KALINA POWER LIMITED
AND ITS CONTROLLED ENTITIES

ACN 000 090 997
Annual Report to Shareholders for the financial year ended 30 June 2016

CORPORATE DIRECTORY

Directors:	Mr John Byrne	Executive Chairman
	Mr Ross MacLachlan	CEO
	Mr Tim Horgan	Executive Director
	Dr Malcolm Jacques	Non-executive Director
	Mr Jeffry Myers	Non-executive Director (appointed 14 October 2016)

Company Secretary: Mr Alwyn Davey

Registered Office:
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114-116 Auburn Road
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Bankers:
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Auditors:
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Telephone: + 61 3 9606 3888
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Solicitors:
Gadens Lawyers
Level 25 Bourke Place
600 Bourke Street
Melbourne VIC 3000

Stock Exchange: The Company is listed in the Australian Stock Exchange. ASX code: KPO

Other Information: KALINA POWER LIMITED, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Chairman's Letter

Dear Shareholders

It has been a busy year of review and repositioning the Company to deliver value to our stakeholders from our ownership of the Kalina Cycle technology.

Key new management, Mr Ross MacLachlan and Mr Timothy Horgan were appointed as executive directors during 2015. Mr MacLachlan has an excellent track record in our sector having been a Director of Pristine Power for 8 years during which Pristine built over 600 MWe of projects and was sold for US$300m to Veresen Inc.

Mr MacLachlan led a number of reviews for Kalina focusing on the underlying business plan, the drivers for profitability and the corporate structure of the Company. These reviews identified the need to improve profitability and effectiveness by simplifying and strengthening the ownership structure of the Company, improving its contracting and licensing processes and providing more effective oversight and control of projects.

Key outcomes from the review included:

- Increased ownership of New Energy Asia from 49.2% to 75% in July 2015
- Increased ownership and control of operations in China to 49.9% non-dilutable A class shares
- Increased ownership of Recurrent Engineering to 100% in May 2016
- Memorandum of Understanding with Cryostar for a joint international marketing agreement
- Teaming agreement framework established with leading international power engineering company to assist with engineering designs and project execution
- In process of restructuring commercial terms and management for the completion of the construction of initial Sinopec project
- Appointment of Mr George Yan as the Chief Operating Officer for China
- Jeff Myers to join KPO board. Jeff is a senior operating partner of Stonepeak Infrastructure, a $5.7 billion infrastructure investment fund. Jeff is responsible for its investments in the power generation sector. He was also co-founder, Chairman, President and CEO of Pristine Power
- Recruitment of additional key power industry professionals (including former Pristine Power management) to augment Kalina's expertise in project development and project management

One of the greatest difficulties facing Kalina Power over recent years has been to demonstrate a clear pathway for financing the growth and development of the Company. In order to deliver the above business plan the Company raised $2,000,000 from its largest shareholder, Harrington Global Limited in October 2015 and recommenced trading on the ASX on 14 October 2015.

In January 2016, the Company announced its intention to offer shareholders the opportunity to participate in the future funding of the Company by way of a $5,000,000 non-renounceable rights issue. Harrington Global Limited agreed to further support the Company and underwrite $2,500,000 of the proposed Rights Issue. This support alongside other key investors placed us in a strong position to complete the current financing.

Given strong investor appetite, the financing was revised to include a $5,500,000 rights issue along with a total of $2,925,000 private placement. The total fundraising of $8.48m was completed in early September. One of Australia's leading stockbroking firm Hartleys assisted with both the private placement and the placing of the rights issue shortfall. The successful fundraising sends a strong signal to stakeholders, customers and partners that Kalina has been successfully restructured by experienced new management with considerable success in the sector and has significantly revised its business strategy in order to provide a solid foundation for growth.

Implementation of the Company's business plan is set against a backdrop of increasing awareness by government and commercial stakeholders of the benefits that energy efficiency and clean energy can provide in achieving global climate targets. As the owner of KALiNA Cycle technology, we provide one of the most efficient renewable energy and energy efficiency solutions commercially available.

At the December 2015 climate talks in Paris an agreement was reached to help mobilize $100 billion each year by 2020, and beyond, through public and private financing to assist developing countries in reducing emissions and adapting to climate change. The provision of financing will encourage the number of potential projects to be implemented and reduce the financing risk to project providers, such as KALiNA, as countries around the world strive to meet the revised emission targets set down at the Paris conference.

The directors believe that renewable energy, energy efficiency and innovation will play a critical role in the implementation of the Paris agreement emission targets. The Directors thank all of our shareholders for their support and we look forward to the new chapter in our Company's history.

Yours Faithfully

John Byrne
Chairman

Directors' report

The directors of Kalina Power Limited ('the Company') present their annual financial report of the Company and its controlled entities ('the Group' or 'the Consolidated Entity') for the year ended 30 June 2016.

Review of Operations

The total loss of the consolidated entity attributable to the owners of the parent for the year ended 30 June 2016 was $16,618,520 (2015: net profit $10,359,443). This equates to a basic loss per share of 13.0 cents (2015: basic profit per share of 15.7 cents). During the financial reporting period, the consolidated entity regained control of New Energy Asia Ltd (NEA) through conversion of debt to equity which resulted in a loss on conversion of debt settled recognised in the statement of profit or loss and other comprehensive income of $13,594,560. The consolidated entity assessed the fair value of its existing 49.27% holding in NEA which resulted in a gain being recognised in the statement of profit or loss and other comprehensive income of $2,280,340.

This re-acquisition of control of NEA was consistent with the objective of Kalina Power to provide turnkey solutions which shall provide us with far better control and oversight of projects implementing the Kalina Cycle than has been achieved previously under the previous licensing model. This re-acquisition was through the conversion of the loans due from NEA to the Company. Under the relevant accounting standards, this re-acquisition of control requires a value to be attributed to NEA at the time of acquisition, that being 31 July 2015. Due to the ongoing restructuring of activities in China by the Company and NEA, the value that the Directors see in the operations in China moving forward are not able to be included in the value assessment of NEA at the time of acquisition. In addition the turnkey business model means that significant revenue that would otherwise have been generated in NEA will now be generated in Kalina Power with respect to engineering and licensing revenues.

This re-acquisition of NEA has resulted in the loss in the consolidated entity set out above. In effect this reverses the profit of $10,359,443 in the year ended 30 June 2015 that was primarily related to the loss of control of NEA during that period.

The above are predominantly non-cash items. Moving forward the structure and revenue model for the Group are enhanced significantly by this restructuring of NEA and will benefit the owners of the Company as evidenced by the recently signed Tri-party agreement with Sinopec and SSNE as announced on 29 August 2016.

Following a review of the operations and opportunities for the Group conducted during the period, the board has decided that KALiNA will focus on delivery of turnkey projects in markets with opportunities for multiple projects with access to project financing from customers, local financial institutions or governments in order to deliver projects in the most capital efficient manner.

During the period the Company continued its development into a number of markets where government strategic initiatives and commercial demand drivers are in place.

These opportunities included China where we are working with Sinopec. The Chinese government has mandated a 16% reduction in energy consumption requiring large industrial enterprises to seek to achieve energy efficiencies within their operations. This mandate is driving large companies such as Sinopec to invest capital into projects using technologies such as the KALiNA Cycle® to achieve these targets. This allows for the delivery of projects without the need for substantial capital being provided by the Company.

In Japan the company is negotiating a teaming agreement which provides for exclusive access to geothermal projects supported by a significant local conglomerate of household name entities and the Japanese government. Through these endeavours the company anticipates being able to take advantage of significant power prices available for projects that are ideally suited to the KALiNA Cycle® and has recently submitted a design proposal for an initial 0.5MW plant on a large hot spring in Japan.

Further opportunities exist for the Company in sectors such as oil sands in western Canada. Oil sand operators are seeking ways to reduce their emissions and energy consumption which are two key concerns within the industry. The KALiNA Cycle® has applicability within the oil sands recovery process to generate electricity and reduce the carbon footprint of the oil produced. The Canadian government's recent strategy is supportive of such opportunities with a range of grants and other funding available.

The Company expects to be in a position to access various sources of project level funding as it moves forward on projects.

A significant factor in being able to access project financing is that the KALiNA Cycle® has been deployed at 15 plants around the world. These plants have provided us with a wealth of experience in operating diverse applications such as petrochemical and steel facilities as well as geothermal power plants. We have come to learn what is required to develop and execute successful projects. Projects across a number of industries such as at Sumitomo Metals and Fuji Oil Refinery in Japan and the Unterhaching geothermal power plant in Germany have over a long period proven the reliability of the technology when designed and delivered to a very high standard. With this experience we have developed a plan that includes a far more involved role in the execution of KALiNA Cycle® projects across the project cycle of engineering, design, procurement and construction.

KALiNA will provide the best of plant design, project execution and achieve ongoing reliability for KALiNA Cycle® power plants, consistent with industry best practices. To achieve these high levels of delivery and reliability, the Company will work closely with leading industry firms and equipment vendors who have a record of successful projects within our core markets of geothermal and industrial heat projects.

In line with the plan to deliver projects with select technical partners, the Company has entered into a teaming agreement with Power Engineers Inc, a global consulting engineering firm with over 1000 employees, specializing in the delivery of integrated engineering solutions. Power Engineers was ranked 7th in the Power sector in the Engineering News-Record (ENR) magazine's Top 500 Design Firms list. Power Engineers has extensive experience with the KALiNA Cycle® and was involved in the engineering phase of the first KALiNA Cycle® geothermal plant in Iceland as well as providing engineering and design services on a number of other KALiNA Cycle® projects. The Agreement provides for the Company to engage Power Engineers as our lead third party consultants to provide process engineering and design reviews to ensure the Company is meeting its high standards of project delivery.

Alongside the teaming agreement with Power Engineers, in June 2016 the Company signed a Memorandum of Understanding (MOU) with Cryostar SAS (‘Cryostar’) to develop an international joint marketing of the Kalina Cycle utilizing Cryostar’s advanced turbo-expander turbine designs.

Cryostar is a leader in the production and manufacture of turbines (‘turbo-expanders’) and supplied the turbo-expander used at the Kalina Cycle plant in Unterhaching Germany. The turbo-expander is a key component of all power projects.

Intellectual Property (IP)

The Company has expanded its growing intellectual property portfolio with the recent approval for its patent, titled Systems and Methods for Increasing the Efficiency of a KALiNA Cycle®, granted in Canada, the U.S., Japan and China during the period. It is expected to be granted in the EU shortly and in Indonesia, Malaysia and Philippines in the coming months. Each of these territories in which the patent has been granted, or is expected, represent large markets for the KALiNA Cycle® in both energy efficiency and geothermal applications.

The Company currently has over 120 granted patents representing 10 different patent families. The Company is constantly seeking to add to its intellectual property portfolio with new inventions and documentation of its tremendous body of proprietary know-how and process knowledge.

The Company is conducting an overall review of its intellectual property strategy, assessing maintenance of existing patents and how technical know-how and trade secrets are being documented in such a way as to afford comprehensive protection and maximum effect in aggressively staking the Company's claims in the sector.

New Energy Asia Limited (NEA)

The Company acquired a further 26.42% of NEA through conversion of its loans to NEA, upon which it was consolidated as a subsidiary as of 31 July 2015. NEA holds the KALiNA Cycle® License for the Asia region (excluding China).

As part of this restructuring, a new Chinese entity, A&W (Shanghai) New Technology Development Co. Limited (A&W) has been formed to deploy the KALiNA Cycle® in China.

In line with the establishment of the new entity in China, the Company has appointed Mr George Yan as the Chief Operating Officer of A&W. Mr Yan is responsible for operations in China, including the technical interface for project deployment between the technology team in China and our KALiNA Cycle® technical team based in the United States.

Mr Yan’s appointment is in line with KALiNA Power’s revised business strategy to provide turnkey solutions that will provide the best of plant design and project execution for KALiNA Cycle® power plants, consistent with industry best practices.

His skill set compliments that of the KALiNA Power engineers and provides an additional experienced interface between the Company, its fulfillment partners, preferred vendors and customers.

George has extensive project experience in both China and North America holding senior engineering roles at companies including Jacobs and Worley Parsons as well as owning and managing an EPC company in China with 400 staff.

A&W has been formed with a primary focus on completing the Sinopec Hainan project and the anticipated roll out of multiple plants at identified Sinopec industrial facilities.

The failure of SSNE to execute the Hainan contract in a timely manner and its failure to have KALiNA review the design and details of the project as required under its license agreement has prompted this corporate reconstruction.

During the financial year, at the request of Sinopec, KALiNA engineers have now reviewed and reported to Sinopec on the plans for the Hainan project and the Company is in direct discussions with Sinopec over requirements to reach mechanical completion of the plant. KALiNA engineers have identified a number of issues that will be addressed in an updated project completion plan being developed for the project by the Company and Sinopec. To ensure continuity on the Hainan plant, A&W has recruited staff from companies familiar with the project to work for Mr Yan on this important Kalina Cycle® initiative.

A Tri-party agreement with SSNE and Sinopec has been entered into and the ancillary documents referred to within that agreement are being finalised.

As previously disclosed, approximately RMB 5,500,000 (A$1,100,000) of outstanding payments was financed by SSNE through a facility with the Bank of East Asia guaranteed by KALiNA. The Company has been advised that the Bank of East Asia has obtained a judgement against SSNE through proceedings in China for repayment of the Loan. The Company is not a party to these proceedings. It has been agreed with SSNE that the Bank of East Asia loan will be repaid in the near term from the payments anticipated to be made by Sinopec. On completion of the payment plan with Sinopec which will also address repayment of the Bank of East Asia loan, the Company will advise Bank of East Asia of the anticipated repayment schedule. If there are delays in this payment being made to Bank of East Asia the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend possible claims under the guarantees provided and will contest any claim made.

The Company is also completing a project completion plan for Sinopec which details the time lines to mechanical completion alongside the schedule of payments.

The directors of KALiNA are particularly encouraged with the Company’s direct engagement through A&W with Sinopec, which had previously been conducted through third parties. Working together with Sinopec the Company is confident that the Hainan project can be completed in 2016.

Recurrent Engineering (RE)

The Company re-acquired control of RE on May 2016 as it seeks to provide more effective oversight and control to ensure quality and compliance for project execution. RE will form the key operating subsidiary of the Group as we deliver specialist engineering services to projects around the world. The team at RE is well established and further key hires have been identified and the Company looks forward to the appointment of these people in the near future.

Licensees

FLSmidth is a leading provider of engineering services to the cement and lime industries. FLSmidth has two Kalina Cycle® power plant projects. The first 8.6 MWe power plant at the DG Khan cement plant in Pakistan has been completed however it is not yet at full operating levels. This plant has been operating at reduced levels due to provision of heat at lower than design levels. Notwithstanding this, the plant has been producing approximately 6MWe of power on average and is only expected to operate at its nameplate capacity of 8.6MWe if the expected heat is available. The commencement of operations at this plant marks the first installation of a Kalina Cycle® power plant in the cement and lime industry.

FLSmidth have also completed construction of a 4.75 MWe Kalina Cycle power plant at Star Cement at Ras Al Khaimah, in the United Arab Emirates.

Geysir, the Kalina Cycle licensee in Germany, has been developing the Geothermie Taufkirchen power plant. Geothermie Taufkirchen and Geysir have completed the majority of the construction of the Kalina Cycle power plant which is anticipated to come online in 2016.

Other Investment - subsidiary

Imparator Enerji

During the year the Company was not active in Turkey other than to review certain identified opportunities which it was decided not to pursue at this time. The Company retains certain rights within Turkey and sees the Turkish market as a potential market for expansion by the Company due to its geothermal resources, supportive regulations, particularly in relation to the power price, and the growth expected in the Turkish economy which will require additional power.

Dividends

No dividends have been paid or declared since the start of the year

Corporate

Loss for the year attributed to owners of the parent was $16,618,520.

Directors' report (cont'd)

The names and particulars of the directors of the Company during or since the end of the financial year and up to the date of this report are:

Name, qualifications	Particulars
Mr. John Byrne,	Mr. Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. During the past 10 years Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 3 wash plants, totaling in excess of $500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today. Appointed 8 May 2009.
Mr Ross MacLachlan,	Mr. MacLachlan has been involved in technology development and commercialization as an active venture capital investor and executive for over 30 years. He has worked and invested with technology companies in a range of industries especially those in the conventional and alternative energy sectors. A strong competency in corporate finance, business development and the strategic management of developing companies; including intellectual property management and technology commercialization. Mr. MacLachlan has been a frequent speaker and panel participant relating to public policy and development of the cleantech industry, providing advice to provincial and federal governments in Canada. He is a member of the BC Cleantech CEO Alliance and has served on the boards of both: • BC Technology Industry Association • BiotechCanada Appointed 26 June 2015
Mr Timothy Horgan,	Mr Horgan is a qualified lawyer and business executive with over 20 years experience in Europe, Africa, Asia and Australia. Mr Horgan practiced law with Minter Ellison in Australia before moving to London where he acted as Counsel for S & P 100 Company, The Gillette Company. He sat on Gillette's Africa, Middle East and Europe Operational Committee overseeing annual sales in excess of USD 1.2 Billion. Tim also has extensive licensing experience having overseen the USD 1.2 Billion acquisition of the 2002 and 2006 FIFA world cup broadcast rights. Tim has acted as founder, director and advisor to numerous Mining and Energy Companies. His recent experience includes listing South African Coal Company Universal Coal Plc on the ASX and Hungarian Energy Company Wildhorse Energy PLC on AIM. Tim has extensive experience in China including with Gillette, South China Resources Plc and more recently in advising Kalahari Minerals on its USD 1 billion takeover by China Guangdong Nuclear Power Corp (CGNPC). Appointed 27 May 2015
Dr. Malcolm Jacques, *Ph.D. Chemical Engineering*	Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA. Dr Jacques' international career has embraced research, development and implementation of numerous energy technologies in both the public and private sectors. He has worked with several well-known companies and organizations including BP Ventures (UK), The Energy Laboratory, MIT (Cambridge, USA), Strategic Research Foundation (Australia) and has played key roles in the establishment and management of public and private energy technology companies in Australia and North America. Appointed 2 March 2010

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ross MacLachlan	Lignol Energy Corp (Canada)	2007 – 2014

Shareholdings

The following table sets out key management personnel's relevant interests in shares and options of the Company as at the date of this report.

Directors and senior management	Fully paid ordinary shares Number	Options Number
Directors		
John Byrne	28,143,043	2,000,000
Ross MacLachlan	-	10,000,000
Tim Horgan	919	5,000,000
Malcolm Jacques	415,082	-
Senior Management		
George Yan	-	-
Alwyn Davey	1,210,955	1,500,000
Kesh Thurairasa	110,561	1,500,000

Since the end of the financial year nil share options (2015:20m) were granted to Directors and officers of the company as part of their remuneration.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year. During the financial year, 6 Board meetings and 1 Audit Committee meetings were held during the period.

	Board of Directors		Audit and Finance Committee	
Name	Held	Attended	Held	Attended
John Byrne	6	6	1	1
Tim Horgan	6	6	-	-
Ross MacLachlan	6	6	-	-
Malcolm Jacques	6	6	1	1

Company secretary

The name(s) and particulars of the Company secretary during or since the end of the financial year are:

Name	
Alwyn Davey	Mr Alwyn Davey was appointed to the position of Company Secretary on 9 July 2009. Mr Davey has experience in cross border mergers, acquisitions and investments as well as formally being a member of the Executive committee of Cambrian Mining Plc, a diversified mining group. He was a non-executive director for Energybuild Group Plc, a UK listed coal company and has been company secretary of a number of UK listed companies which were predominately part of the Cambrian Mining Plc group. Mr Davey holds an LLB degree from Waikato University, NZ.

Directors' report (cont'd)

Principal activities

The principal activity of the consolidated entity during the year was the continued management of its projects and investments.

Review of operations

The consolidated loss for the year amounted to $16,851,894 (2015: $9,656,219 profit).

The Review of Operations is set out on pages 3 to 5 of this report.

Significant Risks

The Company monitors risks and uncertainties on an ongoing basis in relation to its business objectives and operating environment. The following are deemed material risks to the business:

Future capital requirements and Subsidiary or Associate Business Model. The Company's strategy of developing relationships with major industry partners will reduce its future need for capital. The Company will seek to meet the reduced future funding requirements through the delivery of services to customers and the licensing of its core Kalina Cycle technology to projects. However, if the services and licensing revenues of the Company and the Company's ability to secure equity or debt financing are not sufficient for the capital which will still be required, the Company may not be able to implement its business plan. The Company has currently established, or may in the future establish, subsidiaries or associates to further the business of the Kalina Group. Regulatory, commercial, environmental or political risks may impact on the ability of the Company to establish and/or continue to operate subsidiaries or associates in various global jurisdictions. These factors may also impact on the ability of the subsidiary or associate companies to raise or generate capital on their own account. While the Company will seek to continue to operate existing subsidiaries or associates and to form new subsidiaries or associates, there is a risk that if those subsidiaries or associates fail to become self-funding, or cannot secure the necessary capital which will still be required, the Company may not be able to implement its business plan.

Dependence on Proprietary Technology: The Group relies on a combination of patents, copyrights, trade secrets and non-disclosure agreements to protect its Kalina Cycle technology. The Group 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 and KCT Power Limited,(KCT) in this regard will be adequate to prevent misappropriation of its technology or that KCT's competitors will not independently develop technologies that are substantially equivalent or superior to KCT's technology. In addition, the laws of some foreign countries may not protect KCT's proprietary rights against others.

Foreign Exchange: Foreign exchange risk is relatively high due to the global nature of the Group's core business. Foreign exchange risk arises as it is likely to receive payment for services in currencies other that the Company's functional currency. In addition the value of its investments, assets and liabilities in foreign jurisdictions will be affected by currency movements.

Significant changes in state of affairs

The significant changes in the affairs of the consolidated entity during or since the year end are:

- The Company started trading on the ASX on 14 October 2015.
- The Consolidated entity gained control of New Energy Asia Limited on 31 July 2015 and Recurrent Engineering LLC on 1 May 2016.
- New Energy Asia Ltd gained control of Pacific Dynasty Ltd on 26 April 2016 which includes AWO (Shanghai) New Energy Technology Development Co Ltd being the China operating entity.
- The Company issued 21,600,000 options exercisable at 11 cents each to its Directors and Officers. The options expire on 30 June 2018.

Directors' report (cont'd)

Subsequent events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods

1. On 1 August 2016, the company raised $750,000 through a private placement of 15,000,000 ordinary shares at 5 cents with a free attaching option for every two shares issued. The options expire on 30 August 2017.
2. On 26 August 2016, the company through its subsidiary, A&W entered into a tri-party agreement with Sinopec and SSNE for the completion of the Sinopec Hainan Kalina Cycle plant.
3. On 12 September 2016 the company raised $7,561,517 from rights issue and private placement by issuing 151,230,337 ordinary shares at 5 cents and one free option exercisable at 5 cents for every two shares issued. The options expire on 30 August 2017.
4. On 15 September 2016, the company issued 5,640,000 ordinary shares at 5 cents together with a free attaching option for every two shares to settle creditors amounting to $282,000. The company also issued 11,500,000 options exercisable at 5 cents. These options expire on 30 August 2017.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future years and the expected results of those operations may result in unreasonable prejudice to the consolidated entity and therefore have not been disclosed in this report.

Environmental regulations

The consolidated entity's operations are subject to environmental regulation under both Commonwealth, State and various country legislation. There have been no significant known breaches of these regulations by the consolidated entity.

Dividends

No dividends have been paid or declared since the start of the year.

Shares under option or issued on exercise of options

Details of unissued shares or interest under option as at the date of this report:

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Kalina Power Limited	21,600,000	Ordinary	11 cents	30 June 2018
Kalina Power Limited	20,328,767	Ordinary	10 cents	30 September 2016
Kalina Power Limited	1,600,000	Ordinary	10 cents	30 September 2016
Kalina Power Limited	140,000	Ordinary	7.5 cents	15 June 2017
Kalina Power Limited	7,500,000	Ordinary	5 cents	30 August 2017

Details of shares or interest issued during or since the end of the financial year as a result of exercise of an option are:

Issuing Entity	Number of Options converted to shares	Class of shares	Amount paid for shares	Amount un paid
Kalina Power Limited	259,955	Ordinary	25,996	Nil

Indemnification of officers and auditors

The Company has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Company), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Directors' report (cont'd)

Non-audit services

During the year the auditor did not provide any non-audit services.

Auditor's independence declaration

The auditors' independence declaration is included on page 16 of the annual report.

Remuneration report – audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Kalina Power Limited's directors and its senior management for the financial year ended 30 June 2016 and 2015. The prescribed details for each person covered by this report are detailed below under the following headings:

- directors and senior management personnel details
- remuneration policy
- relationship between the remuneration policy and Company's performance
- remuneration of directors and senior management
- key terms of employment contracts.

Directors and senior management personnel

The following persons acted as directors of the Company during or since the end of the financial year:

<u>Executive Directors</u>

John Byrne
Ross MacLachlan
Tim Horgan

<u>Non-executive Directors</u>

Malcolm Jacques

The term 'senior management' is used in this remuneration report to refer to the following key management personnel. Except as noted, the named key management personnel held their current position during or since the end of the financial year:

George Yan (Chief Operating Office – New Energy Asia – appointed 28 December 2015)
Alwyn Davey (Company Secretary – Kalina Power Limited)
Kesh Thurairasa (Financial Controller – Kalina Power Limited)

Remuneration policy

The Board's policy for determining the nature and amount of key management personnel and other remuneration is agreed by the Board of Directors.

The terms 'remuneration' and 'compensation' are used interchangeably throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and senior management of the Company.

Compensation levels for key management personnel and other employees of the Company are competitively set to attract and retain appropriately qualified and experienced directors and senior management.

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of key management personnel and other employees; and
- the ability of key management personnel and other employees to control areas of their respective responsibilities

Senior Executive Remuneration

Compensation packages for the Executive Directors and senior management include a mix of fixed and incentive based compensation.

The Board regularly reviews the policy regarding the appropriate mix of fixed and incentive based compensation for senior executives, having regard to industry practice to ensure the Company attracts and retains the best people.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles if any), as well as employer contributions to superannuation funds.

Fixed compensation levels are reviewed annually by the Board through a process that considers individual contributions and overall performance of the Group, as well as market relativity. A senior executive's compensation is also reviewed on promotion.

Incentive based compensation

The Company does not currently operate a short-term incentive scheme and, in 2016, no cash awards were made to the executives as disclosed in the remuneration report. The Board did not operate a short-term incentive scheme for the 2016 financial year, however will review this in the context of the formal review of the Company's broader executive remuneration policy to be undertaken during the 2017 financial year.

In the 2016 financial year, 21,600,000 options were issued to Directors and senior executives. The current approach of not having time based vesting is considered appropriate due to the size of the Company. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options. There is no condition other than period of service for granting of options. The company considers the issue of options sufficiently aligns the interest of the entity with the incentive given to key management personnel.

All options expire on the earlier of their expiry date or termination of the individual's employment.

Non-Executive Director Remuneration

Non-Executive Director fees are paid within an aggregate limit which must not exceed $250,000 (excluding mandatory superannuation) per annum or such other maximum as determined by the Company in a general meeting.

The cash fees paid to each Independent Non-executive Directors for the 2016 financial year were $25,000 (2015:$25,000) per annum, plus statutory superannuation.

All Non-Executive Directors are eligible to participate in the options granted.

All Non-Executive Directors are also entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committees or shareholders or while engaged on other Kalina Power Limited business.

All remuneration paid/payable to key management personnel is valued at the cost to the company and expensed. Key management personnel or closely related partners of key management personnel are prohibited from entering into hedging arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the board's remuneration policy prohibits key management personnel from using the company's shares as collateral in any financial transactions, including margin loan arrangements.

Relationship between the remuneration policy and Company performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company, and it is the leadership of the directors and senior management which makes the achievement of this aim possible. As indicated above, over the course of the 2019 financial year, the Board will review the Company's executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

Shareholder returns are primarily measured by the movement in share price from the start to the end of each financial year. No dividends have been declared in the past four financial years or the current financial year. As the Company remains in the growth phase of its life cycle, shareholder returns do not correlate with revenues and losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Company performance rather than Company earnings.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

The table below set out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2016.

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Revenue	524,130	1,005,979	485,424	1,467,591	4,876,720
Net profit/(loss) before tax	(16,851,894)	9,510,054	(37,952,726)	(11,818,333)	(7,448,777)
Net profit/(loss) after tax	(16,851,894)	9,656,219	(37,952,726)	(11,933,585)	(7,448,777)
Share price at start of year ($)	3.060	3.06	4.59	13.00	24.48
Share price at end of year ($)	0.048	3.06	3.06	4.59	13.00
Dividends paid (cents)	-	-	-	-	-
Basic (loss)/profit per share (cents)	(13.0)	16	(393)	(300)	(239)
Diluted (loss)/profit per share (cents)	(13.0)	11	(393)	(300)	(239)

Remuneration of directors and senior management – audited

		Short-term employment benefits			Post-employment		Share-based payment		
		Salary & Fees	Other payments	Non-monetary	Superannuation	Other long term benefits	Options and rights	Value of options as proportion of total remuneration	Total
Executive Director		$	$	$	$	$	$	%	$
John Byrne	2016	140,000	-	1,072	-	-	38,171	21	179,243
	2015	140,000	-	586	-	-	-	-	140,586
Ross MacLachlan	2016	221,632	-	11,167	-	-	190,856	45	423,655
	2015	1,228	-	87	-	-	-	-	1,315
Tim Horgan	2016	146,666	-	-	12,033	-	95,428	38	254,127
	2015	11,644	-	-	-	-	-	-	11,644
Non-executive directors									
Malcolm Jacques	2016	25,000	-	-	-	-	-		25,000
	2015	25,000	-	-	-	-	-		25,000
Senior Management									
George Yan (appointed 1 May 2016)	2016	37,879	-	-	-	-	-		37,879
	2015	-	-	-	-	-	-		-
Alwyn Davey	2016	180,000	-	-	17,100	-	28,629	13	225,729
	2015	180,000	-	-	17,100	-	-		197,100
Kesh Thurairasa	2016	135,000			29,250	-	28,629	15	192,879
	2015	150,000	-	-	14,250	-	-		164,250
TOTALS	**2016**	**886,177**	**-**	**12,239**	**58,383**	**-**	**381,713**	**29**	**1,338,512**
TOTALS	**2015**	**507,872**	**-**	**673**	**31,350**	**-**	**-**	**-**	**539,895**

Notes

- No cash awards were paid during the 2016 financial year (2015: Nil). All awards were made in the form of options.
- During the year 20,000,000 options were issued to directors and senior management.

None of the key management personnel remuneration in the current year or in previous year was linked to performance.

No Key management personnel was provided with any loans during the year.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Equity instruments

Options

During the financial year 17m options were issued to directors and the board approved the issue of 4.6m options to employees and consultants.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Analysis of options over equity instruments granted as compensation

20m options were granted as remuneration to key management person of the Group and Group executives.

During the financial year there were no share-based payment arrangements in existence.

Key management personnel equity holdings

Fully paid ordinary shares of Kalina Power Limited

	Balance at 1 July 2015 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. (i)	Bal at 30 June 2016 No.	Balance held nominally No.
2016						
Directors						
J. Byrne	27,946,617	-	-	196,426	28,143,043	-
R MacLachlan	-	-	-	-	-	-
T Horgan	919	-	-	-	919	-
M. Jacques	74,804	-	-	340,278	415,082	-
Senior Management						
A. Davey	1,211,413	-	-	(458)	1,210,955	-
K. Thurairasa	110,561	-	-	-	110,561	-
G Yan	-	-	-	-	-	-

During the financial year 20,000,000 share options (2015:nil) were issued to Directors and officers of the company as part of their remuneration.

(i) Shares traded on the open market

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Key management personnel equity holdings (cont'd)

	Balance at 1 July 2014 No.	Granted as compensation No.	Received on exercise of rights No.	Net other change No. (i)	Balance at 1 July 2015 No. (i)	Balance held nominally No.
2015						
Directors						
J. Byrne	3,225,901	-	-	27,720,716	27,946,617	-
R. MacLachlan	-	-	-	-	-	-
T. Horgan	-	-	-	919	919	-
R. Reynolds	88,975	-	-	(88,975)	-	-
R. Vallender	72,313	-	-	(72,313)	-	-
M. Jacques	74,804	-	-	-	74,804	-
Senior Management						
B. Levy	11,112	-	-	(11,112)	-	-
A. Davey	13,972	-	-	1,197,441	1,211,413	-
K. Thurairasa	108,000	-	-	2,561	110,561	-

(i) Shares traded on the open market

Share options of Kalina Power Limited

	Balance at 1 July 2015 No.	Granted as compensation No.	Exercised/ Expired No.	Net other change No.	Bal at 30 June 2016 No.	Bal vested at 30 June 2016 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2016									
Directors									
J. Byrne	24,736,403	2,000,000	(24,736,403)	-	2,000,000	2,000,000	-	-	-
R. MacLachlan	-	10,000,000	-	-	10,000,000	10,000,000	-	-	-
T. Horgan	-	5,000,000	-	-	5,000,000	5,000,000	-	-	-
R. Reynolds		-	-		-	-	-	-	-
R. Vallender	-	-	-	-	-	-	-	-	-
M. Jacques	-	340,278	(340,278)	-	-	-	-	-	-
Senior Management									
B. Levy	-	-	-	-	-	-	-	-	-
A. Davey	1,200,000	1,500,000	(1,200,000)	-	1,500,000	1,500,000	-	-	-
K. Thurairasa	-	1,500,000	-	-	1,500,000	1,500,000	-	-	-
G Yan	-	-	-	-	-	-	-	-	-

	Balance at 1 July 2014 No.	Granted as compensation No.	(Exercised)/ (Expired) No.	Net other change No.	Bal at 30 June 2015 No.	Bal vested at 30 June 2015 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2015									
Directors									
J. Byrne	-	-	-	24,736,403	24,736,403	24,736,403	-	-	-
M. Jacques	-	-	-	-	-	-	-	-	-
Senior Management									
A. Davey	-	-	-	1,200,000	1,200,000	1,200,000	-	-	-
K. Thurairasa	-	-	-	-	-	-	-	-	-
B. Levy	-	-	-	-	-	-	-	-	-

Directors' report (cont'd)

Other transactions with key management personnel of the Group

Details of key management personnel compensation are disclosed in note 27 to the financial statements.

i. Loans to key management personnel

No loans were granted to key management personnel

ii. Other transactions with key management personnel of the Group

Transactions with key management personnel.
During the financial year M Jacques was issued with 340,278 ordinary shares and 340,278 options exercisable at 10 cents to settle outstanding fee amounting to $34,028. The options expired on 30 November 2015.

iii. Transactions with key management personnel of Kalina Power Limited and KCT Power Limited

J. Byrne, R. MacLachlan, T Horgan, M. Jacques, A. Davey, K. Thurairasa and George Yan are key management personnel of KPL. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

Key terms of employment contracts

The remuneration and other terms of employment for the Executive Directors and Senior Management are set out in service letters. These letters makes provision for a fixed remuneration component, and options as a long-term incentive. The material terms of the service letters are set out below.

Term	Conditions	Position
Duration of contract	Ongoing until notice is given by either party	Executive Directors/Company Secretary/Senior Management
Voluntary termination (i.e. termination by executive by giving notice)	6 months' notice	Executive Directors/Company Secretary/Senior Management
Termination by Company without cause	6 months' fixed compensation or payment in lieu	Executive Directors/Company Secretary/Senior Management
Termination by Company for cause	Employment may be terminated immediately without notice if the executive commits any act or omission justifying summary dismissal at common law.	Executive Directors/Company Secretary/Senior Management

During the year the Company did not engage the services of a remuneration consultant.

End of Remuneration report.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Timothy Horgan
Executive Director
Melbourne, 30 September 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Kalina Power Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kalina Power Limited and the entities it controlled during the year.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Tim Fairclough

Tim Fairclough
Partner

Melbourne
30 September 2016

HLB Mann Judd (VIC Partnership)
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CORPORATE GOVERANCE STATEMENT

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

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

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

Principle 1: Lay solid foundations for management and oversight

Principle 2: Structure the board to add value

Principle 3: Act ethically and responsibly

Principle 4: Safeguard integrity in corporate reporting

Principle 5: Make timely and balanced disclosure

Principle 6: Respect the rights of security holders

Principle 7: Recognise and manage risk

Principle 8: Remunerate fairly and responsibly

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

Principle 1: Lay solid foundations for management and oversight

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

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

The performance of key executives is reviewed regularly by reference to ongoing performance of the company and its investments. The Board has formed a Remuneration Committee who will perform this review going forward. During the period, no formal evaluations were undertaken however the Remuneration Committee met after the end of the period. This is considered appropriate given the size of the Company.

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

The Board has not yet established a formal written policy concerning diversity. The board is reviewing this aspect of the corporate governance guidelines. Currently the Company includes only men in senior management positions. As the Board has not yet established a formal written policy concerning diversity there are no measurable objectives set. The Company does not have any women on the Board. The previous Chief Operating Officer (Senior Management) was a women. Overall there are 33% (2015:30%) of the Company's employees who are women operating across finance and administration. Due to the size of the company and the board this is deemed acceptable to the directors of the company.

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

Principle 2: Structure the board to add value

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

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

In accordance with the definition of independence above, and the materiality thresholds set, the following director of Kalina Power Limited is considered to be independent: Malcolm Jacques, Non-Executive Director.

The company's Board comprises 4 directors. Mr John Byrne (7 years' service), Dr Malcolm Jacques (6 years' service) Mr Ross MacLachlan (1 years' service) and Mr Tim Horgan (1 years' service). Therefore, there is not a majority of independent directors on the Board. The directors consider that the balance of independent and non-independent directors is appropriate given the size of the Board, the experience of the directors and their understanding of their requirements and responsibilities as directors of the company.

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

The Chairman, John Byrne, is not considered as an independent director. Due to the size of the company and the board this is deemed acceptable to the directors of the company. Should the company increase in size then the company will consider, and if thought appropriate, appoint an independent director as chairman.

The chair of the board is Mr John Byrne and the Chief Executive Officer is Mr Ross MacLachlan.

There is no specific nomination committee. Currently all members of the Board are part of this process to ensure the Board continues to operate within the established guidelines including when necessary, selecting candidates for the position of director. The directors consider that this is appropriate given the size of the Board and the company.

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

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

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

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

Principle 3: Act ethically and responsibly

The company has not yet established a formal written code of conduct. Currently each of the directors and senior management is aware of the investment and corporate objectives of the company and is conscious of the expectations of the shareholders, investee companies and their stakeholders. Any activities of the company are undertaken in consideration of all legal and regulatory requirements as well as with consideration of the underlying value of the activity to shareholders and other stakeholders. The Company Secretary is primarily tasked with maintaining a high level of compliance on all aspects of the business and has the support of the board to achieve this outcome.

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

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

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

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

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

Principle 4: Safeguard integrity in corporate reporting

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

The audit committee should be structured so that it:

- consists of only non-executive directors;
- consists of a majority of independent directors;

- is chaired by an independent chair who is not chair of the Board; and
- has at least three members.

The current audit committee was appointed on 31 August 2015 and comprises:

Name		Qualifications
John Byrne		-
Dr Malcolm Jacques	(Chairman)	Ph.D. Chemical Engineering

In accordance with the definition of independence described in Principle 2 above, and the materiality thresholds set, Malcolm Jacques is considered to be independent and is a non-executive director. John Byrne is not considered independent.

The committee is currently chaired by Dr Malcolm Jacques who is not chair of the Board. The committee has two members, only one of which is independent, which is less than the recommended minimum of three and a majority of independent directors, but given the size and nature of the Board, the directors consider that this is appropriate.

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

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

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

Principle 5: Make timely and balanced disclosure

The company has made the directors and the senior management, including of its subsidiaries and associates, aware of the requirement for continuous and periodic disclosure to ensure the factual presentation of the company's financial position and market-sensitive information is maintained in an orderly and timely fashion.

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

Principle 6: Respect the rights of security holders

The company aims to ensure that the shareholders are informed of all major developments affecting the company. All shareholders are able to receive the company's annual report. The company also encourages full participation of shareholders at its annual general meeting and at extraordinary general meetings when called. The company makes available a telephone and email address for shareholders to make enquiries of the company.

The company maintains a website at www.kalinapower.com on which it makes available: company announcements; shareholder meeting notices and explanatory materials; financial information and annual reports. The company is continuing to review its website and where necessary will enhance the information available on that site.

Principle 7: Recognise and manage risk

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

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

Principle 8: Remunerate fairly and responsibly

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive officers and executive team. The Board has now established a remuneration committee, which comprises of the chairman, John Byrne, and the independent non-executive director, Malcolm Jacques. Given the size and nature of the Board, the directors consider that this is appropriate that the Chairman, while not independent, is a member of the remuneration committee. The remuneration committee has met once subsequent to the year end. The terms of reference for the remuneration committee will include review and recommendation to the board on the company's remuneration, recruitment and termination for senior executives, review of executives' performance and a framework for directors' compensation.

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

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue	4	524,130	1,005,979
Cost of Sales		-	(542,592)
Gross profit/(loss)		524,130	463,387
Other revenue/(payments)	6(a)	402,937	(1,539,360)
Finance income	6(a)	186,908	1,029,567
Employee benefits expenses	6(b)	(1,691,631)	(1,214,701)
Administration expenses		(417,401)	(323,452)
Depreciation and amortisation expenses	6(b)	(501,515)	(151,643)
Bad debts	6(b)	(4,726)	(8,570)
Travel expenses		(257,294)	(350,067)
Gain/(loss) on revaluation of financial assets fair valued through profit and loss	3(v)	-	(1,824,261)
Gain on revaluation of an associate		2,280,340	-
Gain recognised on disposal of subsidiaries	6(c)	-	24,441,584
Share of loss of associate	12	-	(9,457,588)
Intangibles written off on acquisition	32	(3,290,935)	(104,655)
Impairment of investments classified as available for sale		(81)	(80,141)
Impairment of other assets		-	39,877
Legal and professional fees		(229,586)	(595,536)
Loss on conversion of debt to equity		(13,594,560)	-
Patent costs		(79,876)	(97,640)
Foreign exchange gain/(loss)	6(a)	114,120	791,816
Finance costs	5	(292,724)	(1,508,563)
Profit/(loss) before tax		(16,851,894)	9,510,054
Income tax benefit/(expense)	7	-	146,165
(Loss)/Profit for the year		(16,851,894)	9,656,219
Attributed to:			
Owners of the parent	22	(16,618,520)	10,359,443
Non-controlling interest	21.5	(233,374)	(703,224)
		(16,851,894)	9,656,219
Other comprehensive income			
Exchange reserve arising on translation of foreign operations	21.2	(16,250)	(957,946)
Other comprehensive income for the period net of tax		(16,250)	(957,946)
Total comprehensive income/(loss) for the period		(16,868,144)	8,698,273
Total comprehensive income/(loss) attributable to:			
Owners of the parent		(16,634,770)	9,401,497
Non controlling interest		(233,374)	(703,224)
		(16,868,144)	8,698,273
(Loss) per share			
From continuing and discontinued operations:			
Basic (cents per share)	30	(13.0)	15.7
Diluted (cents per share)	30	(13.0)	11.4

Notes to the financial statements are included on pages 24 to 60.

Consolidated statement of financial position as at 30 June 2016

		Consolidated	
	Note	**2016 $**	**2015 $**
Current assets			
Cash and cash equivalents	25	755,861	39,099
Trade and other receivables	8	1,235,057	364,816
Other financial assets	9	71	152
Total current assets		**1,990,989**	**404,067**
Non-current assets			
Trade and other receivables	10	932,334	16,079,659
Assets classified as available-for-sale	11	-	-
Investments accounted for using the equity method	12	9,200	9,200
Property, plant and equipment	13	14,658	88,118
Intangible assets	14	4,204,008	-
Total non-current assets		**5,160,200**	**16,176,977**
Total assets		**7,151,189**	**16,581,044**
Current liabilities			
Trade and other payables	15	986,646	917,240
Borrowings	16	2,620,548	-
Provisions	17	110,329	95,940
Total current liabilities		**3,717,523**	**1,013,180**
Non-current liabilities			
Trade and other payables	18	1,301,263	-
Provision	17	70,255	56,598
Total non-current liabilities		**1,371,518**	**56,598**
Total liabilities		**5,089,041**	**1,069,778**
Net assets		**2,062,148**	**15,511,266**
Equity			
Issued capital	19	91,632,654	89,672,984
Reserves	21	809,990	129,074
Accumulated losses	22	(90,761,712)	(74,143,192)
Total equity attributable to equity holders of the company		1,680,932	15,658,866
Non-controlling interest	21.5	381,216	(147,600)
Total equity		**2,062,148**	**15,511,266**

Notes to the financial statements are included on pages 24 to 60.

Consolidated statement of changes in equity for the financial year ended 30 June 2016

Consolidated

	Issued capital and contributed equity	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$	$	$
Balance at 1 July 2014	**83,718,959**	**580,747**	**4,313,876**	**(5,726,503)**	**(450,800)**	**(84,502,635)**	**(2,066,356)**	**10,547,608**	**8,481,252**
Profit/(loss) for the year	-	-	-	-	-	10,359,443	10,359,443	(703,224)	9,656,219
Movement in foreign exchange values	-	(957,946)	-	-	-	-	(957,946)	-	(957,946)
Total comprehensive income for the period	**-**	(957,946)	-	-	-	10,359,443	9,401,497	(703,224)	8,698,273
Value of options issued (note 21.3)	-	-	756,310	-	-	-	756,310	-	756,310
Issue of shares (note 19.1)	6,137,274	-	-	-	-	-	6,137,274	-	6,137,274
Share issue cost (note 19.1)	(184,437)	-	-	-	-	-	(184,437)	-	(184,437)
Difference arising on decrease in control of subsidiary	-	-	-	1,394,516	-	-	1,394,516	(9,773,110)	(8,378,594)
Reclassification	-	-	-	218,874	-	-	218,874	(218,874)	-
Exercise of options (note 19.1)	1,188	-	-	-	-	-	1,188	-	1,188
Balance at 30 June 2015	**89,672,984**	**(377,199)**	**5,070,186**	**(4,113,113)**	**(450,800)**	**(74,143,192)**	**15,658,866**	**(147,600)**	**15,511,266**
Balance at 1 July 2015	**89,672,984**	**(377,199)**	**5,070,186**	**(4,113,113)**	**(450,800)**	**(74,143,192)**	**15,658,866**	**(147,600)**	**15,511,266**
Profit/(loss) for the year	-	-	-	-	-	(16,618,520)	(16,618,520)	(233,374)	(16,851,894)
Movement in foreign exchange values	-	(16,250)	-	-	-	-	(16,250)	(17,136)	(33,386)
Total comprehensive income for the period	**-**	(16,250)	-	-	-	(16,618,520)	(16,634,770)	(250,510)	(16,885,280)
Value of options issued (note 21.3)	-	-	699,989	-	-	-	699,989	-	699,989
Value of options exercised	2,823	-	(2,823)	-	-	-	-	-	-
Issue of shares (note 19.1)	2,023,452	-	-	-	-	-	2,023,452	-	2,023,452
Share issue cost (note 19.1)	(92,600)	-	-	-	-	-	(92,600)	-	(92,600)
Recognition of minority interest	-	-	-	-	-	-	-	779,326	779,326
Exercise of options (note 19.1)	25,995	-	-	-	-	-	25,995	-	25,995
Balance at 30 June 2016	**91,632,654**	**(393,449)**	**5,767,352**	**(4,113,113)**	**(450,800)**	**(90,761,712)**	**1,680,932**	**381,216**	**2,062,148**

Notes to the financial statements are included on pages 24 to 60.

Consolidated cash flow statement
for the financial year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers		11,052	432,716
Interest and finance costs paid		(20,537)	(319,141)
Payments to suppliers and employees		(2,975,149)	(2,978,432)
Tax paid		-	(9,433)
Sundry Income		-	314
Net cash used in operating activities	25(i)	(2,984,634)	(2,873,976)
Cash flows from investing activities			
Interest received		13,408	2,472
Payment for plant and equipment		(3,437)	-
Loan to other entity		(963,230)	(311,781)
Proceeds from sale of plant and equipment		-	15,365
Proceeds from sale of equity investments		-	1,497,920
Loans to related party		-	(385,233)
Receipts/(payment) for deposits		-	21,450
Net cash used in investing activities		(953,259)	840,193
Cash flows from financing activities			
Proceeds from issue of shares and options		2,185,994	2,042,084
Proceeds from borrowings		2,500,000	1,724,937
Repayment of borrowings		-	(1,458,286)
Adjustment for gain/(loss) of control of subsidiaries		40,509	(183,361)
Capital raising costs		(71,848)	(112,742)
Net cash provided by financing activities		4,654,655	2,012,632
Net (decrease) / increase in cash and cash equivalents		716,762	(21,151)
Cash and cash equivalents at the beginning of the financial year		39,099	60,250
Cash and cash equivalents at the end of the financial year	25	755,861	39,099

Notes to the financial statements are included on pages 24 to 60.

Notes to the financial statements
for the financial year ended 30 June 2016

Note	Contents
1	General information
2	Summary of accounting policies
3	Segment information
4	Revenue
5	Finance costs
6	Loss for the year
7	Income taxes
8	Trade and other receivables – current
9	Other financial assets – current
10	Trade and other receivables – non current
11	Non-current other assets and assets classified as available-for-sale
12	Investments accounted for using the equity method
13	Property, plant and equipment
14	Intangible assets
15	Trade and other payables – current
16	Borrowings
17	Provisions
18	Trade and other payables – non current
19	Issued capital
20	Options
21	Reserves
22	Accumulated losses
23	Commitments
24	Subsidiaries
25	Cash and cash equivalent
26	Financial instruments
27	Key management personnel compensation
28	Related party transactions
29	Remuneration of auditors
30	Earnings per share
31	Share-based payments
32	Business Combinations
33	Subsequent events
34	Contingent liability
35	Parent entity information

1. General information

Kalina Power Limited (KPL) is a company limited by shares, incorporated and domiciled in Australia. The principal activities of the company and its subsidiaries ('the Group or the consolidated entity') is the deployment of the Kalina Cycle technology internationally and the continued management of their projects and investments. KPL's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
First Floor, Suite 1	First Floor, Suite 1
114-116 Auburn Road	114-116 Auburn Road,
Hawthorn VIC 3122	Hawthorn VIC 3122

2. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the directors on 30 September 2016.

Going concern

The consolidated entity's operating loss for the year ended 30 June 2016 amounted to $16,851,894

The consolidated entity had net current liabilities as at 30 June 2016 of $1,726,534 (30 June 2015: net current liabilities $609,113). At the date of this report, the Directors have considered the above factors and are of the opinion that the consolidated entity will be able to continue as a going concern and will be able to pay its debts as and when they fall due, based on forecasted cash flows through to June 2018.

The above note is underpinned by certain key assumptions including:

- A private placement of $750,000 was completed in July 2016
- The company completed a non-renounceable Rights Issue and private a placement on 12 September 2017 raising gross amount of $ $7,561,517.
- The loan of $2.6m from Harington was converted to equity on 12 September 2016 and a remainder of $179,400 to be converted in November 2016 as underwriting of the remainder of the rights issue.
- Management's cash flow forecast for the period to June 2018 includes the above and also includes operating cash inflows and outflows in relation to ongoing projects. The forecast also assumes a reduction in operating expenditure as the Board has started to and will continue to control expenditure.

In the event that the consolidated entity is unsuccessful in certain of the matters set out above, there is material uncertainty whether the consolidated entity will 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.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Summary of accounting policies (cont'd)

Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity

The key critical accounting estimates and judgments are:

- **Loss of Control of New Energy Asia Limited**
  On 10 December 2014 the company sold 7.5 million shares in Wasabi New Energy Asia Limited, which was subsequently renamed to New Energy Asia Limited ("NEA"), reducing the company's shareholding in NEA from 61.5% to 49.27%. As a result of this transaction, having considered the requirements of *AASB 10 Consolidated Financial Statements*, the directors concluded that control of NEA had been lost. Key factors contributing to this judgment included the fact that the shareholding had reduced below 50% and that the Company only had 2 out of 5 representatives on the NEA board. As a result of the loss of control, NEA was deconsolidated from the Group during the year ended 30 June 2015. The directors determined that, although the Company did not have control of NEA, it did have significant influence as per *AASB 128 Investments in Associates*. From 10 December 2014 the remaining 49.27% interest in NEA was therefore accounted for as an associate under the equity method.

- **Reacquisition of New Energy Asia Limited**
  On 31 July 2015 the Company's shareholding in NEA increased from 49.27% to 75.62% as a result of the conversion of a receivable owing from NEA to the Company being converted to equity. As a result of this transaction, the directors concluded that control of NEA had been regained and the Company reconsolidated NEA in the financial statements from 31 July 2015. As part of this process, it was necessary for the company to assess the fair value of the assets and liabilities acquired. The fair value was estimated using a discounted cash flow model with a discount rate under multiple scenarios in the range of 24.4% to 28.1%. Refer Note 32.1 for further details.

- Financial assets, including investments in associates, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected (Note 3, 9, 10, 11 and 12)

- Share options issued by the Company have been valued using a Black-Scholes pricing model (Note 21.3).

- Impairment of intangible assets
  - Determining whether assets are impaired requires an estimation of the value in use of the cash-generating units to which assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

- The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

- With respect to cash flow projections for NEA, the Directors have determined a forecast of revenues and EBITDAs expected to be generated from the Kalina Cycle both within China and within the rest of Asia. The forecast extends to 2022 and includes an allowance for terminal value. The discount factor applied to the NPV model is 25% which equates to the estimated WACC of the NEA. There is, however, a degree of risk inherent in the achievability of the projected cash flows due to the early stage of development of the Kalina Cycle in the Asian market which in turn places a higher degree of sensitivity of the underlying assumptions adopted in the NPV model

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting period beginning 1 July 2015. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes below.

2. Summary of accounting policies (cont'd)

Standards and interpretation adopted with no effect in the financial statements

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

The Directors have yet to assess the financial impact that the adoption of these Standards and Interpretations in future periods will have on the financial statements of the Group.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;

- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;

-

2. Summary of accounting policies (cont'd)

- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and

- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.
Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group or the Consolidated Entity ' in these financial statements). A controlled entity is any company in which Kalina Power Limited is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Total profit or loss and other comprehensive income of subsidiaries is attributable to owners of the Company and to the non-controlling interest even if these results in the non-controlling interest having a deficit balance.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

b) Borrowing costs

All borrowing costs, except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

c) Cash and cash equivalents

Cash comprises cash on hand, cash at call and short-term deposits with maturity periods less than 90 days. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Financial assets

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

<u>Derecognition</u>

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired.

2. Summary of accounting policies (cont'd)

The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

At fair value through profit or loss

An instrument is classified as at fair value through profit or loss ("FVTPL") if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Upon initial recognition, the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Interest is recognised by applying the effective interest rate.

(d) Financial assets (cont'd)

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(e) Financial liabilities and equity instruments issued by the Company

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as financial liabilities, which are measured at amortised cost.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2. Summary of accounting policies (cont'd)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

(f) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ("$"), which is the functional currency of Kalina Power Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(g) Intangible assets

(g.1) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised in the profit or loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss statement.

2. Summary of accounting policies (cont'd)

(i) Income taxes

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(i) Income taxes (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Inventories

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value.

(k) Property, plant and equipment

Plant and equipment

Buildings and plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The useful lives used for each class of depreciable assets are:

Leasehold improvements	2-5 years
Plant and equipment	5-10 years

2. Summary of accounting policies (cont'd)

(l) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

<u>Sale of goods</u>
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Rendering of services</u>
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows;

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

<u>Royalties</u>
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

<u>Dividend and interest revenue</u>
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount of initial recognition.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of accounting policies (cont'd)

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

i. where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables with are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

(p) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Lease payments

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2. Summary of accounting policies (cont'd)

(s) Lease payments (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(u) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman for the purposes of resource allocation and assessment of performance is focused on key business segments. The Group's reportable segments under AASB 8 are therefore as follows:

- Investments
- Power business

The Investment segment provides administration support and is responsible for the investment activities of the group. The power business segment located in the US and UK manages the power business of the group.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(i) The following is an analysis of the Group's revenue and results by reportable operating segments:

	Segment revenue		Segment profit/(loss)	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Continuing operations				
Investments	-	1,000,000	(14,596,541)	17,748,210
Power business	524,130	5,979	(2,255,353)	1,219,432
Total of all Segments	524,130	1,005,979	(16,851,894)	18,967,642
Unallocated items				
Share of loss of associate			-	(9,457,588)
Total loss before tax			(16,851,894)	(9,510,054)
Exchange reserve arising on translation of foreign operations			(16,250)	(957,946)
Gain / (loss) on available-for-sale investments taken to equity			-	-
Company tax			-	146,165
Total comprehensive income for the period			**(16,868,144)**	**8,698,273**

The segment revenue reported above represents the revenue generated from external customers. There were no intersegment sales in the current year (2015: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss incurred by each segment without the allocation of share of losses of associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(ii) Segment assets

	2016	**2015**
	$	**$**
Investments	2,758,749	16,554,781
Power business	4,392,440	26,263
Total segment assets	7,151,189	16,581,044
Unallocated assets	-	-
Total assets	7,151,189	16,581,044

(iii) Segment liabilities

Investments	3,181,225	718,386
Power business	1,907,816	351,492
Total liabilities	5,089,041	1,069,878

3. Segment information (cont'd)

(iv) Geographical information

The group operates in these principal geographical areas. Australia (country of domicile), UK, China and the USA.

	Revenue from external customers		Non-current assets	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Australia	-	1,000,000	2,001,920	97,319
China	524,130	-	3,158,092	16,079,658
USA	-	5,979	188	-
	524,130	**1,005,979**	**5,160,200**	**16,176,977**

(v) Other segment information

	Depreciation and amortisation	
	2016	**2015**
	$	**$**
Investments	77,084	128,315
Power	424,431	23,328
	501,515	**151,643**

Investments Segment: Impairment losses recognised for the year

	2016	**2015**
	$	**$**
Listed Investments	-	1,824,261
		1,824,261

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4. Revenue

	Consolidated	
	2016	**2015**
	$	**$**
Engineering services	-	5,979
Project fee (i)	524,130	-
License fee (ii)	-	1,000,000
	524,130	**1,005,979**

All revenue relates to continuing operations.

(i) Project fee relate to revenue from SSNE in relation to work already completed on the previously stalled project at Sinopec Hainan.
(ii) Fee received for the license of Aqua Armour technology settled through the forgiveness of payables to suppliers of Aqua Armour.

5. Finance costs

	Consolidated	
	2016	**2015**
	$	**$**
Interest and expenses – related parties	-	146,518
Interest – other	292,724	1,232,015
Borrowing costs – other	-	130,030
	292,724	**1,508,563**

Weighted average rate of funds borrowed is 9.8% (2015 – 20.1%)

6. Loss for the year

(a) Gains and losses

Loss for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated	
	2016	**2015**
	$	**$**
Loss/gain on disposal of equity investments	-	(1,866,333)
Gain on creditors no longer payable	400,034	-
Sundry income	2,903	326,973
Other revenue/(expenses)	402,937	(1,539,360)
Interest income	186,908	1,029,567
Gain on revaluation of an associate (i)	2,280,340	-
Net foreign exchange gains/(losses)	114,120	791,816

(i) The gain on revaluation of the associate arises from the reacquisition of New Energy Asia Ltd

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated	
	2016	**2015**
	$	**$**
Rental expenses	80,184	96,845
Depreciation of plant and equipment	77,258	130,042
Amortisation of intangibles	424,257	21,601
Bad debts	4,726	8,570
Employee benefit expense:		
Defined contribution plans	53,685	36,108
Share based payments	381,713	-
Salaries and wages	1,2565,233	1,178,593

(c) Gain on deconsolidation

	Consolidated	
	2016	**2015**
	$	**$**
Gain on deconsolidation	-	24,441,584

The 2015 gain resulted from the deconsolidation of Recurrent Engineering LLC in December 2014 of $1,501,209 and from the deconsolidation of New Energy Asia Ltd in December 2014 of $22,158,742, including proceeds of $781,633.

7. Income taxes

The prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated	
	2016 $	**2015 $**
(Loss)/profit before tax from continuing operations	(16,851,894)	9,510,054
Income tax (benefit)/expense calculated at 30%	(5,055,568)	2,853,016
Effect of expenses that are not deductible in determining taxable income	105,458	(4,816,932)
Effect of temporary differences	21,437	3,227,914
Effect of deferred tax losses not brought to account	4,928,673	(1,410,163)
Income tax expense recognised in profit or loss	**-**	**(146,165)**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax balances	Consolidated	
	2016 $	**2015 $**
The following deferred tax assets have not been brought to account:		
- tax losses – revenue	9,764,259	4,451,678
- tax losses - capital	1,208,579	1,208,440
- temporary differences	1,651,957	6,307,618
	12,624,795	**11,967,736**

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future tax profit will be available against which the group can utilise the benefits there from.

The following deferred tax balances have not been brought to account	Consolidated	
	2016 $	**2015 $**
Deferred tax assets		
- Investments	1,530,461	6,114,208
- Provisions	84,149	100,422
- Provision for bad debt	37,347	92,988
	1,651,957	**6,307,618**
Tax losses recognised		
- Temporary differences not recognised	-	-
- Net deferred tax assets and liabilities recognised	(1,651,957)	(6,307,618)
	-	**-**

8. Trade and other receivables: current

	Consolidated	
	2016	2015
	$	$
Trade receivables (i)	838,884	-
Goods and services tax recoverable	15,262	26,745
Receivable from key management personnel	502	5,228
Other receivables (ii)	372,963	328,082
Receivables from director related entities	7,446	4,761
	1,235,057	**364,816**

The average credit period is 30 days after the end of the month in which the invoice is raised.
Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

(ii) An amount of $333,293 is the remainder due from the sale of Kalina Cycle license sold in previous years and $505,591 relates to project costs to be reimbursed by SSNE in relation to the Sinopec project (note 4)

(iii) Included in this an amount of $359,524 due from SSNE for funds advanced previously in relation to Hainan project.

9. Other financial assets: current

	Consolidated	
	2016	2015
	$	$
Financial assets carried at fair value through profit or loss (FVTPL)		
Held for trading non-derivative financial assets (i)	71	152
	71	**152**

The fair values of the financial assets were determined as follows:

(i) The fair value of the shares has been determined with reference to quoted market prices.

10. Trade and other receivables: non-current

	Consolidated	
	2016	2015
	$	$
Receivable other (i)	932,334	857,284
Receivable – associate company (ii)	-	15,222,375
	932,334	**16,079,659**

(i) This amount is receivable for sale of 7.5m shares in NEA previously sold and is expected to be settled by 1 December 2017.

(ii) Receivable from associate New Energy Asia Ltd as at 30 June 2015. An amount of $14,814,100 was subsequently converted to equity during the year ended 30 June 2016.

11. Non-current other assets and assets classified as available-for-sale

	Consolidated Non-current assets classified as available-for-sale	
	2016	2015
	$	$
Opening balance	-	25,703,935
Deconsolidation Adjustment	-	(30,401,217)
Foreign exchange	-	4,697,282
	-	**-**

12. Investments accounted for using the equity method

	Consolidated	
	2016	**2015**
	$	**$**
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	9,200	9,200
Balance at 30 June	**9,200**	**9,200**

Name of entity	Country of incorporation	Principal activity	Ownership interest 2016 %	Ownership interest 2015 %
Associates				
Exergy Inc	USA	Investment	46.0%	46.0%
New Energy Asia Ltd	Cayman Island	Investment	-	49.3%

Summarised financial information in respect of the Group's associates is set out below:

	Consolidated	
	2016	**2015**
	$	**$**
Financial position:		
Total assets	9,200	10,101,547
Total liabilities	-	(2,793,879)
Net assets	9,200	7,307,668
Group's share of associates' net assets	4,232	3,601,599
Financial performance:		
Total revenue	-	-
Total (loss)/profit for the year before tax	-	(39,101,342)
Income tax expense	-	-
Net (loss)/profit for the year	-	(39,101,342)
Group's share of associate's profit/(loss)	-	(9,457,588)

Dividends received from associates
No dividends were received during the year (2015: Nil) from its associate.

Commitments
There are no operating leases obligations for associate.

13. Property, plant and equipment

	Consolidated	
	Plant and equipment at cost	**Total**
	$	$
Gross carrying amount		
Balance at 1 July 2014	693,717	693,717
Assets written off	(5,059)	(5,059)
Deconsolidation adjustment	(24,964)	(24,964)
Disposals	(137,563)	(137,563)
Balance at 1 July 2015	526,131	526,131
Additions	3,437	3,437
Consolidation adjustment	8,252	8,252
Balance at 30 June 2016	537,820	537,820
Accumulated depreciation		
Balance at 1 July 2014	376,390	376,390
Depreciation expenses	130,042	130,042
Assets written off	(4,497)	(4,497)
Deconsolidated adjustment	(16,284)	(16,284)
Disposal	(47,638)	(47,638)
Balance at 1 July 2015	438,013	438,013
Depreciation expense	77,258	77,258
Consolidation adjustment	7,891	7,891
Balance at 30 June 2016	523,162	523,162
Net book value		
As at 30 June 2015	**88,118**	**88,118**
As at 30 June 2016	**14,658**	**14,658**

Aggregate depreciation allocated, which is recognised as an expense during the year:

	Consolidated	
	2016	**2015**
	$	**$**
Plant and equipment	77,258	130,042

14. Intangible assets

	Consolidated		
	License	Patent	Total
	$	$	$
Gross carrying amount			
Balance at 1 July 2014	-	360,272	360,272
Balance at 1 July 2015	-	360,272	360,272
Acquired during the year	4,628,264	-	4,628,264
Balance at 30 June 2016	4,628,264	360,272	4,988,536
Accumulated amortisation and impairment			
Balance at 1 July 2014	-	234,016	234,016
Amortisation expense	-	21,601	21,601
Impairment (i)	-	104,655	104,655
Balance at 1 July 2015	-	360,272	360,272
Amortisation expenses	424,256	-	424,256
Balance at 30 June 2016	424,256	360,222	784,528
Net book value			
As at 30 June 2015	**-**	**-**	**-**
As at 30 June 2016	**4,204,008**	**-**	**4,204,008**

15. Trade and other payables - current

	Consolidated	
	2016	**2015**
	$	**$**
Unsecured:		
Trade payables (i)	848,698	917,240
Other payable (ii)	137,948	-
	986,646	**917,240**

(i) Payment terms for the Company and Consolidated entity during the current year and comparative period average 30 days.

(ii) Balance payable by subsidiary KCT for the purchase of Recurrent Engineering LLC

16. Borrowings

	Consolidated 2016 $	Consolidated 2015 $
Loans from:		
- Other entities – secured loan - note (i)	2,620,548	-
	2,620,548	**-**
Disclosed in the financial statements as:		
Current borrowings	2,620,548	-
	2,620,548	**-**

(i) Interest payable @ 10% per annum and is expected to be settled in the next twelve months

17. Provisions:

	Consolidated 2016 $	Consolidated 2015 $
Employee benefits	180,584	152,538
	180,584	**152,538**
Disclosed as current	110,329	95,940
Disclosed as non-current	70,255	56,598
	180,584	**152,538**

18. Trade and other payables: non-current

	Consolidated 2016 $	Consolidated 2015 $
Other payable (i)	1,301,265	-
	1,301,265	**-**

(i) Relate to amount owing to key management personnel of New Energy Asia (NEA), payable when NEA has adequate funds to meet one year working capital requirement and funds to repay the amount owing to directors. Interest is payable at 10% per annum.

19. Issued capital

	Consolidated 2016 $	Consolidated 2015 $
Fully paid ordinary shares 30 June 2016: 133,335,253 (30 June 2015: 109,893,416)	**91,632,654**	**89,672,984**

	2016		2015	
	No.	$	No.	$
19.1 Ordinary shares				
Balance at beginning of year	109,893,416	89,672,984	40,944,494	83,718,959
Exercise of options	259,955	28,818	11,883	1,188
Issue of shares	21,600,000	1,891,207	20,409,292	1,815,515
Share issue to extinguish a liability	-	-	5,000,000	440,508
Shares issued to creditors and lenders	1,581,882	132,245	43,527,747	3,881,251
Share issue costs	-	(92,600)	-	(184,437)
Balance at end of financial year	**133,335,253**	**91,632,654**	**109,893,416**	**89,672,984**

Ordinary shares carry one vote per share and carry the right to dividends.

Capital Management
The management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. Management manages the Group's capital by assessing the Group's financial risks and adjusting the capital structure in response to changes in these risks and in the market.

20. Options

20.1 Options

	2016 No	2015 No
Balance at beginning of the year	68,863,955	-
Issue of options	44,641,882	68,875,838
Exercise of options	(259,955)	(11,883)
Options expired	(69,577,115)	-
Balance at end of financial year	**43,668,767**	**68,863,955**

The following Options were on issue at 30 June 2016:

Tranche	**Number**	**Exercise Price**	**Expiry Date**
Tranche 1 (granted on 23 July 2015)	21,600,000	11 cents	30 June 2018
Tranche 2 (granted on 1 October 2015)	20,328,767	10 cents	30 September 2016
Tranche 3 (granted on 14 October 2015	1,600,000	10 cents	30 September 2016
Tranche 4 (granted on 11 May 2016)	140,000	7.5 cents	15 June 2017

21. Reserves

	Consolidated	
	2016	**2015**
	$	**$**
Treasury shares	(450,800)	(450,800)
Foreign currency translation reserve	(393,449)	(377,199)
Share based payment reserve	5,767,352	5,070,186
Other reserve	(4,113,113)	(4,113,113)
	809,990	**129,074**

21.1 Treasury shares

	Consolidated	
	2016	**2015**
	$	**$**
Value of shares in Kalina Power Limited (i)	(450,800)	(450,800)
	(450,800)	**(450,800)**

(i) The above represents the value of Kalina Power Limited shares held by Exergy Inc an associate.

21.2 Foreign currency translation reserve

	Consolidated	
	2016	**2015**
	$	**$**
Balance at beginning of year	(377,199)	580,747
Exchange differences arising on translating the net assets of foreign operations (i)	(16,250)	(957,946)
Balance at end of year	**(393,449)**	**(377,199)**

(i) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

21. Reserves (cont'd)

21.3 Share based payments reserve

	Consolidated 2016 $	Consolidated 2015 $
Balance at beginning of year	5,070,186	4,313,876
Value of options exercised	(2,823)	-
Value of options issued with shares (i)	699,989	756,310
Balance at end of year	**5,767,352**	**5,070,186**

(ii) The options are valued using Black-Scholes method

The share based payments reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 2(q). Additionally value of free options and warrants issued with shares and convertible notes are accounted for in this account. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 31 to the financial statements.

21.4 Other reserve

	Consolidated 2016 $	Consolidated 2015 $
Balance at beginning of year	(4,113,113)	(5,726,503)
Adjustment for loss of control of subsidiary	-	1,394,516
Reclassification	-	218,874
Balance at end of year	**(4,113,113)**	**(4,113,113)**

The other reserves represent excess consideration paid over the prior year value of the non-controlling interest of KCT Power Ltd and Company's holding in New Energy Asia Ltd decreasing by 5.10% in the prior years.

21.5 Non-controlling interest

	Consolidated 2016 $	Consolidated 2015 $
Balance at beginning of year	(147,600)	10,547,608
Movement in investment revaluation reserve		
Share of profit/(loss) for the year	(233,374)	(703,224)
Movement in foreign exchange values	(17,136)	-
Recognition of minority interest	779,326	-
Reclassification	-	(218,874)
Difference arising on loss of control of subsidiaries	-	(9,773,110)
Balance at end of year	**381,216**	**(147,600)**

22. Accumulated losses

	Consolidated 2016 $	Consolidated 2015 $
Balance at beginning of year	(74,143,192)	(84,502,635)
Net profit/(loss) attributable to members of the parent entity	(16,618,520)	10,359,443
Balance at end of year	**(90,761,712)**	**(74,143,192)**

23. Commitments

(a) Operating leases

These obligations are not provided for in the financial report and are payable.

	Consolidated	
	2016	2015
	$	$
Non-cancellable operating rentals are as follows:		
- Not longer than 1 year	1,134	-
- Longer than 1 year and not longer than 5 years	-	-
- Longer than 5 years	-	
	1,134	**-**

24. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Parent entity			
Kalina Power Limited	Australia		
Subsidiaries			
Enhanced Power Technologies Pty Limited (i)	Australia	100	100
Evolution Energy Pty Limited (i)	Australia	50	50
Aqua Guardian Group Limited (i)	Australia	79.2	79.2
New Energy Asia Limited (i)	Cayman Island	75.6	49.2
It's group entity being			
Pacific Dynasty Limited (i) (ii)	Hong Kong	49.9	-
AWO (Shanghai) New Energy Technology Development Co Ltd (i)	China	100	-
KCT Power Limited (i)	United Kingdom	100	100
It's wholly owned group entity being			
Recurrent Engineering LLC (i)	USA	100	-
Global Geothermal Husavik Limited (i)	United Kingdom	100	100
Wasabi Investments UK Limited (i)	United Kingdom	100	100
Its wholly owned group entity being			
Imparator Green Energy Plc (i)	United Kingdom	100	100
Imparator Enerji Limited (i)	Turkey	100	100
Imparator Tuzla Jeotermal Enerji Uretim AS (i)	Turkey	100	100

(i) None of these entities are part of the tax consolidation group.

(ii) Despite holding less than 50% ownership, as NEA controls the board of Pacific Dynasty, NEA therefore controls the operations and dividend distribution of the company. Hence, Pacific Dynasty is considered a subsidiary and accordingly has been consolidated with the group

25. Cash and cash equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash and bank balances	**755,861**	**39,099**

(i) Reconciliation of (loss)/profit for the period to net cash flows from operating activities

	Consolidated 2016 $	Consolidated 2015 $
Profit/(loss) for the year	(16,851,894)	9,656,219
(Profit)/loss on disposal of financial assets	-	1,866,333
Profit from loss of control of subsidiaries	-	(24,441,584)
Fair value (gains)/losses on options	-	-
Equity accounted loss	-	9,457,588
Equity settled share based payment	412,251	-
Gain on revaluation of associate	(2,280,340)	-
Change in fair value (gains)/losses of financial assets	81	1,904,402
Loss from debt settled	13,594,560	-
Impairment of intangibles	3,290,935	104,655
Depreciation of property, plant and equipment	501,516	151,643
Bad debts	4,726	8,570
Loss on sale of fixed assets	-	75,122
Foreign exchange (gain)/losses	(115,432)	(838,847)
Interest income received and receivable	(342,802)	(1,798,046)
Income tax expense recognised in profit or loss	-	(146,165)
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	(576,198)	349,253
Increase / (decrease) in liabilities:		
Trade and other payables	(650,083)	849,351
Provisions	28,046	(72,470)
Net cash (used in)/ from operating activities	**(2,984,634)**	**(2,873,976)**

(ii) Non-cash investing/financing transactions

On 23 July 2015, the company issued 973,115 shares at 10 cents each together with a free attaching option expiring on 30 November 2015 to settle creditors amounting to $97,312. Further on 1 October 2015, the company issued 328,767 fully paid ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents to settle outstanding creditors amounting to $32,877.

On 11 May 2016, the company issued 280,000 fully paid ordinary shares at 7.5 cents together with a free attaching option for every two shares exercisable at 7.5 cents to settle outstanding creditors of $21,000

26. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The Group's capital structure consists of deposits with banks and loans from related parties or other entities (refer note 16).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, by maintaining a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, re-negotiate intercompany loan arrangements with its parent or sell assets to provide cash flow.

The Group monitors capital on the basis of the gearing ratio. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Risk management policies and procedures are established with regular monitoring and reporting.

(b) Financial Risk Management

The Group has exposure to various risks from the use of financial instruments. The Group's principal financial instruments comprise cash, receivables, payables and other financial assets and liabilities. This note presents information about the Group's exposure to risk from the use of financial instruments. Further quantitative disclosures are included throughout this financial report.

Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, commodity risk and foreign currency risk) are managed such to maintain an optimal capital structure. The Group does not enter into derivative transactions to manage financial risks.

(c) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate. The Group's exposure to credit risk at balance date in relation to each class of financial assets is the carrying amount of the assets as indicated in the Statement of Financial Position. Cash and term deposits are only made with selected counterparties with a strong Standard & Poors long term rating. Adherence to the treasury policy is monitored on a monthly basis.

26. Financial instruments (cont'd)

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity involves monthly cash flow forecasting such to ensure that sufficient funds are always available to undertake planned activities.

Maturity profile of financial instruments

The following tables detail the Company and Group's contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group

	Weighted Average Effective Interest Rate	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 -5 years $	5+ years $
2016						
Financial assets						
Trade and other receivables	-	-	894,318	333,293	932,334	-
Trade and other receivables – Related party	-	-	7,446	-	-	-
Other receivables						
Financial liabilities						
Trade and other payables	-	726,584	146,826	113,235	-	-
Other payables	10%	-	-	-	1,301,265	
Borrowings	10%	-	2,620,548	-	-	-
2015						
Financial assets						
Trade and other receivables	-	33,543	-	-	5,228	-
Trade and other receivables – Related party	-	-	-	4,761	-	-
Other receivable	10%	97,839	147,456	484,264	-	
Financial liabilities						
Trade and other payables	-	368,482	11,753	188,890	348,298	-

26. Financial instruments (cont'd)

(e) Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(f) Fair value of financial assets and liabilities

On-balance sheet
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The net fair value of other monetary financial assets and liabilities is based upon discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Interest rate sensitivity analysis

Financial assets

As at 30 June 2016, the Group held $755,861 (2015: $39,090) in cash and cash equivalents with interest revenue of $12,655 (2015: $2,482) for the year then ended. A sensitivity of 1% (2015: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1% (2015: 1.0%) increase in the cash rate would have resulted in a $3,975 (2015: $497) increase in interest revenue and equity. A 1% (2015: 1.0%) decrease in the cash rate would have resulted in a $3,975 (2015: $497) decrease in interest revenue and equity.

Financial liabilities

As at 30 June 2016, the Group borrowings and interest bearing trade and other payables amounted to $3,921,813 (2015: $nil) with interest expenses of $292,724 (2015: $1,378,533) for the year then ended. A sensitivity of 1% (2015: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1% (2015: 1.0%) increase in the cash rate would have resulted in a $38,636 (2015: $nil) increase in interest expenses. A 1.0% (2015: 1.0%) decrease in the cash rate would have resulted in a $38,636 (2015: $nil) decrease in interest expenses.

(g) Other price risks

The Group is exposed to equity price risks arising from equity instruments. Equity instruments are held for strategic and for trading purposes.

Equity price sensitivity analysis

At 30 June 2016, if the equity prices had been 5% higher or lower:

Other financial assets subject to equity price risk

	Consolidated	
	2016 $	**2015 $**
Held for trading – at fair value (note 9)	71	152

	-5% 2016 $	**-5% 2015 $**	**+5% 2016 $**	**+5% 2015 $**
Change in loss	(4)	(8)	3	7

26. Financial instruments (cont'd)

(h) Foreign currency risk management

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, secured borrowings and loans to subsidiary listed below are denominated in United States Dollars (USD) and British Pounds (GBP). Average rate applied during the year $0.73 (2015: $0.84) and reporting date spot rate $0.74 (2015: $0.77) for USD and average rate applied during the year £0.492 (2015: £0.530) and reporting date spot rate £0.555(2015: £0.495) for GBP.

Amounts of foreign currency in creditors

	Consolidated	
	2016 $	2015 $
Trade Payables (USD)	(1,720,317)	(255,146)
Trade Payable (GBP)	(51,147)	(96,347)
Trade Receivables (USD)	1,208,611	17,453
	(562,853)	(334,040)

Movement in USD and GBP against AUD	-20% 2016 $	-20% 2015 $	+20% 2016 $	+20% 2015 $
Change in gain/(loss) -USD	(127,927)	39,616	85,284	(59,423)
Change in gain/(loss) -GBP	(12,708)	16,058	8,577	(27,087)

The sensitivity of 20% has been selected as this considered reasonable given the current level of both short term and long term exchange movement for these currencies and the above analysis assumes all other variables remain constant.

Gearing ratio

The Group's Board reviews the capital structure on an annual basis. The gearing ratio at year end was as follows:

	Consolidated	
	2016 $	2015 $
Financial assets		
Debt (i)	2,620,548	-
Cash and cash equivalents	(755,861)	(39,099)
Net debt	1,864,687	(39,099)
Equity (ii)	2,062,148	15,511,266
Net debt to equity ratio	90.4%	-

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 16.
(ii) Equity includes all capital and reserves.

26. Financial instruments (cont'd)

(i) Three tier hierarchy of fair value

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	Consolidated		**30/06/16**	
Instrument	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets at FVTPL				
Quoted equities	71	-	-	71
Total	**71**			

	Consolidated		**30/06/15**	
Instrument	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets at FVTPL				
Quoted equities	152	-	-	152
Total	**152**	**-**	**-**	**152**

Of the total losses for the period included in profit or loss $ nil (2015: $1,824,539) relates to asset-backed securities held at the end of the reporting period.

26. Financial instruments (cont'd)
(i) Three tier hierarchy of fair value (cont'd)

Reconciliation of fair value measurements of financial assets for Level 3 Investments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.
(j) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 Jun 2016	30 Jun 2015				
1) Other financial assets	Listed equity securities in Canada - $71	Listed equity securities in Canada - $152	Level 1	Quoted bid prices in an active market.	N/A	N/A

27. Key management personnel compensation

Details of Key management personnel

Key management is defined as directors and senior management as referred to in the remuneration report.

i. Key management personnel compensation
The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	886,177	602,941
Share based payment benefits	381,713	-
Post-employment benefits	70,622	44,495
	1,338,512	**647,436**

28. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 12 to the financial statements.

(c) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 27 to the financial statements.

ii. Other transactions with key management personnel of the Group

- On 23 July 2015, the company issued 340,278 ordinary shares at 10 cents together with a free attaching option exercisable at 10 cents each to M Jacques to settle amount owing of $34,028. The options expired on 30 November 2015.

iii. Transactions with key management personnel of Kalina Power Limited and Global Geothermal Limited

J. Byrne, R MacLachlan, T Horgan, M. Jacques, A. Davey, K. Thurairasa and G Yan are key management personnel of KPL. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

(d) Transactions with other related parties

Transactions between Group and its related parties

During the financial year, the following transactions occurred between the Company and its other related parties:

- During the year the company received $2,903 as management fee from Arcourt Resources NL, a company in which John Byrne is a director.
- As at 30 June 2016, an amount of $7,446 was outstanding from Arcourt Resources NL.
- The company charged management services fee totaling $57,720 (2015: $112,780) to its subsidiary, KCT Power Limited.
- During the year the company paid $75,964 (2015: 58,955) for office rent and out goings to Twenty-Second Yeneb, a company in which John Byrne is a director.

Transactions between Group and its related parties

- The following loans were advanced by the company during the year to Aqua Guardian Group Limited $37,000 (2015: $29,000), Imparator Green Energy Plc $39,254 (2015: $58,026), KCT Power Limited $248,779 (2015: $160,323), New Energy Asia Limited $557,742 (2015: $2,055,366) Recurrent Engineering LLC A$158,046

- Interest charged on loan to Aqua Guardian Group Limited @10% amounted to $33,850 (2015: $31,447), on loan to Wasabi New Energy Asia Limited @10% amounted to $69,298 (2015: $1,642,966) and on loan to KCT Power Limited @3.25% amounted to $83,794 (2015: $69,029) and on loan to Recurrent Engineering amounted to $22,693.

(e) Parent entity

The parent entity in the Group is Kalina Power Limited

29. Remuneration of auditors

	Consolidated	
	2016 **$**	**2015** **$**
Audit and review of the financial report HLB Mann Judd	76,400	76,000
Taxation services HLB Mann Judd	1,177	-
	77,577	**76,000**

30. Earnings per share

	Consolidated	
	2016 Cents per share	**2015 Cents per share**
Basic earnings (loss) per share	(13.0)	15.7
Diluted earnings (loss) per share	(13.0)	11.4

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2016 **$**	**2015** **$**
Net (loss)/profit (i)	(16,618,520)	10,359,443

(i) Net Loss is the same amount as loss after tax in the statement of comprehensive income attributable to owners of the parent

	2016 **No.**	**2015** **No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	127,360,928	65,805,907

Diluted Earnings (Loss) Per Share

The options held by rights holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The rights are non-dilutive as they do not increase loss per share from continuing operations.

31. Share-based payments

During the financial year 21,600,000 options were issued to Directors and officers as share based payments.

The following reconciles the outstanding options granted under the employee share plan at the beginning and end of the financial year:

	2016		2015	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
		cents		cents
Balance at beginning of the financial year (ii)	-	-	-	-
Granted during the financial year	21,600,000	10	-	-
Balance at end of the financial year (iii)	21,600,000	10	-	-
Exercisable at end of the financial year	21,600,000	10	-	-

(i) Exercised during the financial year
During the financial year Nil (2015: nil) options granted under the employee share option plan were exercised.

(ii) Balance at the beginning of the financial year
There were no options outstanding at the beginning of the year.

(iii) Balance at end of the financial year
The share options outstanding at the end of the financial year had an average exercise price of 10 cents and average remaining contractual life of 730 days.

32. Business combinations

32.1 New Energy Asia Ltd

On 31 July 2015 the Company converted a receivable of $14,814,100 owing from an associate NEA (New Energy Asia Ltd) to equity in NEA. NEA issued 138,049,050 ordinary shares @ US$0.10 per share.

The fair value reassessment of the Consolidated Entity's existing 49.27% interest in NEA resulted in a gain being recognised in profit and loss for the period ended 30 June 2016 of $2,280,340.

The conversion of debt to equity resulted in an increase in the Consolidated Entity's interest in NEA from 49.27% to 75.62% on 31 July 2015 and consolidation of NEA in the consolidated financial statements of Kalina Power Limited as at 30 June 2016.

The fair value of the consideration in relation to the business combination has been determined based on the fair value of NEA's rights to use the Kalina license across the rest of Asia region. *(Refer also to Note 2, critical accounting estimates and judgements)*.

The conversion of debt to equity between Kalina Power Ltd (parent entity) and NEA resulted in a write down of book value of the debt being, $14,814,100, to fair value of $1,219,540 which resulted in a loss on conversion recognised in profit and loss of $13,594,560.

Profit and revenue resulting from the acquisition of NEA for the period ended 30 June 2016 was nil and A$524,130

In accordance with AASB3, the provisional accounting for this business combination is as follows:

(i) Assets acquired and liabilities assumed at the date of acquisition

	New Energy Asia Ltd
Current assets	
Cash and cash equivalents	69
Non-current assets	
Intangible at fair value	4,628,264
Non-current liabilities	
Other payables	(1,478,010)

(ii) Intangibles arising on acquisition

	New Energy Asia Ltd
Consideration transferred	3,499,880
Plus: non-controlling interests	770,007
Less: fair value of identifiable net assets acquired	(3,150,323)
Intangibles arising on acquisition written off	1,119,564

32.2 Pacific Dynasty Limited

On 26 April 2016 the Company's, New Energy Asia Limited gained control of Pacific Dynasty Limited, with its wholly owned subsidiary AWO (Shanghai) New Energy Technology Development Co Limited for a consideration of $1.

(iv) **Assets acquired and liabilities assumed at the date of acquisition**

	Pacific Dynasty
Current assets	
Cash and cash equivalents	1
Non-current liabilities	
Other payables	(665,598)

(v) **Intangibles arising on acquisition**

	Pacific Dynasty
Consideration transferred	1
Plus: fair value of identifiable net assets acquired	665,597
Intangibles arising on acquisition written off	665,598

32.3 Recurrent Engineering LLC

On 30 April 2016 the Company's wholly owned subsidiary KCT Ltd acquired Recurrent Engineering LLC, a company registered in the USA for a consideration of A$135,000. The company's main business is providing engineering services.

(vi) **Assets acquired and liabilities assumed at the date of acquisition**

	Recurrent Engineering
Current assets	
Cash and cash equivalents	38,211
Other receivables	328,610
Non-current liabilities	
Other payables	(1,699,533)

(vii) **Intangibles arising on acquisition**

	Recurrent Engineering
Consideration transferred	135,000
Plus: fair value of identifiable net assets acquired	1,332,712
Plus: effects of currency translation	38,060
Intangibles arising on acquisition written off	1,505,772

33. Subsequent Events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods

1. On 1 August 2016, the company raised $750,000 through a private placement of 15,000,000 ordinary shares at 5 cents with a free attaching option for every two shares issued. The options expire on 30 August 2017
2. On 26 August 2016, the company through its subsidiary, A&W entered into a tri-party agreement with Sinopec and SSNE for the completion of the Sinopec Hainan Kalina Cycle plant.
3. On 12 September 2016 the company raised $7,561,517 from rights issue and private placement by issuing 151,230,337 ordinary shares at 5 cents and one free option exercisable at 5 cents for every two shares issued. The options expire on 30 August 2017
4. On 15 September 2016, the company issued 5,640,000 ordinary shares at 5cents together with a free attaching option for every two shares to settle creditors amounting to $282,000. The company also issued 11,500,000 options exercisable at 5 cents. These options expire on 30 August 2017.

34. Contingent liabilities

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB5,500,000 including in part those related to the building of the Sinopec Hainan plant. The Company has been advised that the Bank of East Asia has obtained a judgement against SSNE through proceedings in China for repayment of the Loan. The Company is not a party to these proceedings. It has been agreed with SSNE that the Bank of East Asia loan will be repaid in the near term from the payments anticipated to be made by Sinopec. On completion of the payment plan with Sinopec which will also address repayment of the Bank of East Asia loan, the Company will advise Bank of East Asia of the anticipated repayment schedule. If there are delays in this payment being made to Bank of East Asia the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend possible claims under the guarantees provided and will contest any claim made.

35. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.
Refer to note 2 for a summary of the significant accounting policies relating to the Group.

Financial position

	2016	2015
	$	$
Assets		
Current assets	2,267,510	782,685
Non-current assets	15,752,995	28,229,382
Total assets	18,020,505	29,012,067
Liabilities		
Current liabilities	2,919,659	527,040
Non-current liabilities	70,255	56,598
Total liabilities	2,989,914	583,638
Equity		
Issued capital	91,632,654	89,672,984
Accumulated losses	(81,380,809)	(65,326,135)
Reserves		
Equity settled benefits	4,778,746	4,081,580
Total equity	**15,030,591**	**28,428,429**

Financial performance

	Year ended 2016	Year ended 2015
	$	$
(Loss)/Profit for the year	(16,054,675)	(628,702)
Other comprehensive income	-	-
Total comprehensive income	**(16,054,675)**	**(628,702)**

Contingent liabilities of the parent entity

The Company supported NEA by way of financial guarantees of certain liabilities amounting to approximately RMB5,500,000 including in part those related to the building of the Sinopec Hainan plant. The Company has been advised that the Bank of East Asia has obtained a judgement against SSNE through proceedings in China for repayment of the Loan. The Company is not a party to these proceedings. It has been agreed with SSNE that the Bank of East Asia loan will be repaid in the near term from the payments anticipated to be made by Sinopec. On completion of the payment plan with Sinopec which will also address repayment of the Bank of East Asia loan, the Company will advise Bank of East Asia of the anticipated repayment schedule. If there are delays in this payment being made to Bank of East Asia the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend possible claims under the guarantees provided and will contest any claim made.

Commitments for the acquisition of property, plant and equipment by the parent entity

There were no commitments to acquire any property, plant and equipment by the parent at the end of the financial year.

Directors' declaration

The directors declare that:

(a) in the directors' opinion subject to note 2, Going Concern, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position as at 30 June 2016, and performance of the consolidated entity for the year then ended, and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

Timothy Horgan
Executive Director

Melbourne, 30 September 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the members of Kalina Power Limited

Report on the Financial Report

We have audited the accompanying financial report of Kalina Power Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements of the consolidated entity comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Kalina Power Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without modifying our opinion, we draw attention to the going concern disclosure set out in Note 2, Going Concern, which identifies that the financial report has been prepared using the going concern basis. The factors identified in Note 2, Going Concern of the financial report indicate the existence of a material uncertainty that may cast significant doubt upon the ability of the Company and the Consolidated entity to continue as a going concern and therefore the Company and the Consolidated entity may not be able to realise their assets and extinguish their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Kalina Power Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

Tim Fairclough

HLB Mann Judd
Chartered Accountants

Tim Fairclough
Partner

Melbourne
30 September 2016

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report as at 10 October 2016.

Twenty largest Shareholders

Rank	Name	Ordinary Shares	% of Issued Capital
1.	HARRINGTON GLOBAL OPPORTUNITIES FUND*	82,674,831	27.09
2.	PAN ANDEAN CAPITAL PTY LTD*	20,958,900	6.87
3.	TWENTY SECOND YENEB PTY LTD	10,587,796	3.47
4.	NIYAZI ONEN	10,239,900	3.36
5.	MR JOHN JOSEPH BYRNE + MRS MARITZA IVONNE BYRNE <JOHN BYRNE PRIV PEN FUND AC>	8,534,509	2.80
6.	ARCOURT RESOURCES NL	8,280,538	2.71
7.	MR YU JIANMENG	5,308,134	1.74
8.	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	4,593,596	1.51
9.	VISION WORLDWIDE HOLDINGS LIMITED	4,109,330	1.35
10.	KEO PROJECTS PTY LTD <SUPERANNUATION FUND A/C>	3,802,290	1.25
11.	1029258 B C LIMITED	3,450,000	1.13
12.	JOHN BERTRUND MAGUIRE	3,000,000	0.98
13.	ADELISE SERVICES LIMITED	2,940,000	0.96
14.	RHODES MINING LIMITED	2,208,767	0.72
15.	MR PAUL HENRI VERON + MRS JULIE ANNE VERON <DEAD KNICK S/F A/C>	2,044,228	0.67
16.	MR DUNCAN CRAIB	2,000,000	0.66
17.	DEAD KNICK PTY LTD	2,000,000	0.66
18.	KENNETH EVERETT PRODUCTIONS LTD	2,000,000	0.66
19.	METIS PTY LTD	2,000,000	0.66
20.	SASSEY PTY LTD <SASSEY A/C>	2,000,000	0.66

* Significant Shareholder of the Company

Distribution of shareholdings and depositary interest holdings

Range	Total holders	Units	% of Issued Capital
1 - 1,000	1,955	307,320	0.10
1,001 - 5,000	183	358,228	0.12
5,001 - 10,000	26	188,506	0.06
10,001 - 100,000	208	8,756,043	2.87
100,001 - 9,999,999,999	279	295,595,494	96.85
Total	**2,651**	**305,205,591**	**100.00**

Twenty Largest Option Holders

Rank	Name	Options	% of Options
1.	HARRINGTON GLOBAL OPPORTUNITIES FUND	24,934,055	25.59
2.	ZENIX NOMINEES PTY LTD	10,000,000	10.26
3.	PAN ANDEAN CAPITAL PTY LTD	5,000,000	5.13
4.	TOP CLASS HOLDINGS PTY LTD <THE ONSLOW S/F A/C>	3,963,636	4.07
5.	KEO PROJECTS PTY LTD <SUPERANNUATION FUND A/C>	2,037,470	2.09
6.	JP SECURITY HOLDINGS PTY LTD <JP A/C>	1,500,000	1.54
7.	MR JOHN HENRY TOLL <TOLL FAMILY DISCRTNARY A/C>	1,475,000	1.51
8.	ADELISE SERVICES LIMITED	1,470,000	1.51
9.	1029258 B C LIMITED	1,350,000	1.39
10.	JINDABYNE CAPITAL PTY LTD <PROVIDENCE EQUITY A/C>	1,200,000	1.23
11.	MR DUNCAN CRAIB	1,000,000	1.03
12.	DEAD KNICK PTY LTD	1,000,000	1.03
13.	KENNETH EVERETT PRODUCTIONS LTD	1,000,000	1.03
14.	SASSEY PTY LTD <SASSEY A/C>	1,000,000	1.03
15.	MR PAUL HENRI VERON + MRS JULIE ANNE VERON <DEAD KNICK S/F A/C>	1,000,000	1.03
16.	MR MATTHEW DEAN QUINN	850,000	0.87
17.	MR DALE ALLAN BRYAN + MRS TRACY TZU-LEI BRYAN <BRYAN INVESTMENT A/C>	650,000	0.67
18.	KINGSREEF PTY LTD	600,000	0.62
19.	METIS PTY LTD	600,000	0.62
20.	TIALING PTY LTD	600,000	0.62

Distribution of Option holders

Range	Total holders	Units	% of Issued Capital
1 - 1,000	82	13,084	0.01
1,001 - 5,000	23	89,605	0.09
5,001 - 10,000	32	214,560	0.22
10,001 - 100,000	113	7,228,608	7.42
100,001 - 999,999,999	132	89,889,349	92.26
Total	**382**	**97,435,206**	**100.00**

The number of shareholders holding less than a marketable parcel is 2156

Voting Rights

All shares carry one vote per share without restriction

On Market Buy-back

There is no current on market buy-back

Restricted Securities

The Company does not have any restricted securities on issue.