

12 May 2016

Non Renounceable Rights Issue to raise up to \$5 million

Dear Shareholder

The Directors of KALiNA have resolved to raise up to \$5 million through a non-renounceable rights issue to all eligible shareholders at an issue price of 7.5 cents per share (the “Offer”).

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 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 \$5,000,071 (gross). If the Options are fully exercised, a further \$2,500,036 will be raised.

The Rights Issue will result in the issue of up to approximately 66,667,626 Shares in the Company along with up to 33,333,813 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 \$3,410,000 and the directors are in discussions with investors to underwrite the balance of the Offer.

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	12 May 2016
Notice to Shareholders	13 May 2016
Ex Date	16 May 2016
Record Date for determining entitlements	17 May 2016
Opening Date and despatch of Offer Document	20 May 2016
Closing Date of Offer	9 June 2016
Shares quoted on a deferred settlement basis	10 June 2016
Issue date of Shares	17 June 2016

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

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

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

Options (quoted on ASX)

33,473,813 exercisable at 7.5cents 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

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