

KALiNA POWER LIMITED

ACN 000 090 997

PROSPECTUS

for

an underwritten non-renounceable pro-rata Rights Issue of up to approximately 273,511,169 new fully paid Shares to Eligible Shareholders at a price of 2.5 cents per Share on the basis of 1 new Share for every 3 Shares held, with, for each new Share issued, one (1) free Attaching Option to acquire a further Share exercisable at 4.4 cents on or before 27 August 2022, to raise up to approximately \$6.8 million before costs.

The Offer is underwritten by Cove Capital Pty Ltd.

THE OFFER CLOSSES AT 5.00 pm MELBOURNE TIME ON

21 August 2020. Valid acceptances must be received before this date.

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

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Corporate Directory

Executive Directors:

(John) Ross MacLachlan - Interim Chairman & CEO

Timothy Horgan

Jeffrey Myers

Underwriter:

Cove Capital Pty Ltd

Level 30, 35 Collins Street

Melbourne VIC 3000

Non-Executive Directors:

Peter Littlewood

Malcolm Jacques

Auditor:

HLB Mann Judd (Vic) Partnership

Level 9, 575 Bourke Street

Melbourne VIC 3000

Registered and Principal Office:

Suite 6, 795 Glenferrie 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 VIC 3067

Tel: 1300 787 272

Stock Exchange Listing:

Australian Securities Exchange (ASX)

Code: KPO

UK Depositary*:

Computershare Company Nominees Limited

The Pavilions, Bridgwater Road

Bristol BS99 6ZZ United Kingdom

For more information regarding this Offer please contact:

Kesh Thurairasa, Company Secretary on +61 (03) 9236 2800

**These entities are included for information purposes only and have not been involved in the preparation of this Prospectus and has not consent to being named in this Prospectus.*

IMPORTANT INFORMATION

This Prospectus is dated Monday, 3 August 2020 and a copy of this Prospectus was lodged with the Australian Securities & Investments Commission (ASIC) on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of the Prospectus. Shares and Attaching Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

The Company will apply to ASX for Official Quotation of the Shares and Attaching Options offered pursuant to this Prospectus within 7 days after the date of this Prospectus.

Eligible Shareholders should read this Prospectus in its entirety and seek professional advice where necessary. The Shares and Attaching Options the subject of this Prospectus should be considered speculative.

Applications for Shares and Attaching Options by Eligible Shareholders will only be accepted where they comply with the instructions on the Entitlement and Acceptance Form accompanying this Prospectus as described in section 4.7.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities and options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or invitation.

Neither this document nor the Shares and Attaching Options the subject of the Offer have been, nor will be, registered under the United States Securities Act of 1933, as amended or under the securities legislation of any state of the United States of America, or any applicable securities laws of a country of jurisdiction outside of Australia and New Zealand. Accordingly, subject to certain exceptions, the Shares and Attaching Options the subject of the Offer may not, directly or indirectly, be offered or sold within a country or jurisdiction outside of Australia and New Zealand or to or for the account or benefit of any national resident or citizen of, or any person located in a country or jurisdiction outside of Australia and New Zealand.

New Zealand notice

The Shares and Attaching Options being offered pursuant to this Prospectus are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses

in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Privacy

The Company collects personal information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the personal information in the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, ASIC and other regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

The Company will not disclose the personal information of Applicants to entities outside Australia.

The Company's privacy policy contains information about how an Applicant may access and correct the personal information the Company holds about them.

Key definitions

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion. Please refer to the Glossary for a list of defined terms.

Key risks

For a summary of the key risks associated with further investment in the Company, please refer to the section of the Investment Overview titled '*What are the key risks of further investment in the Company?*'.

IMPORTANT DATES

Event	Date*
Announcement of Offer	Friday, 24 July 2020
Lodgement of Appendix 3B with ASX	Friday, 24 July 2020
Prospectus lodged with ASIC and ASX	Monday, 3 August 2020
Record Date to determine Entitlements	Thursday, 6 August 2020
Prospectus (together with Entitlement and Acceptance Form) despatched to Shareholders	Tuesday, 11 August 2020
Opening Date**	Tuesday, 11 August 2020
Closing Date for receipt of acceptances and payment	Friday, 21 August 2020
Shares quoted on ASX on deferred settlement basis	Monday, 24 August 2020
Shortfall notification date	Wednesday, 26 August 2020
Issue of Shares and Attaching Options	Friday, 28 August 2020
Trading in Shares and Attaching Options resumes on a normal settlement basis	Monday, 31 August 2020

**These dates are indicative only. The Company reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Company reserves the right to extend the Closing Date, to accept late applications under the Offer (either generally or in particular cases) and to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the allotment date of Shares and Attaching Options. The commencement of quotation of the Shares and Attaching Options is subject to confirmation from ASX (including with respect to the Attaching Options, satisfaction of the Quotation Condition).*

The Company also reserves the right not to proceed with the Offer in whole or in part at any time prior to allotment and issue of the Shares and Attaching Options. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants. Cooling off rights do not apply to an investment in Shares or Attaching Options. You cannot withdraw your application once it has been accepted. Eligible Shareholders wishing to participate in the Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Offer opens.

***The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date.*

There is no minimum amount to be raised under the Offer and as at the date of this Prospectus, the Company anticipates that the Offer will be fully underwritten. For more information on the terms on which the Offer is underwritten, please refer to sections 4.6, 9.4 and 9.5.

1 LETTER TO SHAREHOLDERS

Dear Shareholder

As previously advised to the market, the Company is undertaking an underwritten 1-for-3 non-renounceable pro-rata Rights Issue at an offer price of \$0.025 (2.5 cents) per Share ("**Offer Price**"), with for each new Share issued, one (1) free attaching Option to acquire a further Share exercisable at 4.4 cents on or before 27 August 2022 ("**Attaching Options**"), to raise gross proceeds of up to approximately \$6.8 million (before expenses) ("**Offer**"). The proceeds of the Offer will be used to deliver the Alberta business plan outlined in the Investment Overview. This Prospectus contains details of the Offer. You should read this Prospectus carefully.

Since February 2018, KALiNA's 100% owned, Canadian-incorporated subsidiary, KALiNA Distributed Power Limited ("**KDP**") has been developing a program to deploy multiple 22MW - 30MW distributed generation power plants, using advanced gas turbine technology and the Company's KALiNA Cycle® waste heat recovery technology.

This program has advanced to a stage whereby Full Notice to Proceed ("**FNTP**") on the initial two projects is anticipated by Q1 2021. Locations have been selected in areas of Alberta, Canada that have a growing generation demand and have distribution loads to support distributed generation.

In order to finance the CAPEX for each project, KALiNA entered into a Partnership Agreement with Akira Partners Inc. ("**Akira**") in April 2020 for the funding of KDP's projects in the Province of Alberta, Canada. The Partnership is based on Akira taking a majority equity interest and leading the debt capital raising efforts for KALiNA Cycle® technology projects. Akira will conditionally provide up to CAD\$70 million in project equity for the first two projects in development by KDP.

In July 2020, KALiNA entered into an agreement with Enerflex Ltd. (EFX:TO) ("**Enerflex**") for the modularization design of KALiNA Cycle plants. This contract is an important step in KALiNA achieving its objective of deploying multiple, combined cycle power plants in Alberta using KALiNA Cycle modules fabricated by Enerflex.

Under the Offer, KALiNA is raising capital to complete the project development phase of the initial Alberta KALiNA Cycle® technology projects and advance them to FNTP which is expected to occur during Q1 2021. Pursuant to the Akira partnership Agreement, FNTP represents an important milestone which will result in payments being made to the Company and each project will then become fully funded through to construction and operation. Under the Company's current Alberta business model, it is not anticipated for a need to raise additional capital at the KPO corporate level in order to deliver multiple Alberta projects.

The proceeds of the Offer, after costs, will be applied primarily towards investment in KDP and otherwise towards the matters set out in section 4.2 of this Prospectus.

Offer Overview

Under the Offer, Eligible Shareholders are entitled to subscribe for 1 Share at the Offer Price for every 3 Shares held at 7:00pm (Melbourne time) on the Record Date of Thursday, 6 August 2020 ("**Entitlement**"). In determining Entitlements to Shares, fractional Entitlements will be rounded up to the nearest whole number of Shares. Eligible Shareholders will also receive 1 free Attaching Option for every Share issued under the Offer. Up to 273,511,169 Shares and 273,511,169 Attaching Options may be issued under the Offer. Shares will rank equally with existing Shares in all respects from date of

quotation. While the Company will apply for Official Quotation of the Attaching Options within 7 days of the date of this Prospectus, Official Quotation of the Attaching Options is subject to satisfaction of the Quotation Conditions (please refer to section 4.10 for more information).

Eligible Shareholders, may also apply for additional Shares and Attaching Options in excess of their Entitlement at the same issue price of \$0.025 (2.5 cents) per Share ("**Shortfall Facility**"). Applications for Shares and Attaching Options under the Shortfall Facility will be satisfied out of any Entitlements for which applications have not been received from Eligible Shareholders before the closing date of the Offer. The Company reserves the right to scale back applications for the Shortfall Facility in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including but not limited to the size of an applicant's shareholding, the extent to which Eligible Shareholders have sold or bought additional shares after the date on which the Offer was announced, the date an application was made and any requirements of the Corporations Act and Listing Rules. Eligible Shareholders are therefore encouraged to submit their applications early. The Directors reserve the right to issue the Shares and Attaching Options under the Shortfall Facility at their discretion.

As at the date of this Prospectus, the Company anticipates that the Offer will be fully underwritten in accordance with the Underwriting Agreement entered into with the Underwriter, in conjunction with the sub-underwriting commitments secured by the Underwriter from the Sub-Underwriter as at the date of this Prospectus. For more information on the terms on which the Offer is underwritten, please refer to sections 4.6, 9.4 and 9.5.

How to Apply?

The Offer to which this Prospectus relates closes at 5.00pm (Melbourne time) on Friday, 21 August 2020 (unless extended).

Accompanying this Prospectus is your personalised entitlement and acceptance form ("**Entitlement and Acceptance Form**"). It details your Entitlement and is to be completed in accordance with the instructions provided on the form and the instructions in this Prospectus under "Brief Instructions for Eligible Shareholders". You may also apply for further Shares and Attaching Options under the Shortfall Facility using the Entitlement and Acceptance Form.

To participate, you must ensure that you have completed your application by paying application monies ("**Application Monies**") by BPAY® or by lodging your completed Entitlement and Acceptance Form with your Application Monies paid by cheque or bank draft, so that they are received by the Share Registry before 5:00pm (Melbourne time) on Friday, 21 August 2020.

If you do not wish to take up any of your Entitlement, you do not have to take any action. The Offer is non-renounceable so Entitlements will not be tradeable.

Further information

Further details of the Offer, as well as the risks associated with investing in the Offer are set out in this Prospectus which you should read carefully and in its entirety.

Notwithstanding that the Directors consider that the Company will be sufficiently capitalised to carry out its objectives outlined in this Prospectus following completion of the Offer, subject to prevailing investor demand and relevant circumstances at the applicable time, and in particular where the Offer is oversubscribed, without limiting any of its discretions (including the discretion to increase the size of the Offer) the Directors reserve the right to undertake a placement of Securities on the same terms as the Offer in order to capitalise on any such demand. Any such placement will be undertaken subject to the Company satisfying any applicable requirements of the Listing Rules, including having sufficient placement capacity and/or obtaining any necessary shareholder approvals.

All Directors have indicated they will participate in this Offer, either by participating as a Sub-underwriter or by subscribing for their Entitlements under the Offer. Please refer to section 9.8(c) for details of the Directors' anticipated respective participation as Sub-underwriters.

Yours Sincerely

On behalf of the Board

Ross MacLachlan
Chairman

2 INVESTMENT OVERVIEW

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

Question	Response
Who is conducting the Offer?	<p>KALiNA Power is the ASX listed owner of the KALiNA Cycle Technology an established Waste Heat to Power (“WHP”) system that generates electricity from heat generated in primary industrial processes that is otherwise lost or wasted.</p> <p>KALiNA’s wholly owned Canadian subsidiary KALiNA Distributed Power Limited (“KDP”) is developing a program to initially deploy multiple 30MW distributed generation power plants in Alberta, Canada.</p> <p>KALiNA and KDP have entered into agreements with Power Engineers, Akira Partners Inc and Enerflex Ltd for different aspects of the Alberta distributed Power Program.</p> <p>Please see section 3 for further Information.</p> <p><i>Intellectual Property (IP)</i></p> <p>The Company has 337 International patents. This represents a comprehensive Intellectual Property portfolio across applications, processes and designs.</p> <p>The IP patent portfolio operates in combination with KALiNA’s extensive technical know-how, proprietary process knowledge and trade secrets to provide comprehensive protection and added value to the Company’s technology platform.</p> <p>KALiNA has its head office in Melbourne, Victoria, Australia and its main operations and majority of its project development team are in Calgary, Alberta Canada. The Group CTO, Mark Mirolli is based in Florida, USA.</p>
Why is the Company conducting the Offer?	<p>The Company is conducting the Offer to raise the necessary capital to implement a Build Own & Operate model in Alberta, Canada that, if implemented, will enable KDP (and in turn, the Company) to receive development fees, recurring royalties and economic interests in select North American Projects.</p> <p>The initial program anticipates 2 projects reaching FNTF in Alberta, Canada during Q1 2021 with a further three projects commencing the following year. These projects are supported by the funding agreement with Akira and the technical support of Enerflex and Power Engineers alongside the internal capabilities of the KALiNA team.</p> <p>The business model includes the non-dilutive funding Partnership Agreement in place with Akira, who agrees to provide project equity funds and arrange project debt for the proposed opportunities in Alberta. The key terms of the arrangement with Akira are:</p> <ul style="list-style-type: none">• Akira will take a majority equity interest in each project

Question	Response
	<ul style="list-style-type: none"> • Akira will provide up to CAD\$70M in project equity for the initial 2 plants and has conditional rights for subsequent plant financing. • KDP is to receive reimbursement of its development costs, a Development Fee of 4% on total Capex and KPO to receive ongoing royalties based on the number of MWs installed using KALiNA Cycle® technology • Akira will receive a priority cashflow from the projects calculated on various risk adjusted rates of return, and depending on the contracted structure of each project. KDP will then receive waterfall returns once the priority cashflow has been paid to Akira. • KALiNA also has the option, wholly at its discretion to co-invest equity in the projects. Any such equity interest would then provide earlier access to cashflow from a project than that anticipated from the waterfall participation structure. <p>The Core Income Streams for the Group are anticipated to flow from:</p> <ul style="list-style-type: none"> • Reimbursement of project specific development costs • Development fees of 4% of total Capex per project • Annual royalties associated with the use of Kalina Cycle technology • Management fees during construction and operations • Waterfall of cashflow earnings from each project; and • Cashflow payments from any projects in which KALiNA makes a co-investment. <p>See section 3 for further Information</p>
<p>What is being offered and at what price?</p>	<p>The Company is offering to issue Shares and Attaching Options to Eligible Shareholders by a pro-rata non-renounceable entitlement offer.</p> <p>Under the Offer, Eligible Shareholders may subscribe for 1 Share for every 3 Shares held on the Record Date, at a price of \$0.025 (2.5 cents) per Share. For every Share issued under the Offer, Eligible Shareholders will also receive one (1) free Attaching Option with an exercise price of \$0.044 (4.4 cents) and expiring on 27 August 2022.</p>
<p>How many new securities will be issued?</p>	<p>The maximum number of Shares and Attaching Options that will be issued under the Offer (if the Offer is fully subscribed) is approximately 273,511,169 Shares and approximately 273,511,169 Attaching Options.</p>
<p>What is the amount that will be raised?</p>	<p>The Company is seeking to raise up to approximately \$6.8 million (before expenses). Please refer to section 4.2 for a summary of the anticipated application of the Offer proceeds.</p>

Question	Response
Who is eligible to participate in the Offer?	<p>The Offer is made to Eligible Shareholders only. An Eligible Shareholder is a Shareholder with a registered address in Australia or New Zealand, on the Record Date and who is eligible under all applicable securities laws to receive an offer under the Offer.</p> <p>If you are not an Eligible Shareholder, you are not able to participate in the Offer.</p>
What are the alternatives for Eligible Shareholders?	<p>The Offer is non-renounceable so as an Eligible Shareholder, you may:</p> <ul style="list-style-type: none"> • take up all of your Entitlements; • take up part of your Entitlements; • if you have taken up all of your Entitlements, apply for additional Shares and Attaching Options by way of the Shortfall Facility; or • allow all of your Entitlements to lapse.
Can I apply for Shares and Attaching Options in excess of my Entitlement?	<p>Yes. Eligible Shareholders who subscribe for their Entitlement in full may apply for additional Shares and Attaching Options by way of the Shortfall Facility.</p> <p>The Company reserves the right to scale back applications for the Shortfall Facility in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including but not limited to the size of an applicant's shareholding, the extent to which Eligible Shareholders have sold or bought additional shares after the date on which the Offer was announced, the date an application was made and any requirements of the Corporations Act and Listing Rules.</p> <p>Any Shares and Attaching Options not taken up by Eligible Shareholders (including under the Shortfall Facility) will be dealt with in accordance with the Underwriting Agreement.</p>
Is the Offer underwritten?	<p>The Underwriter has agreed to underwrite the Offer for a minimum amount of \$500,000 (Minimum Underwriting) but which amount increases upon the Underwriter securing any additional sub-underwriting commitments from the Sub-underwriters in relation to the Offer (Underwritten Amount). Accordingly, the Underwriter's obligation to underwrite the Offer to an amount greater than the Minimum Underwriting is subject to the Underwriter securing sufficient commitments from the Sub-underwriters and there not being any default under any of the Sub-underwriting Agreements (or such Sub-underwriting Agreements otherwise being terminated).</p> <p>As at the date of this Prospectus, the Underwriter has secured sub-underwriting commitments totalling approximately \$6.3 million. Accordingly the aggregate amount underwritten is \$6.8 million. Please see section 9.5 for more information on the sub-underwriting commitments secured by the Underwriter as at the date of this Prospectus.</p> <p>Therefore, in conjunction with the Minimum Underwriting, the Company anticipates that the Offer will be fully underwritten. However as noted above,</p>

Question	Response
	the Underwritten Amount is subject to there not being any default under any of the Sub-underwriting Agreements.
What is the effect on control of the Company?	While the Offer is not anticipated to have a material effect on control of the Company, the effect on the control of the Company will depend on the take-up of Entitlements by Eligible Shareholders. Please refer to section 5.4 for more information.
What are the key risks of further investment in the Company?	<p>Potential investors should be aware that subscribing for Shares and Attaching Options in the Company involves a number of risks. A summary of some of the more significant risks which affect an investment in the Company are:</p> <p><i>Potential for significant dilution</i></p> <p>Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted as a result of the Offer. Please refer to section 5.3 of this Prospectus for examples of how the potential dilutionary effect of the Offer may impact Shareholders.</p> <p><i>Options Risk</i></p> <p>There is no guarantee that the price of Shares will trade above the Exercise Price of the Attaching Options proposed to be issued under the Offer at any time during the Exercise Period.</p> <p>While the Company will apply for Official Quotation of the Attaching Options, there is no guarantee that the Quotation Condition will be satisfied or that ASX will admit the Attaching Options to Official Quotation (refer to section 4.10 for more information). If the Company does not successfully apply for Official Quotation of the Attaching Options, there may not be a liquid market for trading in the Attaching Options.</p> <p><i>Underwriting Risk</i></p> <p>If the Underwriter (or any Sub-Underwriter) terminates their obligations under the Underwriting Agreement (or respective Sub-Underwriting Agreement), the Company may not raise the Underwritten Amount under the Offer, and may need to find alternative financing to meet its funding requirements. There is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms and conditions. Termination by the Underwriter (or any Sub-Underwriter) of their obligations under the Underwriting Agreement (or respective Sub-Underwriting Agreement) could materially adversely affect the Company's business, cash flow and financial position.</p> <p><i>Going concern</i></p> <p>The operating loss for the 6 months period ended 31 December 2019 was \$2,422,972 (half-year ended 31 December 2018: \$2,791,901). The consolidated entity had net current assets as at 31 December 2019 of \$1,484,151 (30 June 2019: net current liabilities \$50,041). 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</p>

Question	Response
	<p>to pay its debts as and when they fall due, based on forecasted cash flows through to July 2021.</p> <p>The Directors opinion is based on certain key assumptions including:</p> <ul style="list-style-type: none"> • The Offer is expected to raise \$6.8 m before costs. • As envisaged if the initial two projects reach Full Notice to Proceed (FNTP) by end 1st quarter of 2021, the Company is expected to then receive over C\$7.8m. 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>COVID-19</p> <p>The Covid-19 situation has not materially impacted the project development or funding process for the Alberta projects.</p> <p>The Covid-19 pandemic has caused a number of challenges in the funding process, including restrictions on travel and meetings which would have otherwise taken place. Working together with various capital providers and engineering partners, management and its advisors have adapted to the situation and continued to be constructively engaged in moving the projects forward.</p> <p>Whilst Covid-19 has not materially impacted the project development or funding process to date, there is continued uncertainty as to the duration of and further impact of Covid-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian and global economy. There is a risk that if the spread of Covid-19 continues, and/or the actions taken to combat Covid-19 persist, the Company's operational and financial performance could deteriorate. This could may also affect delivery of equipment where suppliers and their supply chains are adversely impacted by Covid-19, site specific activities related to site preparation and construction or a drop in demand for electricity due to economic impacts of Canadian and International responses to Covid-19.</p> <p>Project Funding</p> <p>The Company has entered into a funding partnership agreement with Akira Partners. The agreement provides for Akira to provide the project equity and arrange the debt funding portion of approximately 50% for the costs of each of the first two projects in Alberta, Canada. Further, the agreement gives Akira a right of first offer to fund subsequent projects in Alberta. This funding is conditional on Akira completing its capital raising for their investment fund as well as customary project specific conditions such as satisfactory project locations, capital costs, counterparty risk and anticipated project cashflows.</p> <p>The Akira principals have a significant track record of raising capital and deploying it successfully in North American projects. The Company anticipates that the project funding to be provided by Akira will proceed as expected.</p>

Question	Response
	<p>However, in the event that Akira does not proceed with the project funding as anticipated and/or debt financing is not available for the balance of the funding requirement then the time lines for reaching FNTP, construction and operation of the projects and the associated cashflow to the Company will be delayed until such time as project funding can be successfully obtained.</p> <p>Accordingly, the Company is heavily reliant on the funding derived from the funding partnership agreement entered into Akira in order to carry out its stated business objectives and to remain as a going concerns. While the Company may be able to seek to exploit opportunities that will require it to raise additional capital from equity or debt sources (such as pursuant to the Offer or any placements that may be completed following the Offer), there can be no assurance that the Company will be able to raise such capital on favourable terms or at all. As a result, if the funding partnership agreement with Akira is terminated and the Company is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition, operating results or ability to remain as a going concern.</p> <p><i>Delayed Project Delivery</i></p> <p>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 fees and royalty payments and this will impact on the working capital available to the KALiNA Group.</p> <p><i>Future capital requirements for business model</i></p> <p>The Company's strategy of providing the KALiNA cycle to projects will require the Company have sufficient working capital in order to reach FNTP for a project prior to receiving the majority of the payments due. However, if the necessary capital is not secured the Company may not be able to implement its business plan. The Company has an established power project development team, capable of providing support to execute and deliver such projects on a reimbursable basis.</p> <p><i>Technology</i></p> <p>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.</p> <p><i>Foreign exchange</i></p> <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>

Question	Response
	<p>In addition, the value of its investments, assets and liabilities in foreign jurisdictions will be affected by currency movements and therefore could impact on the Company's financial statements</p> <p><i>Dependence on proprietary technology</i></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 Company holds a number of US patents and US patent applications and 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 patents will be maintained or upheld as valid or that their granting will prevent the development of competitive technologies. The Company enters 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 in this regard will be adequate to prevent misappropriation of its technology or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. In addition, the laws of some foreign countries may not protect the Company's proprietary rights against others.</p> <p>Third parties may assert infringement claims in the future with respect to the Company's current or future technologies. Such claims may require the Company 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 has 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 in the future. The uncertainty of the legal environment in certain foreign countries could make it more difficult for the Company to enforce the intellectual property rights and other rights under agreements relating to projects located in those countries.</p> <p><i>International Operations / Sovereign Risk</i></p> <p>The Company expects to derive a portion of its revenues from recurring royalties and income earned from the operation of power plants in Alberta and internationally. Power plant projects entail political and financial risks (including uncertainties associated with first-time privatisation efforts in some countries, 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>

Question	Response
	<p><i>Government Legislation Policy Changes</i></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><i>Climate Change Risk</i></p> <p>Whilst KALiNA's technology results in less carbon emissions than would otherwise be produced from the operation of power generation assets, KALiNA acknowledges climate change is an international and community concern and that a number of governments or regulatory</p> <p>International bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. Where legislation already exists, regulation relating to emission levels and energy efficiency is becoming more stringent. If the current regulatory trend continues, this may both support the business model of KALiNA but may also result in increased costs for KALiNA. Additionally, the physical risks of climate change may also have an adverse impact on KALiNA's operations. These may include extreme weather events, resource shortages, changes in rainfall and storm patterns, and intensities, water shortages, changing sea levels and changing temperatures.</p> <p><i>Management – Reliance on key personnel</i></p> <p>The Company's success depends largely on the core competencies of its directors and management and their familiarisation with, and ability to operate in, a renewable energy business or clean technology business such as is carried on by the Company and the ability to retain the 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> <p><i>Global economic conditions</i></p> <p>The financial performance of the Company is dependent on global economic conditions and the global economic outlook, and in particular on the economic conditions and outlook in Australia and Canada. Economic conditions may be affected by levels of business spending, inflation, interest rates, consumer</p>

Question	Response
	confidence, access to debt and capital markets and government fiscal, monetary and regulatory policies. A prolonged downturn in general economic conditions (such as that which may arise due to COVID-19) may have a material adverse impact on the Company's trading and financial performance.

3 ALBERTA BUSINESS PLAN

The Province of Alberta, Canada, represents KALiNA's primary market focus where the province has legislated the retirement of 5.7GW of coal-fired generation. Since February 2018 the Company's subsidiary, KALiNA Distributed Power Limited ("KDP") has been implementing its development program for multiple 22MW - 30MW distributed generation power plants, using advanced gas turbine technology and KALiNA's waste heat recovery technology, the KALiNA Combined Cycle ('KCC'). A 30MW (nominal name plate capacity) KCC plant comprises a 21MW Gas Turbine with a 9MW KALiNA Cycle module.

KDP selected Alberta due to a number of circumstances that together make Alberta an extremely attractive location for its distributed generation power plant projects. Alberta has legislated retirement of 5.7 GW of baseload coal fired power, resulting in market uncertainty on how to replace ~40% of capacity and energy.

Alberta also has one of highest industrial demands of any North American grid and an abundance of low-cost natural gas. Its power prices have almost tripled since 2017, with an average of over CAD\$50 per MWh in 2020. Despite COVID19 and commodity price impacts, forwards are currently over CAD\$50.

These circumstances have provided the commercial impetus for KDP to develop its projects to address these opportunities in the Alberta market that can be deployed relatively quickly and address specific regional demand for distributed power generation.

These circumstances are also providing a commercial driver for gas producers in areas of Alberta who face an oversupply of gas, significant delivery charges via the existing gas pipelines as well as high electricity costs due to their locations predominantly at the end of the electric transmission infrastructure.

It is these factors that has allowed KALiNA and KDP to enter into its funding partnership with Akira and negotiations with gas producers to potentially toll gas through the power plant.

Funding Partner - Akira Partners

Akira Partners is a Calgary-based essential assets investment firm that sources, invests, and manages investments in energy & sustainable infrastructure assets. Akira's principals have raised and deployed over \$3 billion of capital across North American energy and infrastructure. Akira takes a purposeful approach to investing capital and is a signatory to the United Nations-supported *Principles of Responsible Investing*.

Under the partnership agreement, Akira have agreed to fund the equity portion of the Capex required for the first two Alberta Projects. This is capped at CAD\$70 million across both projects. Akira will also lead the sourcing of debt financing for the first two projects. The provision of funds by Akira is conditional on them completing their capital raise process for their infrastructure fund. The Directors believe Akira will successfully complete this capital raise due to their track record of success in investing in infrastructure. There are also customary project specific conditions such as appropriate project location, capital cost and anticipated revenues for a project that will need to be met in order to move to FNTF on each project.

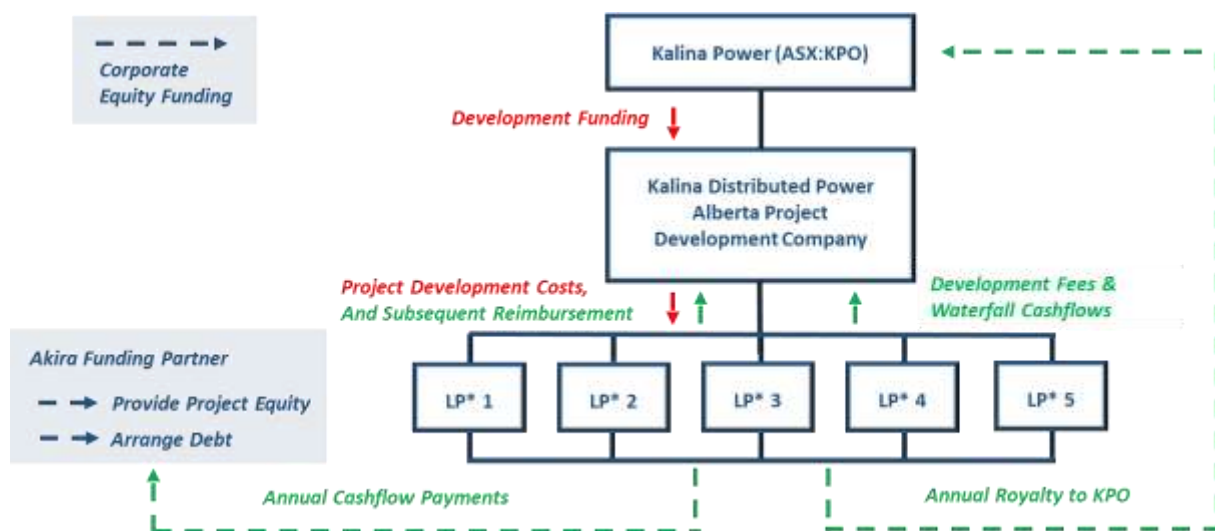
KDP is on track in completing a number of project development milestones to achieve FNTF, including site assessment, site specific engineering, permit applications and detailed design engineering so as to satisfy the conditions for the Akira funding.

Under the partnership agreement, once the projects reach FNTF, the project company, utilising the funds from Akira will pay to KDP the following:

- reimbursement of its development costs for projects 1 and 2, which includes for the preliminary engineering and design of the KCC. This engineering and design work generated in the first two projects is generally applicable for all KCC projects moving forward. As a result less costs will be incurred by KDP in developing projects beyond the first two.
- a 4% Development Fee based on the agreed capital cost of a project. The development fee for project 1 and 2 will be paid 50% at FNTF, anticipated in Q1, 2021 and 50% at the commercial operation date ('COD') of the first two projects, anticipated in Q4, 2022. For future projects the Akira partnership agreement provides for the development fee to be paid in full at FNTF.
- A waterfall cashflow participation, payable once certain returns are received by Akira in the first two projects.

In addition to the monies expected to be received by KDP, KPO will be paid an ongoing royalty based on the number of MWs installed using KCT. This royalty is currently set at C\$35,000 per MW per annum and is anticipated to be received for 20 years from COD of each project.

The funding structure and capital movement is summarised as follows:



*Limited Partnership Vehicle which represents each individual project

Technical Partner – Power Engineers

KALiNA has engaged Power Engineers (**Power**) as KDP's Owner's Engineer and process design reviewer.

Power is a global consulting engineering firm specializing in the delivery of integrated engineering solutions and is ranked 4th by Engineering News Record in the Power sector for 2019. Over the years, Power has been involved in various engineering studies, proposals and projects involving the KALiNA Cycle.

The Company considers that the process design, engineering and procurement efforts on the KCC clean energy projects being developed by KDP are up to standard for projects at this stage and that cost estimates and performance expectations can be substantiated.

Power worked closely with KDP to implement a competitive selection process to select a gas turbine vendor along with selection of a modularization packaging vendor. KALiNA has recently awarded the contract to Enerflex Ltd. (EFX:TO) for the modularization design of KALiNA Cycle plants. The final selection of the gas turbine vendor is expected over the following month.

Technical Partner – Enerflex Ltd

This contract with Enerflex is an important step in the Company achieving its objective of deploying multiple, combined cycle power plants in Alberta using KALiNA Cycle modules.

Alberta-based Enerflex is an international engineering, design, fabrication, construction, and commissioning company with a market cap of over AUD \$4,632 million (CAD \$4,400 million). Enerflex has major fabrication facilities in Calgary and Houston and extensive experience with the packaging and modularization of gas processing, power plants and other industrial facilities in over 50 countries. Enerflex is also engaged with the deployment and ownership of their own power projects. Enerflex have shown a strategic interest in working with KALiNA in Alberta, other markets in North America and internationally on deployment of the KALiNA Cycle.

The engagement with Enerflex involves a conditional, stage gated process to deliver cost effective, modularization of KALiNA Cycle plants. The first phase has commenced with engineering and cost estimating of modularization underway. With a successful transition through each stage, the Company expects to complete and advance a range of project development milestones which will keep projects on track to achieve Full Notice to Proceed with its project funding capital partner Akira Partners by the end of the first quarter of 2021.

Projects

KDP has undertaken an extensive analysis and screening process to select optimised sited and priorities for the Alberta opportunities. One of the key criteria focussed on is for sites to ideally be located next to gas production facility fence-line. These adjacent operations will allow better access to raw gas, sales gas and distributed grid tie-in. Further, these adjacent operations could allow plant staff to run the generation facility, thereby generating addition operating revenue.

This process has resulted in a portfolio of sites for regional, distributed power generation that have Transfer Stations with “Feeders” in place to accept small-scale generation. Such sites for distributed power generation can facilitate an expedited regulatory and permit approval process allowing projects to come to market more quickly and generate power that would otherwise be the case for larger power projects.

KDP is well underway with the necessary interconnect studies and staged gated approval process, along with permitting and regulatory processes on the priority sites. The process is in place with regulatory agencies to secure final site control on the primary sites.

Utilising this process for sites has allowed KDP to focus in the near term on a tolling contract model which provides long term stable returns for Akira and KDP, while providing benefits to a gas producer counterparty in the region.

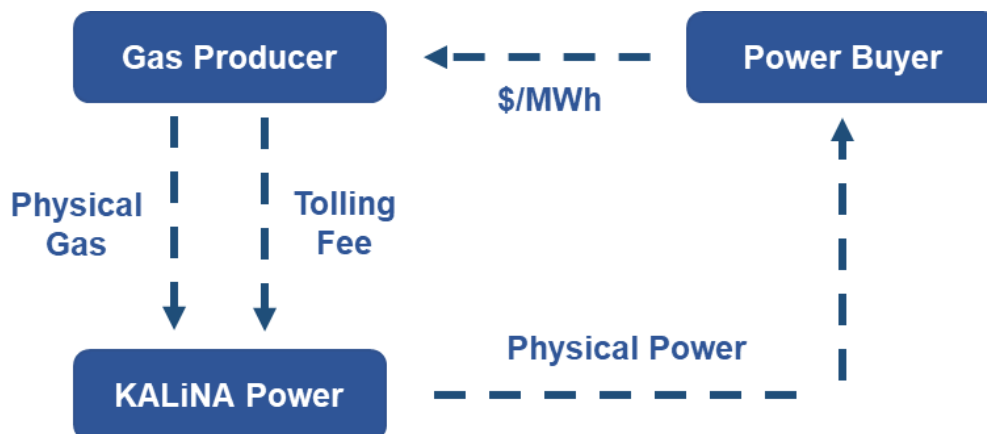
The tolling contract model can be summarised as follows:

- KALiNA is negotiating 10–20-year term tolling agreements
- The gas producer delivers their gas to the KALiNA KCC facility, and
- Pays a tolling charge to KALiNA based on a capital charge rate which is largely determined by level of counter-party credit risk

- The gas producer is paid for all power sold into the AESO (power spot market in Alberta)
- The KCC facility is designed to operate in baseload, >96% annual Load Factor
- The Toll is effectively a cross-commodity hedge or arbitrage for the gas producer
- This also protects the gas producer from uncapped future power market risk
- The incentives available in Alberta for power generation, including Distribution Grid and STS (transmission) credits flow to the gas producer
- The Toll reduces Gas Producers' exposure to AECO gas pricing index

The outcome of this arrangement is that a gas producer could achieve power index exposure with a potential for realized equivalent gas prices of C\$2.50 to \$3.00 per Gj. The gas price (as at 28 July 2020) for a producer in the region that KDP is focusing on is C\$1.80.

The tolling contract model is summarised as follows:



Potential near term Cashflow from first 5 Projects under Akira Partnership

KDP is currently undertaking the development activities required to reach FNTP on projects 1 and 2 by Q1 2021. COD for these two projects is anticipated to be Q4 2022.

KDP intends to commence projects 3, 4 and 5 such that FNTP on these 3 further projects will be in Q1, 2022 and COD in Q4, 2023.

Key assumptions in order to maintain this timetable will be:

- satisfying the conditions for the Akira funding for each project, including Akira exercising their right to make a first offer to fund future projects beyond the first two;
- sourcing and satisfying the conditions for debt funding on each project;
- no material delays in equipment supply, and in particular for long lead items due to Covid-19;
- no material delays in regulatory approvals and any third party construction related to the regulatory requirements.

If the projects are developed as currently anticipated and planned by KDP, the payments due to KDP and KPO will be approximately as follows:

Projects 1 & 2 (combined payments)

- Reimbursement of costs to end Q1 2021 at FNTP = CAD\$4.5m
- Half of 4% development fee at end Q1 2021 at FNTP = CAD\$3m
- Half of 4% development fee Q4 2022 at COD = CAD\$3m

Projects 3, 4 & 5 (combined payments)

- Reimbursement of costs to end Q1 2022 at FNTP= CAD\$2.2m
- 4% Development fee at end Q1 2022 at FNTP = CAD\$9m

Once in operation, each project will pay the annual royalty to KALiNA and as appropriate any waterfall cashflow participation.

4 DETAILS OF THE OFFER

4.1 The Offer

This Prospectus invites Eligible Shareholders to participate in a pro-rata non-renounceable entitlement offer of up to approximately 273,511,169 Shares on the basis of 1 Share for every 3 Shares held at 7:00pm (AEST) on the Record Date at an issue price of \$0.025 (2.5 cents) per Share and up to approximately 273,511,169 Attaching Options on the basis of 1 free Attaching Option for every Share issued, with each Attaching Option having an exercise price of \$0.044 (4.4 cents) and expiring on 27 August 2022 for the purpose of raising up to approximately \$6.8 million (before expenses). In determining Entitlements to Shares, fractional Entitlements will be rounded up to the nearest whole number of Shares.

As at the date of this Prospectus, the Company has 820,533,507 Shares on issue. All of the Shares offered under this Prospectus will rank equally with the Shares on issue as at the date of this Prospectus. Please refer to section 7 for further information regarding the rights and liabilities attaching to the Shares.

The Company also has Options on issue, further details of which are located at section 5.2.

Please refer to section 8 for further information regarding the terms and conditions of the Attaching Options offered under this Prospectus.

4.2 Purpose of the Offer and use of funds

The purpose of the Offer is to raise up to approximately \$6.8 million (before costs). The Offer is underwritten to \$6.8 million. It is anticipated that the funds raised from the Offer, assuming full subscription, will be indicatively applied as follows:

Description	Amount ¹
Offer expenses ²	\$553,850
Repayment of Loan ³	\$500,000
Investment in KDP	\$5,160,000
Additional working capital	\$623,929
Total (AUD)	\$6,837,779

Notes:

- The above table is a statement of current intentions as of the date of this Prospectus assuming full subscription. It is anticipated that these funds will be applied over the next six to nine months.*
- Please refer to section 9.11 for an estimated breakdown of the expenses of the Offer.*
- As noted in section 9.5, the Company has entered into a Loan Agreement with Sinalunga, pursuant to which the Company is required to repay an amount of \$500,000 and accrued interest, upon maturity of the Loan. While the Company intends to exercise its discretion to allocate sufficient Shortfall Securities to Sinalunga, which is a Sub-underwriter to the Offer,*

such that the Company's obligations to repay the Loan may be offset against Sinalunga's sub-underwriting commitments, there is no guarantee that there will be sufficient Shortfall Securities for this purpose. Accordingly, to the extent that the Loan is not fully offset by the allocation of Shortfall Securities, the Company will utilise Offer proceeds to repay the Loan. Otherwise, the Company intends to apply the Offer proceeds allocated to repayment of the Loan for additional working capital purposes.

The Company's current cash resources and additional capital proposed to be raised by the Offer are expected to be sufficient to meet the Company's current stated activities.

Notwithstanding that the Directors consider that the Company will be sufficiently capitalised to carry out its objectives outlined in this Prospectus following completion of the Offer, subject to prevailing investor demand and relevant circumstances at the applicable time, and in particular where the Offer is oversubscribed, without limiting any of its discretions (including the discretion to increase the size of the Offer) the Directors reserve the right to undertake a placement of Securities on the same terms as the Offer in order to capitalise on any such demand. Any such placement will be undertaken subject to the Company satisfying any applicable requirements of the Listing Rules, including having sufficient placement capacity and/or obtaining any necessary shareholder approvals.

4.3 Minimum subscription

There is no minimum subscription in respect of the Offer.

4.4 No trading of Entitlements

Entitlements to Shares and Attaching Options pursuant to the Offer are non-renounceable and accordingly Eligible Shareholders may not dispose of or trade any part of their Entitlement.

4.5 Offer period

The Offer will open for receipt of acceptances on Tuesday, 11 August 2020 and will close at 5.00pm (AEST) on Friday, 21 August 2020, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 3 Business Days prior to the Closing Date.

4.6 Underwriting

The Underwriter has agreed to underwrite the Offer for a minimum amount of \$500,000 (**Minimum Underwriting**) but which amount increases upon the Underwriter securing any additional sub-underwriting commitments from the Sub-underwriters in relation to the Offer (**Underwritten Amount**). Accordingly, the Underwriter's obligation to underwrite the Offer to an amount greater than the Minimum Underwriting is subject to the Underwriter securing sufficient commitments from the Sub-underwriters and there not being any default under any of the Sub-underwriting Agreements (or such Sub-underwriting Agreements otherwise being terminated).

As at the date of this Prospectus, the Underwriter has secured sub-underwriting commitments totalling approximately \$6.3 million. Accordingly, in conjunction with the Minimum Underwriting, the Company anticipates that the Offer will be fully underwritten. However as noted above, the Underwritten Amount is subject to there not being any default under any of the Sub-underwriting Agreements and accordingly notwithstanding the sub-underwriting commitments secured as at the date of this Prospectus, there is no guarantee that the Offer will be underwritten by any amount other than the Minimum Underwriting.

To the extent that funds raised from Eligible Shareholders under the Offer, including the Shortfall Facility, is less than the Underwritten Amount, the Underwriter must apply for the Shortfall up to the Underwritten Amount in accordance with the terms of the Underwriting Agreement.

The Underwriting Agreement is subject to standard terms and conditions which are summarised in section 9.4. All valid applications for Shares and Attaching Options pursuant to this Prospectus received by the Company, from all sources, including under the Shortfall Facility, will be deemed to have been accepted in full by the Company and will go in relief of the obligations of the Underwriter under the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee as set out in section 9.4 as consideration for the Underwriter's underwriting obligation in accordance with the Underwriting Agreement. In addition to such fees the Company has also agreed to pay the Underwriter a retainer for a period of six months.

The Underwriter is not a related party and has no current interest in Shares or Options. Given that the Underwriter's maximum exposure to subscribe for Shares and Attaching Options is the Minimum Underwriting, the Company does not anticipate that the Underwriter will be a substantial shareholder of the Company on completion of the Offer.

All Directors have entered (whether directly or via their respective associated entities) into Sub-underwriting Agreements with the Underwriter to sub-underwrite the Offer up to \$565,329. The table below sets out each Directors' respective sub-underwriting obligations under the Offer as well as the sub-underwriting fee equal to 5% (excl GST) payable to each Director on their respective sub-underwritten amounts.

Director	Sub-underwritten Amount	Sub-underwriting Fee
Malcolm Jacques	\$80,000	\$4,000.00
John Ross MacLachlan	\$100,000	\$5,000.00
Jeffry Michael Myers	\$100,000	\$5,000.00
Peter Albert Littlewood	\$80,000	\$4,000.00
Timothy David Horgan	\$205,329	\$10,266.45
Total	\$565,329	\$28,266.45

In addition to the Directors, the Underwriter has also entered into Sub-underwriting Agreement with various other parties for sub-underwriting commitments totalling, in aggregate \$5,772,450, details of which are set out in section 9.5. The Underwriter will pay a sub-underwriting fee to all Sub-underwriters equal to 5% (excl GST) of the amount sub-underwritten by them. This means the Directors will be paid the sub-underwriting fees as set out in the table above. Sub-underwriting fees will be satisfied by the Underwriter through its underwriting fee.

The Company has also entered into the Loan Agreement with Sinalunga, being a Sub-underwriter, whereby the Loan Agreement as well as the Sub-underwriting Agreement entered into between Sinalunga and the Underwriter allow Sinalunga to elect to off-set the amounts payable by the Company pursuant to the Loan Agreement against Sinalunga's sub-underwriting obligations under its relevant Sub-underwriting Agreement.

The Sub-underwriters may be allocated Shares and Attaching which become available pursuant to the Shortfall Facility and will be dealt with in accordance with the Underwriting Agreement and relevant Sub-underwriting Agreements. Except as noted above, the Sub-underwriters are not related parties of the Company and will not be substantial shareholders of the Company on completion of the Offer.

Please refer to sections 9.4 and 9.5 for more information on the underwriting arrangements for with respect to the Offer.

4.7 Entitlement and acceptance

The number of Shares and Attaching Options to which you are entitled ("**Entitlement**") is shown in the Entitlement and Acceptance Form. In determining Entitlements to Shares, fractional Entitlements will be rounded up to the nearest whole number of Shares.

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus.

You may participate in the Offer as follows:

- (a) If you wish to accept your Entitlement in full:
 - (i) pay the amount indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (AEST) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form.
- (b) If you only wish to accept part of your Entitlement:
 - (i) pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (AEST) on the Closing Date; or
 - (ii) fill in the number of Shares and Attaching Options you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate Application Monies (at \$0.025 per Share).
- (c) If you wish to apply for additional Shares and Attaching Options under the Shortfall Facility:
 - (i) complete the relevant section of your Entitlement and Acceptance Form and return it together with a single cheque for the appropriate application monies for both your Entitlement and the additional Shares and Attaching Options you wish to apply for; or
 - (ii) pay the appropriate application monies for both your Entitlement and the additional Shares and Attaching Options you wish to apply for via BPAY® using

the BPAY® code and personalised reference number indicated so that the funds are received before 5.00pm (AEST) on the Closing Date.

- (d) If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques or bank drafts must be drawn on an Australian branch of a financial institution and made payable in Australian currency to “Kalina Power Limited” and crossed “Not Negotiable”.

Your completed Entitlement and Acceptance Form and cheque must be:

Mailed to:

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

and received by no later than 5:00pm (AEST) on the Closing Date.

If you choose to pay via BPAY® you are not required to submit your Entitlement and Acceptance Form. Your BPAY® payment will not be accepted after 5:00pm (AEST) on the Closing Date and no Shares or Attaching Options will be issued to you in respect of a late application.

If you have multiple holdings you will have multiple BPAY® reference numbers. To ensure you receive your Shares and Attaching Options in respect of that holding, you must use the specific biller code and the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any Shares and Attaching Options that you wish to apply for in respect of that holding.

Please note that if you inadvertently use the same customer reference number for more than one of your applications, you will be deemed to have applied for the Entitlement to which that customer reference number applies and any excess amount will be deemed to be an application for additional Shares and Attaching Options under the Shortfall Facility.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY®. It is your responsibility to check that the amount you wish to pay via BPAY® does not exceed your limit.

The Offer to Shareholders is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

Non-acceptance of Entitlement

If you do not wish to take up any part of your Entitlement under the Offer, you are not required to take any action.

If Eligible Shareholders do not take up their entitlement, their existing interest in the Company will be diluted. Please refer to section 5.3 for further details of the potential dilutionary impact of the Offer.

Taxation Implications

Shareholders should obtain independent advice on the taxation implications arising out of their participation in the Offer.

Further queries

If you have any queries regarding your Entitlement, please contact the Company Secretary by telephone on +61 (03) 9236 2800 or your stockbroker, financial or other professional adviser.

Please note if you do not accept your Entitlement in full in accordance with the instructions set out above, any part of an Entitlement not accepted in full will form part of the Shortfall Facility.

4.8 Shortfall Facility

Eligible Shareholders may also apply for additional Shares and Attaching Options in excess of their Entitlement at the same Offer Price of \$0.025 (2.5 cents) per Share under the Shortfall Facility.

Shares and Attaching Options issued under the Shortfall Facility will be drawn from Shares and Attaching Options that relate to Entitlements which have not been taken up under the Offer.

There is no guarantee regarding the number of Shares and Attaching Options (if any) that will be available to Shareholders under the Shortfall Facility, in addition to their Entitlement under the Offer. This will depend on how many Entitlements are taken up. If all Entitlements are taken up under the Offer then there will be no Shares and Attaching Options under the Shortfall Facility available.

The Company reserves the right to scale back applications for the Shortfall Facility in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including the size of an applicant's shareholding, the extent to which Eligible Shareholders have sold or bought additional shares after the date the Offer was announced on 24 July 2020, or the Record Date, the date an application was made and any requirements of the Corporations Act and Listing Rules. Eligible Shareholders are therefore encouraged to submit their applications early.

The Offer is underwritten up to \$6.8 million. Accordingly, any Entitlements not taken up under the Offer (including under the Shortfall Facility) are expected to be subscribed for by the Underwriter and Sub-Underwriters. Please refer to section 9.4 for details of the Underwriter and Underwriting Agreement.

4.9 Allotment of Shares and Attaching Options

The Shares and Attaching Options are expected to be allotted by no later than Friday, 28 August 2020. Until issue and allotment of the Shares and Attaching Options under this Prospectus, the Application Monies will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on Application Monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the Shares and Attaching Options takes place.

4.10 ASX listing

Shares

Application for Official Quotation of the Shares allotted pursuant to this Prospectus will be made within 7 days of the date of this Prospectus.

If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus within three months after the date of this Prospectus (or such period as varied by ASIC), the Company will not allot any Shares and will repay all application monies for the Shares within the time period prescribed under the Corporations Act, without interest.

A decision by ASX to grant Official Quotation of the Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Shares now offered for subscription.

Attaching Options

Application for Official Quotation of the Attaching Options will be made within 7 days of the date of this Prospectus.

However Official Quotation of the Attaching Options on ASX is dependent on the satisfaction of ASX Listing Rule 2.5, condition 6, which requires that there are at least 100,000 Options (which includes the Attaching Options) on issue and 50 holders of Options with a marketable parcel (excluding restricted securities) ("**Quotation Condition**"). As at the date of this Prospectus, the Company cannot guarantee that the quotation condition will be satisfied. If the Quotation Condition is not satisfied, the Attaching Options will continue to be issued but will not be quoted.

A decision by ASX to grant Official Quotation of the Attaching Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Attaching Options now offered for subscription.

4.11 Overseas investors

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Shareholders outside of Australia and New Zealand ("**Excluded Shareholders**") having regard to:

- (a) the number of Shareholders outside of Australia and New Zealand;
- (b) the number and value of the securities to be offered to Shareholders outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to, and does not, make offers under the Prospectus to Shareholders outside of Australia and New Zealand.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any Shares.

All Entitlements that would have been offered to Excluded Shareholders will be allowed to lapse and will form part of the Shortfall Facility.

A Shareholder with a registered address in Australia or New Zealand on the Record Date and who are eligible under all applicable securities laws to receive the Offer is eligible to apply for their Entitlements under the Offer ("**Eligible Shareholder**").

This Prospectus and the Entitlement and Acceptance Form do not constitute an offer of, or any invitation to subscribe for, any of the 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 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 and New Zealand holding existing 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.

4.12 Dividend policy on increased capital

The Shares offered by this Prospectus will be entitled to any dividend declared on 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 Shares will be issued.

4.13 Speculative investment

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

4.14 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.

4.15 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and such other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the Directors.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. Some of these risk factors are set out in the section of the Investment Overview titled '*What are the key risks of further investment in the Company?*'.

5 EFFECT OF THE OFFER

5.1 Effect of the Offer

The principal effects of the Offer on the financial position of the Company, assuming all Entitlements are accepted are as follows:

- (a) the Company will issue up to 273,511,169 Shares and the total number of Shares on issue will increase to 1,094,044,676;
- (b) the Company will issue up to 273,511,169 Attaching Options and the Underwriter Options, such that the total Options on issue will increase to 356,111,169; and
- (c) the cash reserves of the Company will increase by approximately \$6.3 million (proceeds of the Offer less the expenses of the Offer) immediately after completion of the Offer.

Furthermore, if all Attaching Options are exercised (but not any other Options), the Company will raise a further amount of approximately \$12.03 million and the Company's issued capital will increase to 1,367,555,845 Shares. The Company anticipates that funds raised as a result of the exercise of the Attaching Options will be allocated towards the Company's working capital.

5.2 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted is set out below.

Shares

	Number
Shares currently on issue	820,533,507
Shares to be issued pursuant to the Offer	273,511,169
Shares on issue after completion of the Offer	1,094,044,676

Options

Exercise Price	Expiry Date	Number
<i>Quoted Options (exercisable at \$0.044 and expiring on 27 August 2022)</i>		
Attaching Options to be issued pursuant to the Offer*		273,511,169
Underwriter Options*		10,000,000
<i>Existing Unquoted Options</i>		
\$0.06	30 November 2020	16,600,000
\$0.013	26 May 2022	2,250,000
\$0.018	26 May 2022	2,250,000
\$0.023	26 May 2022	2,250,000
\$0.028	26 May 2022	2,250,000
\$0.023	19 June 2022	16,400,000
\$0.023	30 November 2022	30,000,000
\$0.044	6 July 2023	600,000
Options on issue after completion of the Offer		356,111,169**
<p><i>*While the Company will apply for Official Quotation of the Attaching Options and the Underwriter Options within 7 days of this Prospectus, Official Quotation of the Attaching Options and Underwriter Options is subject to satisfaction of the Quotation Conditions (please refer to section 4.10 for more information).</i></p> <p><i>**As at the date of this Prospectus the Board is contemplating issuing an additional ~82 million options to Directors and key management personnel on terms and conditions yet to be determined. The issue of the Options will be subject to the Company obtaining all necessary shareholder approval, and will bring the total number of Options on issue to 438,111,169 (assuming the full subscription is achieved under the Offer).</i></p>		

5.3 Potential dilutionary impact of Offer

Assuming that no existing Options are exercised prior to the Record Date, the maximum number of Shares which will be issued pursuant to the Offer is 273,511,169. This equates to 25% of all the issued Shares in the Company following completion of the Offer.

If all Eligible Shareholders take up their Entitlements under the Offer, each Eligible Shareholder's percentage interest in the total issued shares of the Company will remain the same and will not be diluted.

However, Shareholders should note that if they do not participate in the Offer, their holdings will be diluted (as compared to their holdings and number of Shares on issue as at the date of the Prospectus).

The table below shows the dilutionary impact the Offer will have on a Shareholder if the Shareholder does not take up his or her Entitlement, assuming the Offer is otherwise fully subscribed.

Holding at Record Date	% at Record Date	Entitlements under the Offer	Holding if Entitlement not taken up	% post Completion of the Offer
10,000,000	1.22%	3,333,334	10,000,000	0.91%
2,500,000	0.30%	833,334	2,500,000	0.23%
50,000	0.01%	16,667	50,000	0.00%

Notes:

1. The table assumes that the Offer is fully subscribed and that no other Shares are issued.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are taken up by the Underwriter and Sub-Underwriters. In the event all Entitlements are not accepted and some or all of the resulting Shortfall is not subsequently taken up, the dilutionary impact for each Shareholder not accepting their Entitlement would be a lesser percentage.

Assuming all Attaching Options are exercised (and assuming no other Options are exercised), the maximum number of Shares that would be issued is 273,511,169 Shares.

5.4 Effect of the Offer on control of the Company

If all Eligible Shareholders take up their Entitlements, the Offer is not expected to have a material effect on the control of the Company.

While the Underwriter does not have a relevant interest in any Shares as at the date of this Prospectus, the extent to which Shares are issued pursuant to the Underwriting Agreement may increase the Underwriter's voting power in the Company.

As noted in section 9.4, the terms of the Underwriting Agreement provide that the Underwriter is only required to subscribe for Shortfall Securities to the amount of the Minimum Subscription, whereby any additional underwriting obligations are subject to the Underwriting securing a

corresponding sub-underwriting commitment from a Sub-underwriter. Therefore, the maximum relevant interest in Shares that could be acquired by the Underwriter is 5.74%, assuming that:

- (a) none of the Entitlements are taken up;
- (b) no existing Options are exercised;
- (c) no Shortfall Securities are issued other than Shares to the value of \$500,000 issued to the Underwriter and associated Attaching Options;
- (d) the Underwriter exercises all Attaching Options and the Underwriter Options.

Event	Shares	Voting power %
Date of Prospectus	0	0
0% of Entitlements subscribed and Underwriter subscribes for the Minimum Underwriting	50,000,000	5.74%*

**Assumes that the only Shares issued following completion of the Offer are 50,000,000 Shares comprising 20 million Shares to the value of \$500,000, 20 million Shares issued upon the exercise of associated Attaching Options and 10 million Shares issued upon the exercise of the Underwriter Options.*

However as noted in section 9.5, the Underwriter has secured sub-underwriting commitments from the Sub-underwriters for the aggregate amount of \$6,337,779. As detailed therein, Sinalunga has provided the largest sub-underwriting commitment in the amount of \$2 million. Sinalunga currently holds 28,839,939 Shares representing 3.51% of the total Shares on issue as at the date of this Prospectus, therefore the maximum relevant interest in Shares that could be acquired by Sinalunga is 18.88%, assuming that

- (a) none of the Entitlements are taken up;
- (b) no existing Options are exercised; and
- (c) no Shortfall Securities are issued other than:
 - (i) Shares to the value of \$500,000 issued to the Underwriter and the associated Attaching Options; and
 - (ii) Shares to the value of \$2 million issued to Sinalunga and the associated Attaching Options; and
- (d) Sinalunga exercises all Attaching Options (but the Underwriter does not exercise any Attaching Options or Underwriter Options).

Event	Shares	Voting power %
Date of Prospectus	28,839,939	3.51%
0% of Entitlements subscribed and Underwriter subscribes for the Minimum Underwriting	188,839,939 ¹	18.88% ²

Notes:

1. *Assumes that 160 million Shares are issued to Sinalunga, representing the Shares referable to its sub-underwritten component (\$2 million) and the Shares issued upon the exercise of all the associated Attaching Options.*
2. *Assumes the only Shares issued following completion of the Offer, other than the Shares issued to Sinalunga referred to above are the 20 million Shares issued to the Underwriter, representing the Shares referable to the Minimum Underwriting but excluding any Shares that maybe issued upon the exercise of associated Attaching Options or the Underwriter Options.*

However, it is unlikely that no Eligible Shareholders or other Sub-underwriters, other than the Underwriter and Sinalunga, will take up their Entitlements under the Offer or be otherwise issued Offer Securities. The underwriting obligation and therefore relevant interest in Shares of the Underwriter and Sinalunga will therefore reduce by a corresponding amount for the amount of Entitlements taken up by other Eligible Shareholders and other Sub-underwriters.

Neither the Underwriter nor any of the Sub-underwriters will be entitled to acquire a relevant interest in greater than 20% of the Shares on completion of the Offer. None of the Sub-underwriters with the exception of the Directors are related parties of the Company.

The Offer is therefore not expected to have any significant impact on the control of the Company.

5.5 Substantial Shareholders

Based on substantial shareholder notices lodged with ASX, the Company has the substantial shareholders with the relevant interest set out in the table below.

The table below also sets out the approximate maximum number of Shares and approximate voting power of the substantial Shareholder if that substantial Shareholder was the only shareholder to take up its Entitlement and no other Shares were issued under the Offer (including to any other substantial Shareholder), presuming the substantial holder exercised all Attaching Options issued to it under the Offer.

Substantial Shareholder	Approximate relevant interest as at Prospectus Date	Approximate voting power as at Prospectus Date	Approximate maximum relevant interest after Completion of Offer¹	Approximate maximum voting power after Completion of Offer¹
Carpe Diem Asset Management	57,726,200	7.04%	96,210,334	10.95%

Notes:

1. *Assuming, in each case, that the substantial shareholder was the only Shareholder to take up its Entitlement and no other Shares were issued under the Offer (other than the Shares to be issued to the Underwriter in respect of the Minimum Underwriting, but not upon the exercise of the Underwriter Options or the Attaching Options issued to the Underwriter).*

6 PRO FORMA STATEMENT OF FINANCIAL POSITION

KALINA POWER LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2019

	Group accounts at Dec-19 \$	Adjustments	Adjusted BS Dec-19 \$
Current assets			
Cash	2,202,684	(1,762,084)	440,600
Cash from the Offer	-	6,284,150	6,284,150
Trade and other receivables	84,343		84,343
Other financial assets	139,621	(137,048)	2,573
Total current assets	2,426,648	4,385,018	6,811,666
Non-current assets			
Trade and other receivable	14,579	(14,579)	-
Investments accounted for using the equity method	9,200	-	9,200
Property, plant and equipment	18,968	-	18,968
Total non-current assets	42,747	(14,579)	28,168
Total assets	2,469,395	(4,370,439)	6,839,834
Current liabilities			
Trade and other payables	664,919	228,638	893,555
AL-Provision	277,578	52,799	330,377
Total current liabilities	942,497	281,435	1,223,932
Non-current liabilities			
Other payables	1,787,313	93,820	1,881,133
Total non-current liabilities	1,787,313	93,820	1,881,133
Total liabilities	2,729,810	375,255	3,105,065
Net assets	(260,415)	3,995,184	3,734,769
Shareholders' equity			
Share capital	113,820,262	4,024,817	117,845,079
Reserves	2,954,032	2,204,291	5,158,323
Accumulated losses	(106,455,037)	(2,125,730)	(108,580,767)
Total equity attributable to equity holders of the company	10,319,257	4,103,378	14,422,635
Non-controlling interest	(10,579,672)	(108,194)	(10,687,866)
Total Equity	(260,415)	3,995,184	3,734,769

This pro forma statement of financial position set out above reflects the Company's financial position as at 31 December 2019 adjusted to show the effect of the Offer assuming full subscription and for material changes (unaudited) in the six months to 30 June 2020.

- (a) The bank balance is adjusted for capital raising of \$6,837,779 less capital raising cost of \$553,850 and net cash outflow of \$1,762,084 in the six months to 30 June 2020
- (b) Other financial assets adjust for sale during the period
- (c) Non-current trade and other receivable adjusted for receipt of security bond
- (d) Trade and other payable increased by \$228,636 to 30 June 2020
- (e) Employee provision adjusted by \$52,799 to reflect the movement during the period to 30 June 2020
- (f) Increase in share capital is made up of \$6,837,779 raised less capital raising cost of \$553,850 less value of free attaching options of \$2,243,309. A further \$16,024 on account of capital raising cost was adjusted on account of previous financing facility. The value of free attaching option calculated using Black Scholl method
- (g) Increase in reserves include value of options issued of \$2,243,309 as above and movement in Foreign Currency Translation Reserve
- (h) Movement in loss reflect the loss for the six months to 30 June 2020
- (i) Movement in non-controlling interest reflect the movement for six months to 30 June 2020

7 RIGHTS ATTACHING TO SHARES

The following is a summary of the more significant rights attaching to 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 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:

- (a) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) 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
- (c) 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 ATTACHING OPTIONS

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

- (a) each Attaching Option entitles the holder to subscribe for one Share at an exercise price per Attaching Option of 4.4 cents;
- (b) the Attaching Options are exercisable, at any time prior to 5.00pm Melbourne time on 27 August 2022 ("**Expiry Date**"). Attaching Options not exercised on or before the Expiry Date will automatically lapse;
- (c) the Attaching 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 Attaching Options and receipt of all relevant documents and payment, Shares will be issued ranking pari passu with the then issued Shares;
- (e) The Company will apply to ASX to have the Shares issued pursuant to the exercise of Attaching Options granted official quotation;
- (f) a summary of the terms and conditions of the Attaching Options including the Notice of Exercise will be sent to all holders of Attaching 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 Attaching Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Attaching Options. Prior to any new pro rata issue of securities to Shareholders, holders of Attaching 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 Attaching 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 Listing Rules applying to a reorganisation of capital at the time of the reorganisation;
- (j) Subject to the Corporations Law, the Listing Rules and the Company's Constitution, the Attaching Options may be transferred at any time prior to the Expiry Date;
- (k) Shares issued pursuant to the exercise of an Attaching Option will be issued not more than 14 days after the date of Notice of Exercise.

9 ADDITIONAL INFORMATION

9.1 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

The Board has adopted a policy on compliance with the Listing Rules which sets out the obligations of the Directors, officers and employees to ensure the Company satisfies the continuous disclosure obligations imposed by the Listing Rules and the Corporations Act. The policy provides information as to what a person should do when they become aware of information which could have material effect on the Company's securities and the consequences of non-compliance.

9.2 Legal framework of Prospectus

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure (ED) securities and the securities are in a class of securities that were quoted ED securities at all times in the 12 months before the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms, a transaction specific prospectus is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the requirements of ASX as applicable to disclosing entities from time to time, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 3 months before the issue of this Prospectus.

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

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

9.3 Information available to Shareholders

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:

- (a) the Annual Financial Report of the Company most recently lodged with ASIC;
- (b) 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
- (c) 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	Description of Announcement
31 July 2020	Quarterly Activities Report and Cashflow 30 June 2020
29 July 2020	Update – Proposed issue of Securities – KPO
29 July 2020	Non-Renounceable Issue
24 July 2020	Proposed issue of Securities – KPO
24 July 2020	Non-Renounceable Issue
20 July 2020	Trading Halt
20 July 2020	Pause in Trading
7 July 2020	Notice under s 708(5)(e)
7 July 2020	Appendix 3G
7 July 2020	Appendix 2A
7 July 2020	Proposed issue of Securities – KPO
7 July 2020	A\$8m Equity Placement Facility Secured
2 July 2020	Enerflex Awarded Contract to Modularize KALiNA Cycle
1 July 2020	Details of Company Address
30 April 2020	Appendix 4C – quarterly
9 April 2020	Akira Partnership Agreement to Fund Kalina Projects
26 March 2020	Change in substantial holding

Date	Description of Announcement
20 March 2020	Change in substantial holding
20 March 2020	Update on project funding process
4 March 2020	Change in substantial holding
28 February 2020	Half Yearly Report and Accounts
28 February 2020	Appendix 4D – Half Year Report 31 December 2019
26 February 2020	Project funding update
30 January 2020	Appendix 4C – quarterly
6 January 2020	3 rd Party Report on Combined Cycle plants in Alberta
2 December 2019	Change of Director's Interest Notice x 5
2 December 2019	Appendix 3B
28 November 2019	Appendix 3B
28 November 2019	Results of Meeting 28 November 2019
20 November 2019	Project Funding Process Update
7 November 2019	Appendix 3B
7 November 2019	Notice under s708A(5)(e)
31 October 2019	Appendix 4C – quarterly
30 October 2019	Notice under s708A(5)(e)
30 October 2019	Appendix 3B
30 October 2019	Notice of Annual General Meeting/Proxy Form
30 October 2019	Annual General Meeting
30 October 2019	Reinstatement to Official Quotation
24 October 2019	KALiNA Completes Successful AU\$3.2 Million Placement
23 October 2019	Voluntary Suspension
21 October 2019	Trading Halt
11 October 2019	Company Secretary Appointment/Resignation
1 October 2019	Project Financing Update and Corporate Loan

9.4 Underwriting Agreement

Pursuant to an underwriting agreement dated 24 July 2020 between the Company and Cove Capital Pty Ltd (**Underwriter**), the Underwriter has agreed to underwrite the Offer (**Underwriting Agreement**) up to the amount being:

- (a) \$500,000 (**Minimum Underwriting**); plus
- (b) the aggregate amount of the Offer agreed to be sub-underwritten by the Sub-underwriters pursuant to the Sub-underwriting Agreements;

(Underwritten Amount),

As at the date of this Prospectus, the Underwriter has secured sub-underwriting commitments totalling approximately \$6.3 million, and therefore, the Company anticipates that the Offer will be fully underwritten. Please see section 9.5 for more information on the sub-underwriting commitments secured by the Underwriter as at the date of this Prospectus.

However, investors should note that the Underwriter can elect to reduce the Underwritten Amount (but to no less than the Minimum Underwriting) if a Sub-underwriter validly terminates its Sub-underwriting Agreement prior to the Shortfall Notice Deadline Date subject to any reduction being in proportion to the relevant Sub-underwriter's obligations to sub-underwrite. Strictly speaking, the Underwriter's obligation to underwrite the Offer under the Underwriting Agreement is limited to \$500,000.

Fees

Subject to the Underwriter performing its obligations and 'Completion' under the Underwriting Agreement occurring, the Company has agreed to:

- (a) pay the Underwriter an underwriting fee of 7% (excluding GST) of the Underwritten Amount, whereby:
 - (i) this excludes any amount relating to the exercise price payable on exercise of any Attaching Options forming part of the Shortfall Facility;
 - (ii) all third party selling and/or sub-underwriting fees will be paid by the Underwriter from this fee; and
- (b) issue 10,000,000 Options to the Underwriter, each exercisable at \$0.44 (4.4 cents) and expiring on 27 August 2022 ("**Underwriter Options**") unless the issue of the Underwriter Options would require the Company to obtain shareholder approval pursuant to Listing Rule 7.1 or would result in a breach of any Law.

In addition to the above fees the Company has also agreed to pay the Underwriter a monthly corporate advisory retainer of \$10,000 (excluding GST) for a minimum of six months commencing on 1 August 2020.

Conditions Precedent

The obligation for the Underwriter to underwrite the Offer is subject to several conditions precedent under the Underwriting Agreement. As at the date this Prospectus was sent to Shareholders all conditions precedent have been satisfied.

Warranties

The Company has given warranties to the Underwriter which are usual in an agreement of this nature.

Termination

Although the termination events under the Underwriting Agreement are less extensive than normal market practice, the Underwriter may at any time prior to Completion terminate its obligation under the Underwriting Agreement without costs or liability to the Underwriter if:

- (a) (No Official Quotation): ASX has indicated before the Shortfall Notice Deadline Date that Official Quotation will not be granted for the Offer Shares in accordance with the Timetable or will be granted with such conditions attached so as to represent a Material Adverse Effect, having been granted, is subsequently withdrawn, withheld or qualified; or
- (b) (Restriction on allotment): the Company is prevented from allotting the Offer Securities within the time required under the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any Authority; or
- (c) (ASIC or other prosecution): ASIC gives notice of an intention to hold a hearing, examination or investigation, or it requires information to be disclosed in connection with the Offer or the Company; or
- (d) (Authorisation): any Authorisation which is material to anything referred to in the Offer is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (e) (Indictable offence): a Director or a senior manager of the Company or a Subsidiary is charged with an indictable offence.

Definitions

The following terms used in section 9.4 and 9.5 in respect to the Underwriting Agreement or Sub-underwriting Agreement (as the case may be) are defined in the relevant agreement substantially as follows:

Authority means any national, federal, state, provincial, territory or local government (and all agencies, authorities, departments, ministers or instrumentalities or any of them) or any administrative body, judicial body, public tribunal, commission, authority, agency or instrumentality, which has jurisdiction or authority in respect of this Agreement.

Authorisation includes any consent, authorisation, registration, filing, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with any Authority.;

Certificate means a letter addressed to the Underwriter signed by one Director and the Secretary, or by two Directors in the form set out in the Underwriting Agreement;

Completion means the date on which allotment of the last of the Offer Securities occurs in accordance with the Offer and in accordance with this Underwriting Agreement;

Event of Insolvency means

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
 - (i) appointing a person referred to in paragraphs (a) or (b) of this definition;
 - (ii) winding up a corporation; or
 - (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable Law to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

Force Majeure means any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties (other than in connection with or as a result of the 2020 COVID-19 pandemic);

Law means the common law (including equity), current and future Acts of the Parliament of the Commonwealth of Australia, or of the Parliament of the jurisdiction that is the governing law of this Agreement or of the jurisdiction where any matter or thing is done or to be done under this Agreement, and related regulations, by-laws and other subordinate legislation, and the requirements of Authorities;

Material Adverse Effect means:

- (a) a material adverse effect which is likely to result in the price of Shares on ASX falling by more than 20% during a period of one week; or
- (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its Subsidiaries either individually or taken as a whole; or

- (c) a material adverse effect on the tax position of either the Company and its Subsidiaries either individually or taken as a whole.

Prescribed Occurrence means

- (a) the Company or a Subsidiary converting all or any of its Shares into a larger or smaller number of Shares;
- (b) the Company or a Subsidiary resolving to reduce its share capital in any way;
- (c) the Company or a Subsidiary :
 - (i) entering into a buy back agreement or;
 - (ii) resolving to approve the terms of a buy back agreement under section 257C or 257D of the Corporations Act;
- (d) the Company or a Subsidiary making an issue of, or granting an option to subscribe for, any of its Shares, or agreeing to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offer, the terms of the Underwriting Agreement, as disclosed in the due diligence questionnaire prepared by the Company in respect of the Offer or otherwise with the prior written consent of the Underwriter (and for the avoidance of doubt excludes the issue of the Underwriter Options);
- (e) the Company or a Subsidiary issuing, or agreeing to issue, convertible notes;
- (f) the Company or a Subsidiary disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) the Company or a Subsidiary charging, agreeing to charge, the whole, or a substantial part, of its business or property;
- (h) the Company or a Subsidiary resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator to the Company or a Subsidiary;
- (j) the making of an order by a court for the winding up of the Company or a Subsidiary ;
- (k) an administrator of the Company or a Subsidiary, being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) the Company or a Subsidiary executing a deed of company arrangement; or
- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of the Company or a Subsidiary;

Shortfall Notice Deadline Date means the date referred to as the 'Shortfall Notice Deadline Date' in the Timetable, being the date by which the Company must give the Underwriter written notice of the Shortfall accompanied by a Certificate;

Shortfall Settlement Date means 1 September 2020

Subsidiary means each company which at the date of execution of this Underwriting Agreement or at the time of Completion is a 'subsidiary' of the Company within the meaning of the Corporations Act.

9.5 Sub-Underwriting Agreement

As at the date of this Prospectus, the Underwriter has entered into Sub-underwriting Agreements with the Sub-underwriters to sub-underwrite their respective sub-underwritten amounts referred to in the table below. All Directors have also participated in the sub-underwriting.

Each Sub-underwriter will not by its Sub-underwriting Agreement increase its relevant interest in Shares to 20% or more.

Sub-underwriter	Sub-underwritten Amount
Sinalunga Pty Ltd ¹	\$2,000,000
Kenneth Everett Productions Limited ¹	\$750,000
Snowy Plains Pty Ltd ¹	\$500,000
Carpe Diem Asset Management ¹	\$432,950
Timothy David Horgan ²	\$205,329
John Ross MacLachlan ²	\$100,000
Jeffrey Michael Myers ²	\$100,000
Malcolm Jacques ²	\$80,000
Peter Albert Littlewood ²	\$80,000
Others	\$2,089,500
Total	\$6,337,779

Note:

- This Sub-underwriter is a person that is or may become substantial holder in the Company, based on the maximum relevant interest in Shares, which that Sub-underwriter may obtain assuming, in each case, that no Shares are issued other than the Shares issued under the Offer to that Sub-underwriter, the Shares issued upon the exercise of Attaching Options issued to that Sub-underwriter and the Shares issued to the Underwriter in respect of the Minimum Underwriting.*
- This Sub-underwriter is a Director and therefore a related party of the Company.*

Other than with respect to Sinalunga, the terms and conditions of each Sub-underwriting Agreement entered into between the Sub-underwriters and the Underwriter are on substantially the same terms. The key terms of the Sub-underwriting Agreements including the 'set-off' mechanism, which is unique to Sinalunga's Sub-underwriting Agreement is summarised below.

Fees

Subject to the Underwriter receiving its underwriting fees pursuant to the Underwriting Agreement, the Underwriter must pay to each Sub-underwriter a sub-underwriting fee of 5% (excluding GST) of their respective sub-underwritten amount.

Obligation to sub-underwrite

Subject to satisfaction of the terms and conditions contained in each Sub-underwriters' respective Sub-underwriting Agreement and the Company's Constitution each Sub-underwriter has agreed to sub-underwrite the Underwriter's obligation to underwrite the Offer for an amount equal to each Sub-underwriter's sub-underwritten amount.

Warranties

The Sub-underwriters have given warranties to the Underwriter and the Underwriter has given covenants to the Sub-underwriters which are usual in an agreement of this nature.

Termination

The Sub-underwriters may at any time prior to completion terminate its obligation under its respective Sub-underwriting agreement if:

- (a) (No Official Quotation): ASX has indicated before the Shortfall Notice Deadline Date that Official Quotation will not be granted for the Offer Shares in accordance with the Timetable or will be granted with such conditions attached so as to represent a Material Adverse Effect, having been granted, is subsequently withdrawn, withheld or qualified; or
- (b) (Restriction on allotment): the Company is prevented from allotting the Offer Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any Authority; or
- (c) (ASIC or other prosecution): ASIC gives notice of an intention to hold a hearing, examination or investigation, or it requires information to be disclosed in connection with the Offer or the Company; or
- (d) (Authorisation): any Authorisation which is material to anything referred to in the Offer is repealed, revoked or terminated or expires, or is modified or amended; or
- (e) (Indictable offence): a Director or a senior manager of a the Company or a Subsidiary is charged with an indictable offence; or
- (f) (Termination Events): any of the following events occurs:
 - (i) (Default): default or breach by the Company under the Underwriting Agreement of any material terms, condition, covenant or undertaking;
 - (ii) (Contravention of constitution or Act): a contravention by the Company or a Subsidiary of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (iii) (Prescribed Occurrence): a Prescribed Occurrence occurs;

- (iv) (Event of Insolvency): an Event of Insolvency occurs in respect of the Company or a Subsidiary; and
- (v) (Force Majeure): a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of seven (7) days occurs.

The Sub-underwriters may not exercise their rights to terminate if in the reasonable opinion of the sub-underwriter the occurrence of a termination event is likely to have a Material Adverse Effect or give rise to a liability of the Underwriter under the Corporations Act or otherwise.

Set-Off

On 27 July 2020 the Company entered into an unsecured loan agreement (**Loan Agreement**) with Sinalunga Pty Ltd (**Sinalunga**) whereby Sinalunga agreed to loan the Company an amount of \$500,000 (**Loan**) with the proceeds to be used for the Company's working capital requirements. The Loan Agreement is for a term of 12 months commencing on the date that the Loan was advanced to the Company, being 27 2020 with an interest rate of 10% per annum.

The Loan Agreement contains a right for Sinalunga to set-off principal and interest payable by the Company to Sinalunga under the Loan Agreement against Sinalunga's sub-underwriting obligation pursuant to its respective Sub-underwriting Agreement. In recognition of such right under the Loan Agreement, the Sub-underwriting Agreement entered into between the Underwriter and Sinalunga includes a corresponding right for Sinalunga to set-off amounts payable to it under the Loan Agreement against its sub-underwriting obligations under the Sub-underwriting Agreement entered into with the Underwriter.

As noted in above, the Underwriter has secured sub-underwriting commitments from Sinalunga to sub-underwrite up to \$2,000,000. Therefore, the Company intends to exercise its discretion with respect to the allocation of Shortfall Securities among the Sub-underwriters to allocate, at minimum, that number of Shortfall Securities to Sinalunga so as to fully set-off and discharge the Company's obligation to repay principal and interest for the Loan under the Loan Agreement.

9.6 Corporate Governance

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 2019 Corporate Governance Statement, lodged with the ASX on 30 September 2019 or on the Company's website.

9.7 Litigation

As at the date of this Prospectus, save as noted above, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

9.8 Interests of Directors

(a) *Directors' holdings*

At the date of this Prospectus the relevant interest of each of the Directors in the securities of the Company are as follows:

Director	Shares		Unlisted options*	
	Direct	Indirect	Direct	Indirect
John Ross MacLachlan	23,123,405	-	13,000,000	-
Timothy Horgan	7,165,897	-	4,000,000	-
Malcolm Jacques	614,029	5,228	1,000,000	-
Jeffry Myers	-	10,534,651	8,000,000	-
Peter Littlewood	8,677,508	-	4,000,000	-
*As at the date of this Prospectus the Board is contemplating issuing an additional ~82 million options to Directors and key management personnel on terms and conditions yet to be determined. The issue of such Options will be subject to the Company obtaining all necessary shareholder approval.				

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

(b) *Remuneration of Directors*

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.

Details of remuneration provided to Directors and their associated entities during the financial years ended 30 June 2019 and 30 June 2018 are contained in the Remuneration report forming part of the Company's 2019 Annual Report, a copy of which was released to the ASX on 30 September 2019.

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.

(c) ***Director Sub-underwriting***

All Directors have entered (whether directly or via their respective associated entities) into Sub-underwriting Agreements with the Underwriter to sub-underwrite the Offer up to \$697,829. The table below sets out each Directors' respective sub-underwriting obligations under the Offer as well as the sub-underwriting fee equal to 5% (excl GST) payable to each Director on their respective sub-underwritten amounts.

Director	Sub-underwritten Amount	Sub-underwriting Fee
Malcolm Jacques	\$80,000	\$4,000.00
John Ross MacLachlan	\$100,000	\$5,000.00
Jeffrey Michael Myers	\$100,000	\$5,000.00
Peter Albert Littlewood	\$80,000	\$4,000.00
Timothy David Horgan	\$205,329	\$10,266.45
Total	\$697,829	\$28,266.45

(d) ***Directors interests***

Other than as set out below or elsewhere in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (i) the promotion or formation of the Company;
- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (iii) the Offer.

Other than as set out below or elsewhere in this Prospectus, 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 Company has paid insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

9.9 Interests of named persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Cove Capital Pty Ltd has acted as Underwriter to the Offer and will be paid 7% (plus GST) on the Underwritten Amount in addition to the Underwriter Options pursuant to the Underwriting Agreement. Cove Capital Pty Ltd is responsible for paying the sub-underwriting fees to the Sub-underwriters under the Sub-underwriting Agreements. Cove Capital Pty Ltd did not provide other professional services to the Company (or its wholly owned subsidiaries) during the last two years, however is entitled to receive a monthly retainer of \$10,000 (excluding GST) from the Company for a minimum of six months commencing on 1 August 2020 for corporate advisory services. Cove Capital Pty Ltd and its related entities do not hold any Shares or Options beneficially as at the date of this Prospectus.

HLB Mann Judd (Vic) Partnership are the auditors to the Company. They have provided audit services to the Company during the last two years for which the Company has paid \$80,500 (plus GST) for the financial year ended 30 June 2018 and \$96,000 (plus GST) for the financial year ended 30 June 2019. Fees totalling \$22,750 (plus GST) were paid for the review for the half-year financial report ending 31 December 2019.

9.10 Consents

Each of the other parties referred to in this section 9.10:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this section; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- (a) Cove Capital Pty Ltd, as Underwriter to the Offer;
- (b) HLB Mann Judd (Vic) Partnership, as Auditor to the Company.

HLB Mann Judd (Vic) Partnership consents to being named as auditor of the Company in the form and context in which it is named. HLB Mann Judd (Vic) Partnership had not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry 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.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

9.11 Expenses of the Offer

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

Expense	Amount
ASIC fees	\$3,206
Printing, mailing and other expenses	\$15,000
ASX fees	\$27,000
Legal fees	\$30,000
Underwriting fees	\$478,644
Total	\$553,850

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 has consented to the lodgement of this Prospectus with ASIC.

Dated: 3 August 2020



**Mr Timothy Horgan
For and on behalf of
KALiNA Power Limited**

GLOSSARY

A\$, AUD and \$ means Australian dollars, unless otherwise stated;

AFSL means Australian financial services licence;

Alberta means the Province of Alberta, Canada;

Akira has the meaning given to that term in section 1;

Applicant means a person who submits and Entitlement and Acceptance Form;

Application Monies has the meaning given to that term in section 1;

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;

Attaching Options means free-attaching Options offered pursuant to the Offer on a 1-for-1 basis for every Share subscribed, each exercisable at \$0.044 (4.4 cents) and expiring on 27 August 2022;

Board means the board of Directors;

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

CAD\$ means Canadian dollars;

Closing Date means the closing date of the Offer, being 5.00pm (Melbourne time) on 21 August 2020 (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 7.00pm (Melbourne time) on the Record Date whose registered address is in Australia or New Zealand;

Enerflex has the meaning given to that term in section 1;

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;

Excluded Shareholders has the meaning given to that term in section 4.11;

Expiry Date has the meaning given to that term in section 8;

FNTP has the meaning given to that term in section 1;

KALiNA Group means KALiNA and each of its Subsidiaries;

KDP has the meaning given to that term in section 1;

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 means the Listing Rules of ASX;

Loan has the meaning given to that term in section 9.5;

Loan Agreement has the meaning given to that term in section 9.5;

Minimum Underwriting has the meaning given to that term in section 9.4;

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

Offer means the non-renounceable entitlement offer of one (1) new Share for every three (3) Shares held along with an offer of Attaching Options on a 1-for-1 basis for each Share subscribed;

Offer Price means \$0.025 (2.5 cents)

Offer Securities means the Securities to be issued pursuant to the Offer in accordance with the Listing Rules.

Official Quotation means the grant by ASX of "Official Quotation" (as that term is used in the Listing Rules) of Securities, which if such quotations is conditional may only be conditional on the allotment of the relevant Securities or otherwise satisfying the 50 holder requirement for a secondary class of security in Chapter 2 of the Listing Rules;

Opening Date means the opening date of the Offer, being 11 August 2020;

Option means an option to acquire a Share;

Quotation Condition has the meaning given to that term in section 4.10;

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

Prospectus means this prospectus dated 3 August 2020;

Record Date means the record date for determining a Shareholder's Entitlement to participate in the Offer, being 6 August 2020;

Securities has the meaning given to that term under the Corporations Act;

Share means a fully paid ordinary share in the Company;

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

Shareholder means a holder of Shares;

Shortfall Facility has the meaning given to that term in section 1, further details of which are set out in section 4.8;

Shortfall Securities means the Shares and Attaching Options (if any) not taken up under the Entitlement Issue;

Sinalunga means Sinalunga Pty Ltd ACN 635 797 385;

Sub-underwriters means those persons with whom the Underwriter has entered into Sub-underwriting Agreements with for the sub-underwriting commitments referred to in section 9.5;

Sub-underwriting Agreements means the sub-underwriting agreements entered into by the Underwriter with each Sub-underwriter, the key terms of which are summarised in section 9.5;

Underwriter means Cove Capital Pty Ltd ACN 117 123 476 (AFSL No. 392362);

Underwriter Options means 10,000,000 Options to be issued to the Underwriter under the Underwriting Agreement, each exercisable at \$0.044 (4.4 cents) and expiring on 27 August 2022;

Underwritten Amount has the meaning given to that term in section 9.4; and

Underwriting Agreement means the underwriting agreement entered into between the Company and the Underwriter, the key terms of which are summarised in section 9.4.