

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Kalina Power Limited (“Company”) is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs for the Company on behalf of the shareholders whom they are accountable. This statement is current as at 30 September 2021 and has been approved by the Board.

The Directors are conscious of the requirement to fulfil their responsibilities individually and as a Board to all of the Company stakeholders. This involves the recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines of ‘The Corporate Governance Principles and Recommendations’ established by the ASX Corporate Governance Council.

Given the size of the Company, the nature of its business, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, the Company has adopted some modified procedures that it believes will allow it to meet the principles of good corporate governance. In accordance with the ASX Corporate Governance Council’s recommendation, the Corporate Governance Statement must contain specific information, and also report on the Company’s adoption of the Council’s principles and recommendations on an exception basis, whereby disclosure is required of any recommendations that had not been adopted by the Company, together with the reasons why. The Company’s corporate governance principles and policies are therefore structures with reference to the Corporate Governance Council’s corporate governance principles and recommendations, which are as follows:

Principle 1: Lay solid foundations for management and oversight

Principle 2: Structure the board to add value

Principle 3: Act ethically and responsibly

Principle 4: Safeguard integrity in corporate reporting

Principle 5: Make timely and balanced disclosure

Principle 6: Respect the rights of security holders

Principle 7: Recognise and manage risk

Principle 8: Remunerate fairly and responsibly

Principle 9: Additional recommendations

The Company sets out below or elsewhere in the Directors Report of the Annual Report the information and disclosures with regard to the governing principles and recommendations.

### **Principle 1: Lay solid foundations for management and oversight**

The Board is responsible for the development of the business strategy of the Company, oversight and support of management and the monitoring of risk, compliance and performance of the Company.

The Company refers all major investment decisions to the Board for consideration and approval. Day to day operations of the Company is the responsibility of the Executive Directors and Senior Management.

The performance of key executives is reviewed regularly by reference to ongoing performance of the company and its investments. The Board’s Remuneration Committee during the period comprised Peter Littlewood, Malcolm Jacques and Jeffrey Myers who perform this review. During the period, the Remuneration Committee met for informal discussions with management around remuneration on a regular basis and met formally once in respect of remuneration for senior management as well as once after the period in respect

of grant of options and shares to directors and senior management. This is considered appropriate given the size of the Company.

The skills, expertise and experience of directors relevant to their positions and their term in office are disclosed in the Directors' Report in the Annual Report.

The Board has not yet established a formal written policy concerning diversity. The board is reviewing this aspect of the corporate governance guidelines. As the Board has not yet established a formal written policy concerning diversity there are no measurable objectives set. The Company has a multi ethnic international team at the executive and management level. Overall, there are 30% (2020: 30%) of the Company's employees who are women operating across regulatory, finance and administration including a senior executive in our Canada subsidiary and a senior accounting manager in our Australian head office. The Company does not have any women on the Board. Due to the size of the company and the board this is deemed acceptable to the directors of the company.

The Company Secretary of the Company is accountable directly to the Board on all matter to do with the functioning of the Board.

### **Principle 2: Structure the board to add value**

Directors of Kalina Power Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Kalina Power Limited are considered to be independent: Malcolm Jacques, and Peter Littlewood. Jeffry Myers ceased to be considered independent during 2019 as his time spent on executive work for the Company has significantly increased.

The company's Board comprised 5 directors. Dr Malcolm Jacques (11 years service) Mr Ross MacLachlan (6 years service), Mr Tim Horgan (6 years service), Mr Jeffry Myers (5 years service) and Mr Peter Littlewood (4 years service). Therefore, there was not a majority of independent directors on the board during the period. The directors consider that the balance of independent and non-independent directors is appropriate given the size of the Board, the experience of the directors and their understanding of their requirements and responsibilities as directors of the company.

There are procedures in place to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

The current interim Chairman, Ross MacLachlan is not considered as independent director. Due to the size of the company and the board this is deemed acceptable to the directors of the company. The company is expected to increase in size in the next financial year, then the company will consider, and if thought appropriate, appoint an independent director as chairman.

The interim chair of the board and the Chief Executive Officer is Ross MacLachlan.

The nomination committee is comprised of Ross MacLachlan and Jeffry Myers. In addition all members of the Board are part of the nomination process following the initial work of the nomination committee to ensure the Board continues to operate within the established guidelines including when necessary, selecting candidates for the position of director. The directors consider that this is appropriate given the size of the Board and the company.

When a vacancy occurs, through whatever cause, or where it is considered that the company would benefit from the skills of an additional Director with particular skills, the Board will consider candidates with the appropriate expertise and experience.

The key experience and expertise areas that the board currently has or is looking to achieve in its membership is:

- Financial management
- Power Industry
- Project Delivery
- Technology development and commercialisation
- Legal

The performance of the Board is not currently reviewed annually. The performance is reviewed on an ad hoc basis by the board and directors are assessed based on the financial and non-financial objectives and results of the company. Directors whose performance is consistently unsatisfactory may be asked to retire. During the reporting period, the Board did not meet to specifically evaluate the performance of Board members, which was considered appropriate given the size of the Board and the activities of the company.

### **Principle 3: Act ethically and responsibly**

The company has not yet established a formal written code of conduct nor an anti-bribery and corruption policy. Currently each of the directors and senior management is aware of the investment and corporate objectives of the company and is conscious of the expectations of the shareholders, investee companies and their stakeholders. Any activities of the company are undertaken in consideration of all legal and regulatory requirements as well as with consideration of the underlying value of the activity to shareholders and other stakeholders. The Company Secretary is primarily tasked with maintaining a high level of compliance on all aspects of the business and has the support of the board to achieve this outcome.

The Company does not currently have a formal whistle blower policy, however due to the size of the Company, all employees and consultants are aware of their responsibilities and that if necessary, they can contact the Company Secretary or any director of the Company to discuss any concerns. The Company is in the process of formalising a whistle blower policy.

The Company has established a written Share Trading Policy that set out the policy on the sale and purchase of securities in the Company by its Key Management Personnel.

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

The Company has determined that its Key Management Personnel are its Directors and those employees directly reporting to the Chief Executive Officer / Managing Director.

Key Management Personnel are encouraged to be long-term holders of the Company's securities. However, it is important that care is taken in the timing of any purchase or sale of such securities.

The Key Management Personnel are expected to only trade in the securities of the Company when the market is considered to be fully informed of the activities of the Company and Key Management Personnel are not able to trade in a closed period, being the time leading up to an announcement and 24 hours after such announcement. Any Key Management Personnel who wish to trade require the prior approval of the Chairman, or in the case of the Chairman, the board of the Company.

#### **Principle 4: Safeguard integrity in corporate reporting**

The Board has established an audit committee which operates under a charter approved by the Board. It is the audit committee's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operations key performance indicators. The Committee will also provide the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The audit committee should be structured so that it:

- consists of only non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair who is not chair of the Board; and
- has at least three members.

The current audit committee during the period was appointed on 24 January 2017 and comprised:

<b>Name</b>	<b>Qualifications</b>
Dr Malcolm Jacques (Chairman)	Ph.D. Chemical Engineering
Mr Peter Littlewood	MA in Engineering, Cambridge University
Mr Jeffrey Myers	Bachelor of Art (Honours) Western University (Ontario), MBA, University of Windsor (Ontario).

In accordance with the definition of independence described in Principle 2 above, and the materiality thresholds set, Malcolm Jacques and Peter Littlewood are considered to be independent and are non-executive directors. Jeffrey Myers ceased to be considered independent during 2020 as his time spent on executive work for the Company has significantly increased.

The committee is currently chaired by Malcolm Jacques who is not chair of the Board. The committee has three members, two of whom are independent. Given the size and development stage of the Company, the Board believes the makeup of the audit Committee is appropriate.

The auditor of the Company is available to answer questions in relation to the audit at the AGM of the Company.

The Board has received a declaration from the Company Secretary, being an officer with primary responsibility as defined by section 295 of the Corporations Act, assuring that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system, to the extent that they relate to financial reporting, is operating effectively in all material respects.

The board has requested that the external auditor attends the Company's Annual general meeting and is available to answer questions from security holders relevant to the audit.

The committee has a formal charter which is disclosed on the company's website.

#### **Principle 5: Make timely and balanced disclosure**

The company has made the directors and the senior management, including of its subsidiaries and associates, aware of the requirement for continuous and periodic disclosure to ensure the factual presentation of the company's financial position and market-sensitive information is maintained in an orderly and timely fashion. Further any investor presentation is also released to the market on a timely manner. The Company provides news releases to directors prior to release whenever possible provided it does not interfere with timely disclosure. The company ensures all market announcements are circulated to the directors immediately after the announcement.

At present the company does not have a written policy due to the size of the company and the limited number of people and activities of the company. The board consider this is appropriate for the size of the company however it is continuing to review its policies in regard to this Principle.

#### **Principle 6: Respect the rights of security holders**

The company aims to ensure that the shareholders are informed of all major developments affecting the company. All shareholders are sent the company's annual report. The company also encourages full participation of shareholders at its annual general meeting and at extraordinary general meetings when called. The company has ongoing engagement with its shareholders, emailing all shareholders to receive announcements and updates, it also makes available a telephone and email address for shareholders to make enquiries of the company and directors are in regular contact with shareholders via telephone.

The company maintains a website at [www.kalinapower.com](http://www.kalinapower.com) on which it makes available: company announcements; shareholder meeting notices and explanatory materials; financial information and annual reports. The company is continuing to review its website and where necessary will enhance the information available on that site. The company makes regular contact with persons registered to receive information from the Company via email.

Commencing at the 2021 AGM all substantive resolutions will be decided by a poll.

#### **Principle 7: Recognise and manage risk**

The identification and effective management of risk is viewed as an essential part of the company's approach to creating long-term shareholder value. In recognition of this, the Board has recently formed a Risk Committee to better determine the company's risk profile and this committee is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is ongoing and will continue to be a focus of the committee and the board. The members of the Risk Committee are Ross MacLachlan and Tim Horgan.

The company will establish a risk management policy within which will be set out a framework for a system of risk management and internal compliance and control. Senior management as required will have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on these risks and the extent to which it believes they are being adequately managed. During the period the Risk Committee along with the Senior Management have been undertaking risk management processes, including preparation of weekly reports and monthly management reports in order to report to the board the outcomes. Due to the size of the company and the board this is deemed acceptable to the directors of the company.

#### **Principle 8: Remunerate fairly and responsibly**

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive officers and executive team. The Board has established a remuneration committee, which comprises of the independent non-executive directors, Malcolm Jacques and Jeffrey Myers. Given the size and nature of the Board, the directors consider that this is appropriate as member of the remuneration committee. The remuneration committee has met once during the year. The terms of reference for the remuneration committee will include review and recommendation to the board on the company's remuneration, recruitment and termination for senior executives, review of executives' performance and a framework for directors' compensation.

It is the aim of the Company to provide maximum shareholder benefit through the retention of high-quality board members, Executives and senior management and to ensure that remuneration levels are consistent with market rates for comparable positions.

**Principle 9: Additional recommendations**

The Company is established in Australia and the Board comprises of members from English speaking countries, hence no additional recommendations apply to the Company