

3 August 2016

New Non Renounceable Rights Issue to raise up to \$5.5 million

Dear Shareholder

The directors have resolved to amend the original offer that was announced on 12 May 2016, and subsequently withdrawn on 20 June 2016, such that the Company is inviting eligible Shareholders to subscribe for new fully paid Ordinary Shares on the basis of **three** new Ordinary Shares at an issue price of **5 cents** for each **four** fully paid Ordinary Shares held, with an accompanying Option exercisable at **5 cents** on or before 30 August 2017 for every 2 new Ordinary Shares issued. Fractional entitlements to the Option will be rounded up.

This Offer will raise up to \$5.5 million through a non-renounceable rights issue to all eligible shareholders at an issue price of 5 cents per share (the "Offer").

On 1 August 2016 the Company announced a placement of up to \$1,800,000 (the 'Placement') to be conducted alongside the Offer. The Company completed an initial \$750,000 of the Placement utilising its permitted placing capacity through the issue of 15,000,000 shares to sophisticated and professional investor clients of Hartleys Limited at 5 cents per share each with a 1:2 free attaching option (in total 7,500,000 options exercisable at 5 cents until 30 August 2017), this being the same terms as the Offer.

The Company will seek shareholder approval through a soon to be lodged Notice of Meeting to place up to a further \$1,050,000 on the same terms subject to the Company obtaining required approvals to increase its placing capacity at a proposed shareholder meeting to be held on or about 5 September 2016.

One of the greatest difficulties facing Kalina Power over recent years has been to demonstrate a clear pathway for financing the growth and development of the Company. We anticipate the current Offer to shareholders together with the recently announced private placement financing may raise a total of \$7,300,000 sending a strong signal to stakeholders, customers and partners that Kalina is on a solid foundation and positioned for growth.

In the coming 2 weeks you will receive the prospectus for the Offer and your entitlement form.

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 three new Ordinary Share at an issue price of 5 cents for every four fully paid Ordinary Shares held in the capital of the Company as at the 8 August 2016, with an accompanying Option exercisable at 5 cents per Ordinary Share on or before 30 August 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 \$5,562,572 (gross). If the Options are fully exercised, a further \$2,776,286 will be raised.

The Rights Issue will result in the issue of up to approximately 111,251,440 Shares in the Company along with up to 55,525,720 Options.

Shareholders are able to apply for additional shares in excess of their entitlement, with a minimum application of \$500 for additional shares. 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.

The Rights Issue is partially underwritten as to \$3,350,000 and the directors are in discussions with investors to underwrite the balance of the Offer or to participate in the placement of any potential Shortfall.

The Offer Document is available on the ASX website at www.asx.com.au for inspection.

The timetable and important dates of the issue are set out below:

Lodgement Appendix 3B	3 August 2016
Notice to Shareholders	4 August 2016
Ex Date	5 August 2016
Record Date for determining entitlements	8 August 2016
Opening Date and despatch of Offer Document	11 August 2016
Closing Date of Offer	30 August 2016
Shares quoted on a deferred settlement basis	31 August 2016
Issue date of Shares	6 September 2016

The issue will raise approximately \$5,500,000.

The capital structure of the Company on completion of the issue will be as follows:

Number of Shares	Class
259,586,693	Ordinary fully paid

Options (quoted on ASX)

63,125,720 exercisable at 5cents each until 30 August 2017

Options (unquoted)

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

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

140,000 exercisable at 7.5 cents each until 15 June 2017

The Offer is not being made, and no Shares will be issued to, any Shareholders whose registered address is in a country other than Australia, New Zealand, Switzerland, Channel Islands or the United Kingdom for the reasons given in the Offer Document. The Offer Document is being sent to Foreign Securityholders for information purposes only. No Entitlement and Acceptance Form will be sent to Foreign Securityholders. Shareholders and Option holders who are eligible to participate should read the Offer Document carefully.

Should you have any queries in relation to this matter, please do not hesitate to contact the Company on +61 3 9236 2800.

Yours faithfully

John Byrne
Chairman