Prospectus;

EPC means Engineering Procurement Construction;

KALiNA Group means KALiNA and each of its Subsidiaries;

KCT means KCT Power Limited, an English limited company, with its registered offices located at 2 Chapel Court, London, SE1 1HH, United Kingdom, formerly known as Global Geothermal Limited;

KALiNA Cycle[®] technology or KALiNA Cycle[®] means and includes all unpatented technical information that has been developed that relates to the application of the KALiNA Cycle[®] to geothermal and other types of Power Plants, including, without limitation, design data, information on materials, design manuals, engineering documents, process specifications, test instructions, algorithms and computer software (including mathematical models, program code, service code, user manual, and test cases), final research and development reports, operations data, and all patents and future patents, improvements, developments, supplements and inventions relating thereto;

Listing Rules or **ASX Listing Rules** means the Listing Rules of ASX;

MWe means the electric output of a power plant in megawatts;

NEA means New Energy Asia Limited, a Cayman Islands limited company, with its principal offices located at 2nd Floor, The Grand Pavilion Commercial Centre, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands;

NEA Licence means the sub-licence for the KALiNA Cycle[®] Technology granted by KALiNA to NEA on 14 May 2013.

Offer, Issue or Entitlement Issue means the non-renounceable entitlement issue of one (1) new ordinary Share for every two (2) Ordinary Shares held;

Option means an option to acquire an Ordinary Share;

Ordinary Share means a fully paid share in the capital of the Company;

Prospectus means this prospectus dated 11 May 2016;

Record Date means the record date for determining a Shareholder's entitlement to participate in the Offer, being 17 May 2016;

Recurrent means Recurrent Engineering, LLC, a Delaware limited liability company, with its principal offices located at 1011 Centre Road, Suite 322, Wilmington DE, 19805;

Share Registry means Computershare Investor Services Pty Limited ABN 710 054 858 25;

Shareholder means a shareholder of the Company;

Shortfall means the ordinary Shares (if any) not taken up under the Entitlement Issue;

SSNE means Shanghai Shenghe New Energy Resources Science & Technology Co. Ltd., a Chinese limited liability company, with its principal offices located at 3rd floor Wangsong Lou, Radisson Plaza, Xinguo Hotel, 1245 Huashan Road, Shanghai 200052, China;

SSNE Licence means the licence for the KALiNA Cycle[®] Technology granted by KTC Power and Recurrent to SSNE on 2 December 2008;

Underwriter means collectively Harrington Global Limited and BW Equities Limited