

17 August 2023

## **Notice under Section 708A(12C)(e) of the Corporations Act 2001 (Cth)**

On Wednesday, 17 August 2023, Kalina Power Limited (ACN 000 090 997) (ASX : KPO) (**KPO** or **Company**) announced that it had issued in aggregate, 625,000 of unlisted convertible notes (**Notes**) to the Noteholders. On conversion, the Notes entitle the Noteholder to be issued fully paid ordinary shares in the Company (**Shares**).

Of the 625,000 Notes, 182,500 Notes will be issued to directors subject to the approval of the Company's ordinary shareholders (**Shareholders**) at a general meeting to be held on or about 23 October 2023 (**Shareholder Approval**). If Shareholder Approval is not received, those Notes will not be issued. No shareholder approval was required for the issuance of the other 442,500 Notes, because those Notes were issued within the Company's placement capacity under ASX Listing Rule 7.1.

KPO has prepared this cleansing notice (**Notice**) for the purposes of section 708A(12C)(e) of the *Corporations Act 2001 (Cth)* (**Corporations Act**) as notionally inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Notes) Instrument 2016/82 (Instrument 2016/82)*, so that Shares issued on conversion of the Notes are freely tradeable from issue and can be on-sold to retail investors without further disclosure.

The terms on which the Notes are issued are set out in Schedule 1.

The Company confirms that:

- (a) Notes have been or will be issued without disclosure under Part 6D.2 of the Corporations Act;
- (b) this Notice comprises a notice under section 708A(12C)(e) of the Corporations Act in respect of the Notes, as inserted by ASIC Instrument 2016/82; and
- (c) this Notice complies with section 708A(12D) of the Corporations Act as inserted by Instrument 2016/82.

## **No offer**

This Notice does not constitute an offer of any Notes for issue or sale, or an invitation to subscribe for or purchase any Notes and is not intended to be used in connection with any such offer or invitation.

## **Contents of this Notice**

This Notice sets out information that the Company believes investors and their professional advisers would reasonably require to make an informed assessment of the effect of the issue of the Notes on the Company and summarises the rights and liabilities attaching to the Notes and the Shares that may be issued on conversion of the Notes.

## **Effect of issue of the Notes on the Company**

The Notes have been issued to the Noteholder without disclosure to investors under Part 6D.2 of

the Corporations Act.

**(a) Effect of the Notes on the Company**

The principal effects of the issue of the Notes on the Company are as follows:

- i. the Company's cash reserves will be increased by approximately A\$625,000<sup>1</sup> (before costs associated with the issue of the Notes);
- ii. the Company's indebtedness will be increased by the aggregate face value of the Notes, being A\$625,000, plus all capitalised and accrued interest;
- iii. each Note will bear interest at the rate of 10% p.a.; and
- iv. if the Notes are converted, the Company's indebtedness will reduce and its capital structure will change. The effect of the conversion of the Notes on the Company's capital structure is shown in the table below.

**(b) Potential effect on capital structure**

The Notes are to convert into Shares at the conversion price of the lower of:

- 0.826 cents (being a 15% premium to the 15-day VWAP preceding finalization of the Note subscription) (**Fixed Conversion Price**); and
- 85% of the offer price of securities in the Company's next capital raise (**Capital Raise Conversion Price**).

The Company provides the below table illustrating the potential dilutionary effect from the conversion of Notes at various prices based on the Fixed Conversion Price, given that it cannot determine the Capital Raise Conversion Price at this point of time.

<b>Various conversion price scenarios</b>	<b>50% of Fixed Conversion price</b>	<b>Conversion price</b>	<b>200% of Fixed Conversion Price</b>
<b>Shares on issue at the date of this Notice</b>	1,515,195,786	1,515,195,786	1,515,195,786
<b>Shares issued on conversion of the Notes<sup>2</sup></b>	165,800,892	82,900,726	41,450,363
<b>Total Shares on issue following conversion of the Notes</b>	1,680,996,678	1,598,096,512	1,556,646,149
<b>Conversion Shares as a % of total Shares post-conversion</b>	9.86%	5.21%	2.66%

The Company notes that there is no floor price and the Company is unable to confirm what the Capital Raise Conversion Price will be. As such, it should be noted that the Notes may be highly dilutive if the market price of the Shares falls substantially and the Capital Raise Conversion Price is based on the market price of the Shares.

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<sup>1</sup> The increase in indebtedness is shown as face value of the Notes. Amounts recorded in the Company's financial statements under International Financial Reporting Standards will differ.

<sup>2</sup> This calculation assumes all of the Notes are converted including any accrued and capitalised interest as may be payable to the Noteholder but any other shares issued after the date of this notice.

(c) **Pro-forma balance sheet of the Company**

(d)

Set out below is a pro-forma consolidated statement of financial position as at 31 December 2022 for the Company based on the consolidated statement of financial position as at 31 December 2022, as announced by the Company on 28 February 2023. The pro-forma consolidated statement of financial position is provided only for illustrative purposes to reflect the effect of the issue of the Notes on the Company's financial position.

The pro-forma consolidated statement of financial position is presented in an abbreviated form in so far as it does not include all of the disclosures required by relevant Australian accounting standards and has not been audited or reviewed by an auditor. The classification of allocations between debt and

	<b>31 December 2022 (Reviewed)</b>	<b>Notes issued</b>	<b>Pro-forma 31 December 2022</b>
<b>Current assets</b>			
Cash and cash equivalents	1,019,302	625,000	1,644,302
Financial Assets	1,900,000	-	1,900,000
Trade and other receivables	228,563	-	228,563
<b>Total current assets</b>	<b>3,147,865</b>	<b>625,000</b>	<b>3,772,865</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	9,200	-	9,200
Property, plant and equipment	22,095	-	22,095
<b>Total non-current assets</b>	<b>31,295</b>	<b>-</b>	<b>31,295</b>
<b>Total assets</b>	<b>3,179,160</b>	<b>625,000</b>	<b>3,804,160</b>
<b>Current liabilities</b>			
Trade and other payables	445,536	-	445,536
Provisions	248,945	-	248,945
Notes	-	625,000	625,000
<b>Total current liabilities</b>	<b>694,481</b>	<b>625,000</b>	<b>1,319,481</b>
<b>Non-current liabilities</b>			
Other payables	2,225,777	-	2,225,777
Provisions	32,499	-	32,499
<b>Total non-current liabilities</b>	<b>2,258,276</b>	<b>-</b>	<b>2,258,276</b>
<b>Total liabilities</b>	<b>2,952,757</b>	<b>625,000</b>	<b>3,577,757</b>
<b>Net assets / (liabilities)</b>	<b>226,403</b>	<b>-</b>	<b>226,403</b>
<b>Equity</b>			
Issued capital	127,281,526	-	127,281,526
Reserves	7,691,431	-	7,691,431
Accumulated losses	(123,326,005)	-	(123,326,005)
<b>Total equity attributable to equity holders of the company</b>	<b>11,646,952</b>	<b>-</b>	<b>11,646,952</b>
Non-controlling interest	(11,420,549)	-	(11,420,549)
<b>Total equity / net deficiency</b>	<b>226,403</b>	<b>-</b>	<b>226,403</b>

The pro-forma balance sheet is based on face value of the notes and does not include cost of issue.

## **Rights and liabilities attached to the Notes being offered**

A summary of the key terms of the Notes was set out in the Company's announcement dated 7 August 2023 (as amended by the announcement dated 10 August 2023) and is reproduced in Schedule 1 of this Notice.

## **Rights and liabilities attaching to Shares issued on conversion of the Notes**

The Shares issued on conversion of the Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including the new Shares to be issued on conversion of the Notes are set out in the Company's constitution (**Constitution**) and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and general common law.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected, free of charge at the Company's registered office during normal business hours.

A broad summary of the rights and liabilities attaching to Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

### **(a) 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.

### **(b) 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:

- i. each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- ii. 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
- iii. 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).

### **(c) 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 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.

### **(d) 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.

(e) **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 ASX Listing Rules.

(f) **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 ASX Listing Rules.

(g) **Variation of Rights**

The rights and privileges attaching to a class of shares can be altered with the approval of a special resolution passed at a separate general meeting of that class by holders of the shares of that class present and voting, or with the written consent of the holders of at least 75% of the shares on issue in that class.

**Compliance with disclosure obligations**

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or value of its shares.

The Company is also required to prepare and lodge with Australian Securities and Investments Commission (**ASIC**) yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. Copies of those documents may be obtained from ASIC.

In addition, a copy of the following documents may be obtained free of charge by any person upon their request prior to the date of issue of the Notes to the Noteholder:

- (a) the Company's annual report most recently lodged with ASIC (being the audited consolidated annual financial report of the group for the financial year ended 30 June 2022) (**2022 Financial Report**);
- (b) any half-year financial report lodged by the Company with ASIC after the lodgment of the annual financial report referred to in paragraph (a) and before the lodgment of this Notice with ASX; and
- (c) any continuous disclosure notices given by the Company after the lodgment of the annual financial report referred to in paragraph (a) and before lodgment of this Notice with the ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgment of the 2022 Financial Report and before the lodgment of this Notice is set out in the table below:

<b>Date</b>	<b>Announcement</b>
10 August 2023	Clarification announcement
7 August 2023	Proposed issue of securities – KPO
7 August 2023	A\$625,000 Capital Raise
31 July 2023	Clarification announcement
31 July 2023	Quarterly Activities/Appendix 4C Cash Flow Report

<b>Date</b>	<b>Announcement</b>
27 July 2023	Progress Update on Power-CCS Project Development
4 May 2023	University of Calgary collaborates with Kalina
1 May 2023	PricewaterhouseCoopers appointed as strategic advisor
28 April 2023	Quarterly Activities/Appendix 4C Cash Flow Report
28 February 2023	Half Yearly Report and Accounts
9 February 2023	KPO TO APPOINT FINANCIAL ADVISORS TO SECURE DIRECT THIRD-PAR
30 January 2023	Quarterly Activities/Appendix 4C Cash Flow Report
20 December 2022	Change of Director's Interest Notice x 6
19 December 2022	Change of Director's Interest Notice x 6
12 December 2022	Notification of cessation of securities - KPO
6 December 2022	Kalina Investor Presentation
25 November 2022	Results of Annual General Meeting
25 November 2022	Shareholder Update and Investor Webinar
31 October 2022	Quarterly Activities/Appendix 4C Cash Flow Report
24 October 2022	Notice of Annual general Meeting/Proxy form
24 October 2022	Date of AGM
6 October 2022	Change of Date of 2022 Annual General Meeting
1 September 2022	Initial Director's Interest Notice
30 August 2022	Appointment of Stephen White as Non-Executive Chairman
29 August 2022	Date of AGM and closing date for Director nominations
29 August 2022	Application for quotation of securities - KPO
29 August 2022	Notification of cessation of securities - KPO

All written requests for copies of the above documents should be addressed to the Company. These documents, and all other regular reporting and disclosure documents of the Company, are also available electronically on the websites of the ASX at [www.asx.com.au](http://www.asx.com.au) and the Company at Investors - ASX Announcements.

#### **No excluded information**

As at the date of, and other than as set out in, this Notice, there is no information that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Notes and resulting Shares to be issued on conversion of the Notes.

Yours faithfully

Kesh Thurairasa  
Company Secretary  
Kalina Power Limited

**Authorised for release by the CEO.**

## Schedule 1 – Key terms of the Notes

<b>Securities offered</b>	Convertible notes which are convertible into fully paid ordinary shares of the Company (" <b>Convertible Notes</b> ").
<b>Face value</b>	A\$1.00 per Convertible Note.
<b>Security</b>	The Convertible Notes are unsecured.
<b>Maturity Date</b>	30 July 2024.
<b>Interest Rate</b>	10% per annum.  Interest will be accrued and capitalized until the Convertible Notes are converted into shares or redeemed by the Company at the Maturity Date.  Noteholders will be paid a minimum amount of 6 months interest, irrespective of whether the Convertible Notes are converted within 6 months of their issue date.
<b>Conversion and redemption</b>	<p>Noteholders may elect to convert the Convertible Notes at any time before the Maturity Date, unless automatically converted earlier.</p> <p>The Convertible Notes will be converted on the following price ("<b>Conversion Price</b>"):</p> <ul style="list-style-type: none"> <li>• 0.826 cents ;and</li> <li>• 85% of the offer price of securities in the Company's next capital raise.</li> </ul> <p>On the Maturity Date, where the Company's shares are trading with a 30-day VWAP at:</p> <ul style="list-style-type: none"> <li>• 0.826 cents or more, the Convertible Notes will automatically convert; and</li> <li>• less than 0.826 cents, a holder may elect to redeem their Convertible Notes and require repayment of all interest.</li> </ul>
<b>Automatic conversion</b>	The Convertible Notes will be automatically converted into shares upon the Company completing a capital raise of at least A\$1 million.
<b>Ranking</b>	The Convertible Notes rank ahead of the Company's shares. However, the shares issued on conversion of the Convertible Notes will rank equally with the Company's shares at the date of issue.
<b>Quotation</b>	The Convertible Notes will not be quoted on ASX.
<b>Transferability</b>	The Convertible Notes cannot be transferred except with the Company's prior written approval.