KALINA POWER LIMITED

ACN 000 090 997

NOTICE OF GENERAL MEETING

TIME: 11.30am (AEST)

DATE: 1 October 2015

PLACE: Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Independent Expert has concluded that the increase in voting power the subject of Resolution 1 outlined in this Notice of Meeting is NOT FAIR but is REASONABLE to non-associated Shareholders.

All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of Meeting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (03) 9236 2800.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Kalina Power Limited to which this Notice of Meeting relates will be held at 11.30 am (AEST) on 1 October 2015 at:

Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

by post to Kalina Power Limited, Level 1, 114-116 Auburn Road, Hawthorn, VIC 3122;

or

by facsimile to the Company on facsimile number +61 3 9818 3656,

so that it is received not later than 11.30am (AEST) on 29 September 2015.

Proxy forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Kalina Power Limited will be held at Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000, at 11.30 am (AEST) on 1 October 2015

The Explanatory Statement to this Notice of Meeting and the Independent Expert's Report provide additional information on matters to be considered at the General Meeting. The Explanatory Statement, Independent Expert's Report and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 29 September 2015.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

BUSINESS

1. RESOLUTION 1 – ISSUE OF SHARES UPON CONVERSION OF LOAN AND EXERCISE OF NEW OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

> *"That, subject to Resolution 2 being passed and for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the:*
>
> *(a) acquisition of a relevant interest in the Company's voting shares arising from the allotment and issue by the Company of 20,328,767 Shares to Harrington Global Opportunities Fund SARL (**Harrington**) (and any deemed relevant interest by its associates) upon the conversion of the Loan in the manner and on the terms and conditions set out in the Explanatory Statement;*
>
> *(b) acquisition of a relevant interest in the Company's voting shares as a result of the allotment and issue by the Company of 20,328,767 Shares to Harrington upon exercise of the New Options issued pursuant to Resolution 2 (and any deemed relevant interest by its associates resulting from such exercise of the New Options); and*
>
> *(c) acquisition of a relevant interest in the Company's voting shares as a result of the allotment and issue by the Company of 11,464,762 Shares to Harrington upon exercise of the Existing Options held by Harrington at the date of this Notice (and any deemed relevant interest by its associates resulting from such exercise of the Existing Options)."*

2. RESOLUTION 2 – ISSUE OF NEW OPTIONS UPON CONVERSION OF LOAN

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

> *"That, subject to Resolution 1 being passed and for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue by the Company of 20,328,767 New Options to Harrington, each exercisable into one Share at an exercise price of $0.10 per New Option upon the conversion of the Loan in the manner and on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusions:

1. No votes may be cast in favour of Resolution 1 by Harrington or any of its associates.

2. The Company will disregard any votes cast on Resolution 2 by Harrington and any of its associates or by any person who might obtain a benefit from the proposed issue, expect a benefit solely in the capacity of a holder of Ordinary Securities, if the resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Important notes to the resolutions

1. For further information and explanation on Resolutions 1 and 2 please refer to the Explanatory Statement which is **enclosed** and forms part of this Notice of General Meeting.

2. Shareholders should also carefully consider the **enclosed** Independent Expert's Report prepared by RSM Bird Cameron for the purposes of the Shareholders' consideration of Resolution 1. The Independent Expert concludes that the proposed transaction is not fair but it is reasonable to the shareholders.

Directors' recommendation

It is the unanimous recommendation of the Directors that, in the absence of a superior proposal, the Shareholders vote in favour of resolutions 1 and 2. Each Director intends to vote all Shares they own, or control the right to vote, in favour of Resolutions 1 and 2 in the absence of a superior proposal.

DATED: 1 September 2015

BY ORDER OF THE BOARD

KALINA POWER LIMITED

ALWYN DAVEY

COMPANY SECRETARY

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC, 3000 on 1 October 2015 at 11.30 am (AEST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. BACKGROUND TO RESOLUTIONS 1 AND 2

On 27 June 2015 the Company entered into a loan agreement for $2,000,000 with Harrington Global Opportunities Fund SARL (**Harrington**), formerly called Salida Accelerator Funds SARL (**Loan**). Harrington is an investment fund managed by Harrington Global Limited, a Toronto merchant bank. The $2,000,000 was received by the Company on 2 July 2015.

The Loan accrued interest on a daily basis of 10% per annum and is repayable on 30 June 2016 unless converted pursuant to the resolutions set out in this Notice. In the event the Loan is not converted, it will become a secured loan, secured over the assets of the Company.

As at the date of this Explanatory Statement the amount owing by the Company to Harrington has increased to $2,032,876 due to interest accrued, and the Company's current cash and cash equivalents is approximately $1,400,000.

Harrington has agreed that the Loan be converted into Shares at a conversion rate of $0.10 per Share together with an attaching $0.10 New Option. The conversion of $2,032,876 into Shares and New Options will result in the issue of 20,328,767 Shares and 20,328,767 New Options to Harrington.

Harrington supported the fundraising by the Company in February 2015, and as a result, was issued its existing Shares and Existing Options. At that time, the exercise of the Existing Options would not have required Shareholder approval for the purposes of Item 7 of section 611 of the Corporations Act. However, as a result of the conversion of the Loan, the Shares to be issued upon exercise the Existing Options will now require such approval.

Harrington has agreed to the conversion of the Loan into the New Shares and New Options as contemplated by resolutions 1 and 2.

The Proposed Conversion is at the same price as the Company’s Rights Issue that completed on 25 February 2015 and the same price as various placements to settle outstanding liabilities of the Company, including Directors Fees pursuant to shareholder approval granted on 26 June 2015.

2. RESOLUTION 1 – ISSUE OF SHARES UPON CONVERSION OF LOAN AND EXERCISE OF NEW OPTIONS

2.1 General

Resolution 1 seeks shareholder approval for the purposes of Item 7 of section 611 of the Corporations Act to permit the Company to allot and issue:

(a) upon the conversion of the Loan and subject to Resolution 2 being passed:

- 20,328,767 Shares (**New Shares**);
- in the event that all of the New Options are exercised, an additional 20,328,767 Shares on exercise of the New Options (**Conversion Shares**); and

(b) in the event that all of the Existing Options are exercised, an additional 11,464,762 Shares on exercise of the Existing Options (**Conversion Shares**),

and to allow Harrington to acquire a relevant interest in those securities (as well as permitting its associates to acquire any deemed relevant interest arising as a result of the issue of the securities).

The issue of the New Shares, when aggregated with the existing Shares held by Harrington, will result in Harrington's voting power increasing from 11.26% to 25.01%.

2.2 Reasons for the Proposed Conversion

The reasons that the Company has agreed, subject to Shareholder approval, to the Proposed Conversion are that:

- the conversion of the Loan will reduce the Company's current debt liabilities;
- the New Shares to be issued to Harrington, and the Shares issued on exercise of the New Options, will each have an issue price of $0.10, which is the same as the recent pro-rata rights issue; and
- the conversion of the Loan will satisfy the ASX imposed condition regarding liabilities in order to lift the suspension from trading currently imposed by ASX on trading of the Shares, thus allowing Shareholder liquidity.

2.3 Why is resolution 1 required

Part 6.1 of the Corporations Act contains provisions known as the takeover provisions. These takeover provisions prohibit the acquisition of voting shares or a relevant interest in voting shares of a publicly listed entity, if that acquisition results in a person's voting power in the company increasing to more than 20% (**Takeover Prohibition**).

Item 7 of section 611 of the Corporations Act provides an exception to the Takeover Prohibition in circumstances where the shareholders of the company whose shares are being acquired (in this case, KPO), approve of the acquisition by resolution in general meeting (**Takeover Approval**).

Under Resolution 1, the proposed issue of the New Shares to Harrington will result in it having 25.01% of the voting power in the Company.

If all of the New Options that will be issued pursuant to Resolution 2 as well as the Existing Options are subsequently exercised by Harrington, this will result in Harrington having a total of 39.64% of the voting power in KPO (assuming that there is no other change in the issued share capital of KPO).

Upon the issue of the New Shares, and assuming that there is no other change in the issued capital of KPO, Harrington will have the ability to block a special resolution of the shareholders (requiring 75% approval).

Voting power is the total number of votes attached to all the voting shares in which a person or its associates have a relevant interest as a percentage of the total number of votes attached to all voting shares in the company.

A person has a relevant interest in voting shares if they are the holder of the shares, or have power to exercise, or control the exercise of, votes attaching to the shares, or have power to dispose of, or control the exercise of a power to dispose of, the shares.

As further explained in paragraph 2.4, the associates of Harrington include Harrington Global Limited because it controls the activities of Harrington.

Section 608(3) of the Corporations Act deems a person to have a relevant interest in voting shares held by a corporation, if that person holds 20% or more of the shares in that corporation or otherwise controls that corporation (**Deeming Provisions**).

Therefore, if Harrington acquires a relevant interest in the New Shares, Harrington Global Limited will, as an associate of Harrington, also have a relevant interest in those New Shares to the same extent as Harrington as a result of:

- Harrington being the registered holder of the New Shares; and
- Harrington Global Limited being deemed to have a relevant interest in those New Shares pursuant to the Deeming Provisions by virtue of it controlling Harrington.

Accordingly, Harrington Global Limited will also be deemed to have more than 20% of the voting power in KPO pursuant to the Deeming Provisions if the proposed issue of the New Shares is made to Harrington.

Likewise, Harrington Global Limited will be deemed to have the same relevant interest as Harrington in any further Shares which are issued to Harrington upon exercise of the New Options or Existing Options.

Paragraph (a) of Resolution 1 - Takeover Approval for the placement of the New Shares

As the issue of the New Shares will result in Harrington and Harrington Global Limited, each having a relevant interest in more than 20% of the voting power in KPO, Takeover Approval is required for the acquisition of the New Shares by Harrington.

This is the purpose of Resolution 1(a).

Shareholder approval under ASX Listing Rule 7.1 is not required for the proposed issue of the New Shares in reliance on Exception 16 to ASX Listing Rule 7.2, as the Company is seeking shareholder approval for the transaction for the purposes of item 7 of section 611 of the Corporations Act.

For a more detailed discussion of the disclosure requirements pursuant to item 7 of section 611 of the Corporations Act, please see paragraph 2.4 below.

Paragraph (b) of Resolution 1 - Takeover Approval for the issue of further Shares on exercise of the New Options

In addition, if Harrington exercises the New Options, its voting power could increase to between 25.01% and 35.07% which would exceed the maximum permitted increase of 3% under the Takeover Provisions.

Accordingly, Takeover Approval is also required for the issue of further Shares upon exercise by Harrington of the New Options. This is the purpose of Resolution 1(b).

Paragraph (c) of Resolution 1 - Takeover Approval for the issue of further Shares on exercise of the Existing Options

In addition, if Harrington exercises the Existing Options, its voting power could increase to between 25.01% and 39.64% which would exceed the maximum permitted increase of 3% under the Takeover Provisions.

Accordingly, Takeover Approval is also required for the issue of further Shares upon exercise by Harrington of the Existing Options. This is the purpose of Resolution 1(c).

2.4 Corporations Act Disclosure Requirements

Pursuant to item 7 of section 611 of the *Corporations Act* and ASIC Regulatory Guide 74, in addition to the information set out elsewhere in this Explanatory Statement, Shareholders are advised of the following information with regard to the proposed placement of the New Shares and the Conversion Shares and the corresponding acquisition by Harrington Global Limited of a relevant interest in the Shares.

(a) Identity of the person proposing to make the acquisition and their associates

The acquisition for which Shareholder approval is sought is the acquisition of the New Shares and Conversion Shares, which pursuant to the Deeming Provisions, will also result in Harrington Global Limited having a relevant interest in the New Shares and Conversion Shares.

For the purposes of item 7 of section 611 of the Corporations Act the only associate of Harrington is Harrington Global Limited.

(b) Maximum extent of the increases in Harrington's voting power as a result of the acquisition

(i) **Issue of the New Shares**

Harrington's voting power in KPO will, as a result of the issue of the New Shares, increase from 11.26% to approximately 25.01% if there are no other changes in the issued share capital structure of KPO.

In this event, Harrington would have the ability to block a special resolution of the Shareholders (requiring 75% approval).

(ii) **Issue of further Shares upon exercise of the New Options and Existing Options**

If all of the New Options and Existing Options are exercised by Harrington at any time within 12 months of the date of issue of the New Shares, Harrington will, as a result of the acquisition of the New Shares and the further issue of Conversion Shares upon exercise of the New Options or Existing Options, have a total of approximately 39.64% of the voting power in KPO if there are no other changes in the issued share capital structure of KPO.

In this event, Harrington would have the ability to block a special resolution of the Shareholders (requiring 75% approval).

(c) Voting power of Harrington Global Limited as a result of the acquisition

As Harrington Global Limited does not currently hold any Shares in KPO, the voting power which Harrington Global Limited will have as a result of the acquisition of the New Shares and the exercise of the New Options and Existing Options is the same as that of Harrington as set out in paragraph 2.4(b) above.

(d) Maximum extent of the increase in the voting power of each of Harrington's associates that would result from the acquisition

For the reasons stated in paragraph 2.3(c) above, Harrington Global Limited is deemed to have a relevant interest in the Shares in which Harrington has a relevant interest. Accordingly, as Harrington Global Limited does not hold any Shares, the maximum extent of the increase in Harrington Global Limited's voting power in KPO that would result from the issue of the New Shares and exercise of the New Options by Harrington is the same as Harrington's as outlined above.

Accordingly the voting power of Harrington Global Limited will increase from 11.26% to approximately 25.01% after the issue of the New Shares and to approximately 39.64% if Harrington exercises all of the New Options and Existing Options.

(e) Voting power that each of the Harrington's associates will have as a result of the Proposed Conversion

Similarly, Harrington Global Limited's voting power in KPO that will result from the Proposed Conversion is the same as Harrington's voting power in KPO referred to above. Accordingly Harrington Global Limited will have voting power of approximately 25.01% after the issue of the New Shares and approximately 39.64% if Harrington exercises the New Options and Existing Options. No other associate of Harrington will acquire any voting power in KPO as a result of the acquisition of the New Shares and exercise of the New Options or Existing Options by Harrington.

(f) Reasons for the Proposed Conversion

As set out in paragraph 2.2 of this Explanatory Statement, the reasons for the issue of the Proposed Conversion is to satisfy the Loan.

(g) When will the Proposed Conversion occur?

The issue of the New Shares and New Options upon the conversion of the Loan will occur immediately following the granting of Shareholder approval.

(h) The material terms of the Proposed Conversion

The material terms of the Proposed Conversion are set out in paragraph 1 of this Explanatory Statement.

(i) Other contracts or proposed contracts between Harrington and KPO or any of their associates which are conditional or dependent on shareholders' agreement to the issue of the New Shares and New Options

Other than the Proposed Conversion, there is no other agreement or proposed agreement between Harrington and KPO or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the issue of the New Shares and New Options.

(j) Intentions of Harrington in relation to KPO

Harrington has disclosed to KPO that the current intentions of Harrington are as follows:

(i) Harrington is fully committed to a strategic relationship with KPO to support it in its development activities by:

(A) providing strategic feedback to the directors on proposed business opportunities; and

(B) providing introductions to potential future projects through its network of contacts;

(ii) other than the conversion of the Loan for the issue of the New Shares and New Options, and possible exercise of the New Options or Existing Options into Shares, Harrington does not currently intend to invest further capital into KPO;

(iii) not to change the business of KPO and in that regard, Harrington intends for KPO to continue to seek to deliver value to shareholders through the deployment of Kalina Cycle® power systems and associated engineering services;

(iv) other than the acquisition of the New Shares, New Options and the possible exercise of the New Options or Existing Options into Shares, KPO does not propose to transfer any property between KPO and Harrington or any person associated with it;

(v) not to redeploy, sell or assign any of KPO's fixed assets;

(vi) not to change the employment of the present employees of KPO; and

(vii) not to change the existing financial or dividend policies of KPO.

(k) The interests of KPO's directors in the resolution

Other than as holders of securities of KPO, KPO's directors do not have any interests in Resolution 1.

(l) The identity of the directors who approved or voted against the proposal to put the resolution to shareholders and this Explanatory Statement

Subject to receipt of a superior proposal, KPO's directors unanimously approved the proposal to put Resolution 1 to Shareholders and this Explanatory Statement.

(m) Persons who will become directors of KPO if shareholders agree to the issuance of the New Shares and New Options

There are no proposed changes to the board of KPO as a result of the issuance of the New Shares and New Options.

2.5 Reasons to vote in favour of Resolution 1

(a) Reduction in debt liabilities

The Directors intend to further develop and grow KPO's existing activities. The reduction in KPO's debt liabilities will enable KPO to apply its current cash reserves to fund these activities rather than repay the Loan, and will assist in any other future capital raisings of KPO.

If the Proposed Conversion proceeds, KPO's debt liabilities will be reduced by $2,032,867, and KPO will also receive a further $2,032,867 if all the New Options are exercised by Harrington and a further $1,146,476 if all of the Existing Options are exercised by Harrington.

(b) Lifting of ASX suspension on KPO's Shares

The Proposed Conversion will satisfy the ASX imposed condition with regard to liabilities that must be satisfied in order to lift the suspension from trading that is currently imposed by ASX on trading of the Shares. This will permit Shareholders to buy and sell Shares on ASX, therefore permitting Shareholder liquidity.

(c) Independent Expert's Report (IER)

The IER prepared by RSM Bird Cameron has concluded that the placement of the New Shares and the issue of the New Options to Harrington is not fair but it is reasonable. A full copy of the IER is in the Annexure to this Explanatory Statement. A brief summary of the Independent Expert's Report is set out in paragraph 2.7 below.

(d) Director's unanimous recommendation

It is the unanimous recommendation of the directors of KPO that, in the absence of a superior proposal, Shareholders vote in favour of Resolution 1. Each Director intends to vote all Shares they own or control the right to vote in favour of resolution 1 in the absence of a superior proposal.

(e) If Resolution 1 is not approved

If Resolution 1 is not approved by the shareholders, the issue of the New Shares and the New Options will not proceed. Shareholders' current interest in KPO will not be diluted by the issue of the New Shares. KPO will remain liable to repay the Loan to Harrington and the Company will grant a security interest over its assets in favour of Harrington.

2.6 Reasons to vote against Resolution 1

If Shareholders vote in favour of Resolution 1, KPO will be subject to the following factors which will affect the interests of Shareholders:

(a) Control

KPO will issue 20,328,767 Shares to Harrington. This will increase the Shares on issue in KPO from 110,866,531 to 131,195,298. Harrington Global Limited (by reason of the Deeming Provisions) will have voting power of 25.01%, and if all of the New Options and Existing Options are exercised 39.64% and therefore, the ability to block a special resolution of the shareholders (requiring 75% approval). This may discourage a potential bidder from proposing a merger by scheme of arrangement or making a takeover bid for KPO.

There is also a risk that Harrington could use its voting power to pursue interests which differ from other Shareholders, although the Board of KPO, as of the date of this Explanatory Statement, has no reason to believe that Harrington's interests differ from the interests of the other Shareholders.

(b) Governance

KPO currently has a board of four directors. Harrington has not requested and KPO has not agreed to grant Harrington a right to nominate a director to the Board.

Further, if the New Shares are issued to Harrington, Harrington does not intend to appoint or remove any non-executive Director to the Board of KPO. Accordingly, Harrington will have no undue influence on KPO's Board.

(c) Shareholder dilution

Shareholders have not been given the opportunity to participate in the issue of the New Shares. As a result the Shareholders' interest in KPO will be diluted.

2.7 Independent Expert's Report

The Directors commissioned RSM Bird Cameron to prepare an Independent Expert Report (**IER**) in connection with the proposed acquisition of New Shares. A copy of the IER is set out in Schedule 2 of this Explanatory Statement

The purpose of the IER is for an appropriately qualified, independent third party to express an opinion as to whether or not the proposed acquisition of New Shares and the acquisition of Shares on the exercise of the New Options and the Existing Options are "*fair*" and "*reasonable*" to non-associated Shareholders and to enable those Shareholders to assess whether they are better off if the acquisition proceeds than if it does not.

RSM Bird Cameron has concluded that the proposed issue of New Shares to, and the exercise of the New Options and the Existing Options by, Harrington pursuant to the Proposed Conversion is **not fair but it is reasonable**. RSM Bird Cameron's principal reason for determining that the Proposed Conversion is not fair is that as the preferred Fair Value of a Share immediately after the Proposed Conversion is less than the Fair Value of a Share prior to the Proposed Conversion, RSM Bird Cameron consider the Proposed Transaction to be **not fair** to the Non Associated Shareholders of the Company.

Valuation Summary	Low $	High $
Fair Value per share prior to the Proposed Transaction (on a controlling basis)	$0.163	$0.163
Fair Value per share immediately after the Proposed Transaction (on a non-controlling basis)	$0.118	$0.123
Fair Value per share immediately after the Proposed Transaction (on a non-controlling basis and assuming all options held by Harrington are exercised)	$0.110	$0.114

RSM Bird Cameron consider the Proposed Conversion is **reasonable,** in the absence of any other relevant information and/or superior offer due to:

Key Advantages

- The Proposed Conversion is at the same price as recent fundraising;
- The Proposed Conversion allows Management to progress with the restructuring of the Company and to re-instate the ASX trading. If trading is re-instated this may provide Non-Associated Shareholders with some liquidity to crystallise the value of their shares;
- Raising funds from external sources has been relatively difficult and the Loan from Harrington and its conversion comprises important financial support from a significant Shareholder
- If the Proposed Conversion is not approved, the Company will need to repay the loan. At 30 June 2105 the Company had cash and cash equivalents of $39,000 and as at the date of this Notice the Company has current cash and cash equivalents of approximately $1,400,000. The Company will therefore be required to seek alternative funding in order to repay the loan; and
- Notwithstanding further dilution, in the event Harrington exercises all of the options it holds, the cash position of the Company will be significantly improved.

Key Disadvantages

- The Proposed Conversion is not fair;
- Dilution of Non Associated Shareholders' interests from 88.74% to 74.9% and down to 60.3% in the event that Harrington exercises all of its options, comprising the Existing Options and New Options in the event the Proposed Conversion is approved; and
- The dilution of Non-Associated Shareholders' interests reduces the ability of existing Shareholders to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals

3. RESOLUTION 2 – ISSUE OF NEW OPTIONS UPON CONVERSION OF LOAN

3.1 General

Resolution 2 seeks Shareholder approval for the purposes of Listing Rule 7.1 to permit the Company to allot and issue 20,328,767 New Options upon the conversion of the Loan and subject to resolution 1 being passed.

Although Takeover Approval is not required for the issue of the New Options (as they are not voting shares), they are 'equity securities' which require Shareholder approval under ASX Listing Rule 7.1 if they exceed KPO's 15% placing capacity to issue securities without Shareholder approval under that Listing Rule.

To preserve KPO's full 15% placing capacity to make future Share or option issues, Shareholder approval is sought for resolution 2. This will preserve KPO's flexibility to raise capital in the future.

3.2 Listing Rule Disclosure Requirements

The following information is provided for the purposes of Listing Rule 7.3:

- the maximum number of New Options that may be issued pursuant to Resolution 2 is 20,328,767, which if exercised will result in the issue of an additional 20,328,767 Shares;
- the New Options will be issued within 3 months after the date of the Meeting and will all be issued on the same date in accordance with ASX Listing Rule 7.3.2;
- the New Options will be issued as part consideration for the Proposed Conversion;
- each New Option entitles the holder to subscribe for one Share at an exercise price per New Option of 10 cents;
- the New Options will be issued to Harrington;
- the terms and conditions of the New Options are set out in the Option Terms in Schedule 1, and the Shares to be issued upon the exercise of the New Options will rank pari passu with all other Shares; and
- no funds will be received by the Company from the issue of the New Options. However, if a New Option is converted into a Share the Company will receive 10 cents. Any funds received upon the exercise of the New Options will be used for general working capital.

4. ENQUIRIES

Shareholders are required to contact the Chairman or Company Secretary on +61 (3) 9236 2800 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

$ means Australian dollars.

AEST means Australian Eastern Standard Time.

ASX means ASX Limited (ACN 008 624 691).

Board means the board of directors of the Company.

Company or **KPO** means Kalina Power Limited (ACN 000 090 997).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Conversion Share means a Share issued upon the exercise of a New Option or Existing Option.

Directors mean the current directors of the Company.

Existing Options means the 11,464,762 options convertible into Shares at 10c per Share exercisable until 30 November 2015 as held by Harrington at the date of this Notice

Explanatory Statement means the explanatory statement to the Notice.

Harrington means Harrington Global Opportunities Fund SARL.

IER means the Independent Experts Report prepared by RSM Bird Cameron.

Independent Expert means RSM Bird Cameron.

Listing Rules means the Listing Rules of ASX.

Loan means the loan of $2,000,000 made by Harrington to the Company on or about 2 July 2015 pursuant to the loan agreement between Harrington and the Company, dated 27 June 2015.

Meeting means the meeting convened by the Notice.

New Options means the 20,328,767 options convertible into Shares to be issued by the Company to Harrington pursuant to resolution 2 and which are subject to the Option Terms set out in Schedule 1.

New Shares means the 20,328,767 Shares to be issued to Harrington pursuant to Resolution 1.

Notice means the notice of general meeting accompanying this Explanatory Statement.

Option Terms means the option terms set out in Schedule 1.

Proposed Conversion means the conversion of the Loan into the New Shares and New Options pursuant to resolution 1 and 2.

Resolution means the resolutions set out in the Notice, or any one of them, as the context requires.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of a Share.

SCHEDULE 1 – OPTION TERMS

The New Options to be issued pursuant to this Notice will entitle the holder to subscribe for and be allotted Shares on the following terms and conditions:

(a) the New Options, once issued, are exercisable at any time prior to 5.00 pm AEST on the date which is 12 months from the date of the Meeting (**Expiry Date**). New Options not exercised on or before the Expiry Date will automatically lapse;

(b) the New Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;

(c) each New Option entitles the holder to subscribe (in respect of each New Option held) for one Share at an exercise price per New Option of 10 cents;

(d) upon the exercise of an New Option and receipt of all relevant documents and payment, one Share will be issued ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares issued on the exercise of New Options granted official quotation;

(e) any Notice of Exercise received by the Company's share registry on or prior to the Expiry Date will be deemed to be a Notice of Exercise as at the last Business Day of the month in which such notice is received;

(f) there are no participating entitlements inherent in the New Options to participate in new issues of capital which may be offered to Shareholders during the currency of the New Options. Prior to any new pro rata issue of securities to Shareholders, Harrington will be notified by the Company and will be afforded 10 Business Days before the record date (to determine entitlements to the issue), to exercise New Options;

(g) in the event of any reorganisation of the issued capital of the Company prior to the Expiry Date, the rights of an option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(h) subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the New Options may be transferred at any time prior to the Expiry Date; and

(i) a Share issued pursuant to the exercise of an New Option will be issued not more than 14 days after the date of Notice of Exercise.

SCHEDULE 2 - INDEPENDENT EXPERTS REPORT (IER)

INDEPENDENT EXPERTS REPORT

RSM Bird Cameron Corporate Pty Ltd

Kalina Power Limited

Financial Services Guide and Independent Expert's Report

27 August 2015

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

RSM Bird Cameron Corporate Pty Ltd
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 238 Collins Street West VIC 8007
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Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Independent Expert's Report

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RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Direct Line: (03) 9286 8167
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27 August 2015

The Directors
Kalina Power Limited
First Floor, Suite 1
114-116 Auburn Road
Hawthorn VIC 3122

Dear Directors

Independent Expert's Report

1. Introduction

1.1. On 27 June 2015, the directors of Kalina Power Limited ("KPO" or "the Company") entered into a loan agreement with Harrington Global Opportunities Fund S.a.r.l ("Harrington") for the amount of $2,000,000. Subject to shareholder approval, the loan will be converted into 20,000,000 new ordinary shares in KPO at $0.10 each, with attaching options convertible at $0.10 each for a period of 12 months from the date of issue. The date of issue will be on the day immediately following the receipt of shareholder approval.

1.2. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of Meeting and Explanatory Statement to shareholders for the General Meeting of KPO to be held on or about 30 September 2015 at which shareholder approval will be sought for a number of resolutions as follows:

Resolution 1 – Issue of Shares upon Conversion of Loan and Exercise of New Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to resolution 2 being passed and for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the:

(a) acquisition of a relevant interest in the Company's voting shares arising from the allotment and issue by the Company of 20,328,767 Shares to Harrington (and any deemed relevant interest by its associates) upon conversion of the Loan in the manner and on the terms and conditions set out in the Explanatory Statement;

(b) acquisition of a relevant interest in the Company's voting shares as a result of the allotment and issue of the Company of 20,328,767 Shares to Harrington upon exercise of the New Options issued pursuant to resolution 2 (and any deemed relevant interest by its associates resulting from such exercise of the New Options); and

(c) acquisition of a relevant interest in the Company's voting shares as a result of the allotment and issue by the Company of 11,464,762 Shares to Harrington upon exercise of the Existing Options held by Harrington at the date of this Notice (and any deemed relevant interest by its associates resulting from such exercise of the Existing Options)."

Resolution 2 – Issue of New Options upon Conversion of Loan

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to resolution 1 being passed and for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue by the Company of 20,328,767 New Options to Harrington, each exercisable into one Share at an exercise price of $0.10 per New Option upon the conversion of the Loan in the manner and on the terms and conditions set out in the Explanatory Statement."

1.3. The Directors of KPO have requested RSM Bird Cameron Corporate Pty Ltd ("RSMBCC"), being independent and qualified for the purpose, to express an opinion as to whether Resolutions 1 and 2 ("the Proposed Transaction") are fair and reasonable to KPO shareholders not associated with the Proposed Transaction ("the Non-Associated Shareholders" or "Shareholders").

1.4. The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction, or matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

2.1. In our opinion, and for the reasons set out in Sections 8 and 9 of this Report, for the purposes of Section 611, Item 7 of the Corporations Act 2001, the Proposed Transaction is **not fair but reasonable** for the Non-Associated Shareholders of KPO.

Fairness

2.2. In assessing the fairness of the Proposed Transaction, we have valued a share in KPO prior to and immediately after the Proposed Transaction as set out in the table below.

Valuation Summary	Low $	High $
Fair Value per share prior to the Proposed Transaction (on a controlling basis)	$0.163	$0.163
Fair Value per share immediately after the Proposed Transaction (on a non-controlling basis)	$0.118	$0.123
Fair Value per share immediately after the Proposed Transaction (on a non-controlling basis and assuming all options held by Harrington are exercised)	$0.110	$0.114

Table 1 – Valuation Summary

The above comparison is depicted graphically in the figure below.

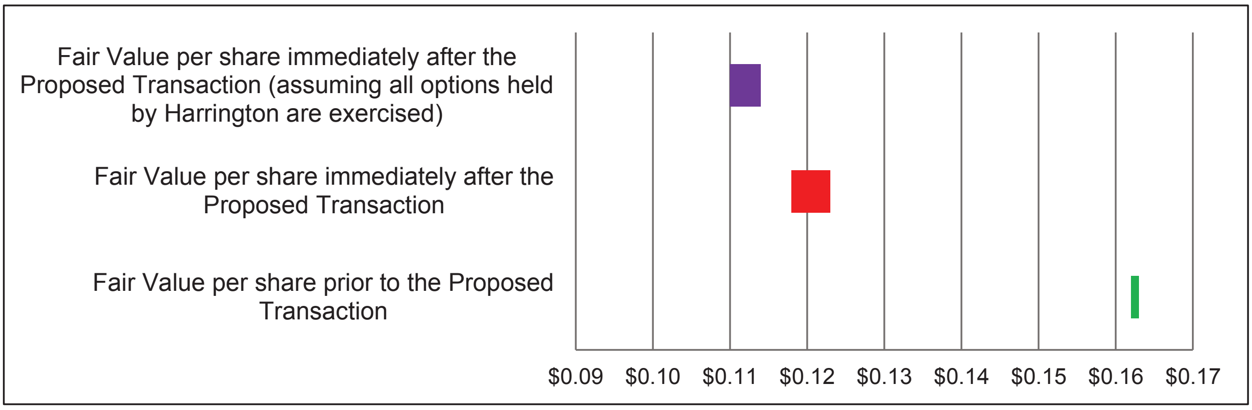

Figure 1 – Valuation Summary

2.3. In our opinion, as the preferred Fair Value of a KPO share immediately after the Proposed Transaction, is less than the Fair Value of a KPO share prior to the Proposed Transaction, we consider the Proposed Transaction to be **not fair** to the Non-Associated Shareholders of KPO.

Reasonableness

2.4. RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid.

2.5. We have given consideration in Section 9 of this Report, to the future prospects of KPO if the Proposed Transaction does not proceed, alternative offers, and the advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.6. In our opinion, the key advantages of the Proposed Transaction are:

- the conversion of the loan to equity will be undertaken at the same price as other recent fundraisings including the rights issue completed on 25 February 2015 and recent share placements undertaken to 23 July 2015, and since the successful implementation of the Company's Deed of Company Arrangement with its creditors in July 2014;

- the conversion allows Management to progress with the restructuring of the Company, progress the commercialisation of the Kalina Cycle Technology ("KCT") and seek approval for reinstatement to the Official List of the ASX. In the event that KPO's shares are successfully reinstated, this may provide Non-Associated Shareholders with some liquidity to crystallise the value of their shares;

- KPO's shares have remained suspended from trading since the Company entered into voluntary administration in December 2013 and raising additional funds from external sources has been relatively difficult. The loan from Harrington and its subsequent conversion to equity, comprises important financial support from a significant shareholder;

- in the event that the Proposed Transaction is not approved, the loan will have to be repaid. KPO received the loan funds after 30 June 2015. At 30 June 2015, prior to receiving the loan funding, the Company disclosed cash and cash equivalents of $39,000 and does not currently have the available funds to repay the loan. The Company will be required to seek alternative funding in the short term to repay the loan to Harrington. In the event that KPO is unable to raise the funds to repay the loan, the Company may not be able to continue as a going concern; and

- notwithstanding further dilution in Non-Associated Shareholders' interests in the event that Harrington exercises all of its options held in the event the Proposed Transaction is approved, the cash position of the Company will be significantly improved.

2.7. The key disadvantages of the Proposed Transaction are:

- the Proposed Transaction is not fair;

- dilution of Non-Associated Shareholders' interests from 88.7% to 75.0%, and down to 60.4%, in the event that Harrington exercises all of its options, comprising 11,464,762 options currently held, and 20,328,767 options in the event the Proposed Transaction is approved; and

- the dilution of Non-Associated Shareholders' interests reduces the ability of existing shareholders to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals.

2.8. If the Proposed Transaction is not successful, KPO will be required to raise funds in the short term to repay the loan to Harrington as well as conduct further capital raisings to fund ongoing operations.

2.9. At 30 June 2015, the Company disclosed a cash position of $39,000 prior to receiving the funds from the loan. In the event that KPO is unable to raise sufficient funds in the short term, the Company may not be able to continue as a going concern.

2.10. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of KPO at the date of this Report.

2.11. In the absence of any other relevant information and/or a superior offer, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of KPO.

3. Summary of the Proposed Transaction

3.1. On 27 June 2015, KPO entered into a loan agreement with Harrington for the amount of $2,000,000 ("the Loan"). Subject to shareholder approval, the loan will be converted into 20,000,000 new ordinary shares in KPO at $0.10 each, with attaching options convertible at $0.10 each for a period of 12 months from the date of issue ("Loan Agreement"). The issue date will be on the day immediately following the receipt of Shareholder approval.

3.2. Interest on the loan has been fixed at 10% per annum. Unless converted to equity in the Company pursuant to Clause 7, and subject to the provisions of the Loan Agreement, the principal amount together with any other amounts owing under the Loan Agreement must be repaid by the Company on 30 July 2016.

3.3. As set out in the Notice of Meeting and Explanatory Statement, the Loan accrued interest on a daily basis of 10% per annum. At the date of the Notice of Meeting and Explanatory Statement, the amount owing by KPO to Harrington has increased to $2,032,876.70 due to interest accrued. On this basis, Shareholder approval is being sought for the conversion of the Loan to 20,328,767 new ordinary shares at $0.10 each, with attaching options convertible at $0.10 each for the period of 12 months from the date of issue ("New Options").

3.4. Clause 7 of the Loan Agreement sets out the terms of the conversion of the Loan to equity and has been summarised as follows:

- KPO shall immediately following drawdown of the Loan, commence the preparation for calling a general meeting of shareholders to be held no later than 120 days from the date of the Loan Agreement, unless otherwise agreed with Harrington in writing, to approve inter alia, resolutions to give effect to the following:

  (a) the issue of equity units to Harrington, or their nominee as directed;

  (b) the approval for Harrington to own more than 20% of the issued capital of the Company following the issue of the equity units; and

  (c) the approval for Harrington to further increase its interest in the Company through the exercise of options currently held by Harrington and/or the options forming part of the equity units to be issued to Harrington (New Options) and/or other equity purchases by Harrington in the issued capital of KPO;

- in the event of a reorganisation of the capital structure of the Company, the conversion price set out for the equity units shall be adjusted to reflect the equivalent conversion price per share; and

- in the event that shareholder approval is not obtained within the time frame set out above, the Loan will remain outstanding and the Company will, at the request of Harrington, execute such documents as are required to grant Harrington registered security over its assets for the amounts owing.

Effect of the Proposed Transaction on the capital structure of the Company

3.5. The table below summarises the capital structure of the Company prior to, and immediately following the Proposed Transaction.

	Number of shares	%	Number of options	%
Prior to the Proposed Transaction				
Shares and options currently held by Harrington	12,482,954	11.3%	11,464,762	12.5%
Total shares and options on issue held by Non-Associated Shareholders	98,383,577	88.7%	79,972,308	87.5%
Total shares and options on issue prior to the Proposed Transaction	**110,866,531**	**100.0%**	**91,437,070**	**100.0%**
Immediately after the Proposed Transaction				
Shares and attaching options to be issued to Harrington upon conversion of the $2 million loan	20,328,767	15.5%	20,328,767	18.2%
Shares and options held by Harrington prior to the Proposed Transaction	12,482,954	9.5%	11,464,762	10.3%
Shares held by Non-Associated Shareholders	98,383,577	75.0%	79,972,308	71.6%
Total shares and options on issue immediately after the Proposed Transaction	**131,195,298**	**100.0%**	**111,765,837**	**100.0%**
Immediately after the Proposed Transaction (diluted)				
Shares held by Harrington if all options are exercised	64,605,250	39.6%	-	0.0%
Shares and options held by Non-Associated Shareholders	98,383,577	60.4%	79,972,308	100.0%
Total shares and options on issue immediately after the Proposed Transaction (diluted)	**162,988,827**	100.0%	79,972,308	100.0%

Table 2 – KPO share structure prior to and immediately following completion of the Proposed Transaction

3.6. The approval of the Proposed Transaction will result in the dilution of Non-Associated Shareholders' interest in KPO from 88.7% to 75.0%, as set out in Table 2 above.

3.7. Harrington also currently holds 11,464,762 listed options in the Company. These options are exercisable at $0.10 per option and expire on 30 November 2015.

3.8. If the Proposed Transaction is approved, Harrington will also hold a further 20,328,767 New Options in the Company, exercisable at $0.10 per option for a period of 12 months from the date of issue. Harrington will therefore hold 31,793,529 options immediately after the Proposed Transaction.

3.9. In the event that Harrington exercises all the New Options attached to the Loan Agreement as well as the options Harrington currently holds, Non-Associated Shareholders' interest in the Company will be further diluted from 75.0% to 60.4%.

3.10. As set out in Table 2 above, as at the date of this Report, inclusive of 11,464,762 listed options held by Harrington, KPO has 91,437,070 listed and unlisted share options on issue on the following terms:

- 69,837,070 listed share options exercisable at $0.10 per option, expiring 30 November 2015; and

- 21,600,000 unlisted share options issued to Directors and officers of the Company exercisable at $0.11 per option, expiring 30 June 2018.

3.11. As set out in paragraph 3.4, the terms of the conversion of the Loan to equity as set out in Clause 7(c) of the Loan Agreement includes Shareholder approval for Harrington to further increase its interest in the Company through the exercise of the options currently held by Harrington and/or New Options forming part of the equity units to be issued to Harrington.

3.12. As these options can be considered to be in the money as at the date of this Report, we have considered the impact of Harrington exercising all of its options held in the event the Proposed Transaction is approved, in our assessment of fairness.

3.13. Whilst the options held by the Non-Associated Shareholders can also be considered to be in the money at the date of this Report, the effect of the Non-Associated Shareholders exercising their options has no impact on our assessment of the fairness and reasonableness of the Proposed Transaction. We have therefore excluded the options held by Non-Associated Shareholders from our analysis.

4. Purpose of this Report

Corporations Act

4.1. Section 606(1) of the Corporations Act provides that, subject to limited specified exemptions, a person must not acquire a "relevant interest" in issued voting shares in a public company, if as a result of the acquisition, any person's voting power in the company would increase from 20% or below to more than 20%, or, from a starting point that is above 20% and below 90%. In broad terms, a person has a "relevant interest" if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) holds, compared with the total number of voting shares in the company.

4.2. Completion of the Proposed Transaction will result in Harrington increasing its relevant interest in the Company from 11.3% to 25.0%, and up to 39.6% on a diluted basis if Harrington exercises all of the options held immediately after the Proposed Transaction.

4.3. Therefore the Company will be in breach of Section 606(1) of the Act in the absence of an applicable exemption.

4.4. Section 611, Item 7 of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611, Item 7 allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under Section 606(1) of the Act if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company; and:

1. no votes are cast in favour of the resolution by the proposed acquirers or respective associates; and

2. there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates or known to the Company that was material to a decision on how to vote on the resolution.

4.5. Section 611 states that shareholders must be given all information that is material to the decision on how to vote at the meeting. RG 111 advises the commissioning of an IER in such circumstances and provides guidance on the content.

Basis of Evaluation

4.6. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in RG 111.

4.7. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

4.8. RG 111 states that the expert report should focus on:

- the issues facing the security holders for whom the report is being prepared; and

- the substance of the transaction rather than the legal mechanism used to achieve it.

4.9. Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.

4.10. RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:

- a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and

- a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

4.11. Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders, the analysis undertaken is as follows:

- a comparison of the fair value of an ordinary share in KPO prior to and immediately following the Proposed Transaction, being the 'consideration' for Non-Associated Shareholders – fairness; and

- a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

4.12. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that the Proposed Transaction proceeds or does not proceed including:

- the future prospects of the Company if the Proposed Transaction does not proceed; and

- any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.13. Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of KPO

5.1. The Company (formerly known as Enhanced Systems Technologies Limited and Wasabi Energy Limited) is currently focused on commercialising its proprietary energy generating technology called the Kalina Cycle®.

5.2. The Kalina Cycle Technology ("KCT") can be used to generate electricity from natural and industrial heat sources, and offers an efficient power production cycle especially at lower temperatures of less than circa 550 degrees Celsius. Key markets for the KCT include the petrochemical, cement, steel and geothermal sectors.

5.3. A series of pilot-scale and demonstration plants utilising the Kalina Cycle were constructed from 1992 to 2001 including in the US, Japan, Iceland and Germany. Subsequent to the installation of the first generation Kalina Cycle plants, further research and development has been undertaken. The Company has commissioned feasibility studies involving the proposed utilisation of the Kalina Cycle for a range of projects, with the intention of commercialising the KCT.

5.4. During the second half of 2013, the Company focused on a plan to become an independent power producer and purchased a 50% interest in the Tuzla geothermal project in Turkey as well as the development of its then subsidiary, Wasabi New Energy Asia Limited. The Tuzla geothermal project comprised a project to develop a waste heat and geothermal business utilising the KCT.

5.5. To facilitate the business plan, the Company undertook a rights issue in late November 2013 to raise up to $14 million which was required to complete the purchase of the equity stake in the Tuzla geothermal project and to repay secured lenders to the Company. The Company was unsuccessful in this raise and the Directors placed the Company into voluntary administration with the appointment of Ferrier Hodgson on 30 December 2013.

5.6. Following negotiations with the creditors of the Company, an agreement was reached to settle the debts through the issue of 2 new shares for each $1 of debt owed to creditors. A Deed of Company Arrangement ("DOCA") was executed on 20 February 2014, and the shareholders passed the resolutions necessary for the implementation of the DOCA with regard to the consolidation of shares and issue of new shares to creditors on 16 May 2014. The Company also changed its name from Wasabi Energy Limited to Enhanced Systems Technologies Limited.

5.7. The Company issued 31,783,337 shares at $0.50 each to various creditors to settle outstanding debts at 30 December 2013 totalling $15,891,669. Ferrier Hodgson ended its role as administrators under the DOCA on 23 June 2014. The Company announced the completion of the DOCA on 9 July 2014.

5.8. On 7 November 2014, the Company announced a 1 for 1 rights issue to raise up to $4.4 million at $0.10 per share for every share on issue as at 7 November 2014. The rights issue included an attaching listed option for every share issued, exercisable at $0.10 per option and expiring on 30 November 2015. The rights issue was completed on 25 February 2015, with a total of 43,795,695 shares issued together with the attaching options.

5.9. In addition to the above rights issue, the Company has entered into a number of share placements during the period November 2014 to July 2015, also at $0.10 per share (together with attaching options on the same terms as the rights issue). Share placements were undertaken primarily to settle interest due on loans and issuing equity in exchange for services.

5.10. On 26 June 2015, the Company changed its name from Enhanced Systems Technologies Limited to Kalina Power Limited.

5.11. In Greater China (including Hong Kong, Macau and Taiwan), the Company has operated through its Chinese licensee, Shanghai Shenghe New Energy Resources Science Technology Limited ("SSNE"). KPO's former subsidiary New Energy Asia Limited ("NEA"), formerly Wasabi New Energy Asia Limited ("WNEA"), owns the 50.5% interest in SSNE.

5.12. The Company held a 49.2% equity interest in NEA from 10 December 2014 to 31 July 2015. Prior to 10 December 2014, KPO held a 61.5% interest in NEA. On 10 December 2014, the Company lost control of NEA and another 100% owned subsidiary, Recurrent Engineering LLC ("RE") on 2 December 2014 as a result of selling 7.5 million shares in WNEA for a total consideration of $3,525,000, and selling the 100% interest in RE for $1.

5.13. The Company held its 49.2% interest in NEA (comprising 32.5 million shares in NEA) until 31 July 2015 when a controlling interest was reacquired. Whilst holding a non-controlling interest in NEA, the Company continued to have significant influence over NEA and, accordingly, the 49.2% interest was accounted for as an investment in an associate in the Company's financial statements for the half-year ended 31 December 2014 and the year ended 30 June 2015 (refer paragraphs 5.25 and 5.31 for further detail).

5.14. On 31 July 2015, the Company acquired a controlling 75.6% interest in NEA as part of the Company's restructuring activities (refer paragraph 5.36 for further detail).

5.15. As a result of the recent restructuring activities, NEA now holds the Kalina Cycle Licence for Asia as well as for Greater China (previously held by SSNE).

5.16. SSNE is in the process of facilitating the building of refineries utilising the Kalina Cycle with Sinopec and its subsidiary, Sinopec Nanjing Engineering and Construction ("Sinopec"). SSNE has been working with Sinopec towards the completion of the Sinopec Hainan 4MWe Kalina Cycle® plant. The completion of the project is expected to be in late 2015. Once this project has been completed, the Directors of KPO consider that there will be further opportunities to contract with other industrial firms to construct other Kalina Cycle® plants.

5.17. Prior to entering into voluntary administration, the Company intended to generate revenue through the following operations:

- building, operating and owning power plants, and selling power plants to third parties where the Company would derive revenue from engineering, procurement and construction ("EPC") services; and

- equipment sales.

5.18. Subsequent to the completion of the DOCA, the Company no longer employs a capital-intensive model providing bespoke installations in disparate locations. KPO's operations are currently focused on achieving the industrial scale roll out of plants in China, and worldwide in conjunction with major EPC companies.

5.19. In Asia, the Company is focused on obtaining strategic partners with expertise in engineering and project management to assist with construction and roll out of modular units.

5.20. For the rest of the world, the Company intends to adopt a licensing model issuing country and industry specific licenses to strategic partners. These partners will build KCT units under license with KPO's specialist engineering support.

5.21. The current Directors of the Company are set out below:

- Mr John Byrne (Executive Chairman);
- Dr Malcolm Jacques (Non-Executive Director);
- Mr Ross MacLachlan (Executive Director); and
- Mr Tim Horgan (Executive Director).

Financial Performance

5.22. The table below sets out the financial performance of KPO for the two years ended 30 June 2014, the half-year ended 31 December 2014, and the year ended 30 June 2015.

Kalina Power Limited Consolidated statement of profit or loss and other comprehensive income	Ref	Year ended 30-Jun-15 *Unaudited* $	Half-year ended 31-Dec-14 *Reviewed* $	Year ended 30-Jun-14 *Audited* $	Year ended 30-Jun-13 *Audited* $
Revenue	5.23	**1,005,979**	**1,006,067**	**485,424**	**1,467,591**
Cost of sales		(542,592)	(542,592)	(435,203)	(1,261,039)
Gross profit		463,387	463,475	50,221	206,552
Other revenue/(expenditure)		(1,539,360)	(1,788,818)	191,597	1,297,168
Finance income		1,029,567	145,779	8,413	60,621
Employee benefits expense		(1,214,701)	(776,631)	(2,981,249)	(4,050,999)
Administration expenses		(323,452)	(174,953)	(1,175,817)	(1,799,775)
Depreciation and amortisation expenses		(151,643)	(89,303)	(219,762)	(262,502)
Bad debts		(8,570)	-	(306,484)	(38,956)
Travel expenses		(350,067)	(292,799)	(479,990)	(1,038,312)
Gain/(loss) on revaluation of financial assets valued through profit and loss		(1,824,261)	(1,824,261)	(1,812,245)	132,295
Gain recognised on disposal of and deconsolidation of subsidiaries	5.25	24,441,584	24,371,040	-	-
Share of loss of asscociate	5.25	(9,457,588)	(9,457,588)	-	-
Impairment of intangibles		(104,655)	(92,625)	(757,923)	-
Gain/(loss) on investments classified as available for sale		(80,141)	36,875	(8,084,832)	(158,478)
Impairment of other assets		39,877	40,318	-	-
Fair value of other investments		-	-	-	(447,988)
Legal and professional fees		(595,536)	(298,704)	(1,962,483)	(1,422,466)
Patent costs		(97,640)	(89,645)	(43,774)	(203,242)
Foreign exchange gain/(loss)		791,816	517,108	(445,254)	(17,321)
Fair value gain/(loss) on options		-	-	(21,519)	(5,361)
Finance costs		(1,508,563)	(1,392,778)	(10,637,787)	(676,896)
Provision for capitalised development		-	-	-	(567,999)
Goodwill written off		-	-	-	(2,824,674)
Impairment Tuzla project asset		-	-	(9,273,838)	-
Profit/(loss) before tax		9,510,054	9,296,490	(37,952,726)	(11,818,333)
Income tax benefit/(expense)		146,165	143,195	-	(115,250)
Profit/(loss) for the year/period	5.26	**9,656,219**	**9,439,685**	**(37,952,726)**	**(11,933,583)**
Attributed to:					
Owners of the parent		10,359,443	10,095,373	(31,322,974)	(11,678,777)
Non-controlling interest		(703,224)	(655,688)	(6,629,752)	(254,806)
	5.26	**9,656,219**	**9,439,685**	**(37,952,726)**	**(11,933,583)**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange reserve arising on translation of foreign operations		(957,946)	(725,342)	1,378,539	(652,011)
Gain/(loss) on available-for-sale investments taken to equity		-	-	(519,316)	(1,132,261)
Other comprehensive (loss)/income for the period net of tax		(957,946)	(725,342)	859,223	(1,784,272)
Total comprehensive income/(loss) for the period	5.27	**8,698,273**	**8,714,343**	**(37,093,503)**	**(13,717,855)**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		9,401,497	9,370,031	(30,404,503)	(13,282,218)
Non-controlling interest		(703,224)	(655,688)	(6,689,000)	(435,637)
	5.27	**8,698,273**	**8,714,343**	**(37,093,503)**	**(13,717,855)**

Table 3 – KPO Financial Performance

5.23. The Company generated revenue of $1.0 million for the half-year ended 31 December 2014 (and for the year ended 30 June 2015), compared to $485,000 and $1.5 million for the years ended 30 June 2014 and 2013, respectively. Revenue for the 2015 financial year was due primarily to equity investment income in relation to the sale of a licence for $1.0 million as set out below:

- Aqua Guardian Group Limited ("AGG") is a 79.2% owned subsidiary of KPO. AGG is an unlisted public company founded in 2006 to provide large scale water efficiency solutions servicing the urban water, mining, resources and agribusiness sectors. AGG has developed a patented product known as AquaArmour™, a floating modular cover designed for large scale, exposed open water storages which reduces water evaporation loss by 88% and inhibits algal growth;

- AGG licensed the technology in October 2014 to Venture Services Limited ("Venture"), a plastics manufacturer primarily for the automotive industry. The license covers Australia and New Zealand, Southern Africa and Chile; and

- AGG will receive a royalty from each module sold by Venture and retains a right to purchase 50% of Venture to thereby create a joint venture until 31 May 2017.

5.24. Revenue for the 2014 financial year comprised service fees and sale of goods in relation to the power business of $481,000 and equity investment income of $4,000. Revenue of $1.5 million for the 2013 financial year comprised $531,000 in equity investment income and $936,000 in service fees and sale of goods.

5.25. As set out in paragraphs 5.12 to 5.13, the Company deconsolidated two subsidiaries, NEA and RE during the half-year ended 31 December 2014, which resulted in a gain on deconsolidation recognised in the statement of profit or loss and other comprehensive income of $24.4 million. The share of the loss in associate of $9.5 million comprised the Company's share of the loss in NEA for the period.

5.26. The Company disclosed a profit for the period of $9.4 million for the half-year ended 31 December 2014, and a profit of $9.7 million for the 2015 financial year, compared to a loss of $37.9 million for the year ended 30 June 2014 due primarily to the gain recognised on the deconsolidation of NEA and RE. Net of the gain recognised, the Company disclosed losses of $14.8 million and $14.9 million for the 2015 financial year and half-year ended 31 December 2014, respectively.

5.27. The Company disclosed total comprehensive income of $8.70 million and $8.71 million for the year ended 30 June 2015 and the half-year ended 31 December 2014, respectively, net of foreign exchange losses.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Financial Position

5.28. The table below sets out the financial position of KPO as at 30 June 2015, 31 December 2014 and 30 June 2014.

Kalina Power Limited Consolidated statement of financial position	Ref	As at 30-Jun-15 *Unaudited* $	As at 31-Dec-14 *Reviewed* $	As at 30-Jun-14 *Audited* $	As at 30-Jun-13 *Audited* $
Current assets					
Cash and cash equivalents		39,099	21,447	60,250	222,261
Trade and other receivables		364,816	40,245	868,417	1,310,574
Other financial assets		152	152	1,824,262	3,658,025
Assets classified as available for sale		-	111,829	1,262,033	3,442,023
Total current assets	5.30	404,067	173,673	4,014,962	8,632,883
Non-current assets					
Trade and other receivables	5.31	16,079,659	14,410,210	298,863	507,581
Assets classified as available for sale		-	-	25,703,935	1,000,000
Investments accounted for using the equity method		9,200	9,200	9,200	9,200
Property, plant and equipment		88,118	150,458	317,327	510,341
Capital work-in-progress		-	-	-	40,313
Other assets		-	-	-	29,431,361
Intangible assets		-	-	126,256	1,646,342
Total non-current assets	5.31	16,176,977	14,569,868	26,455,581	33,145,138
Total assets		**16,581,044**	**14,743,541**	**30,470,543**	**41,778,021**
Current liabilities					
Trade and other payables		917,240	1,717,480	15,249,589	9,475,470
Borrowings	5.33	-	4,057,341	5,783,799	8,282,037
Provisions		95,940	84,468	207,204	268,784
Total current liabilities		1,013,180	5,859,289	21,240,592	18,026,291
Non-current liabilities					
Trade and other payables		-	-	748,699	772,145
Borrowings		-	-	-	4,927,185
Provision		56,598	-	-	-
Total non-current liabilities		56,598	-	748,699	5,699,330
Total liabilities	5.32	**1,069,778**	**5,859,289**	**21,989,291**	**23,725,621**
NET ASSETS	5.29	**15,511,266**	**8,884,252**	**8,481,252**	**18,052,400**
EQUITY					
Issued capital		89,672,984	83,791,276	83,718,959	61,873,709
Reserves		129,074	(576,176)	(1,282,680)	(1,387,348)
Accumulated losses		(74,143,192)	(74,407,262)	(84,502,635)	(53,179,661)
Total equity attributable to equity holders of the company		15,658,866	8,807,838	(2,066,356)	7,306,700
Non-controlling interest		(147,600)	76,414	10,547,608	10,745,700
TOTAL EQUITY	5.29	**15,511,266**	**8,884,252**	**8,481,252**	**18,052,400**

Table 4 – KPO Financial Position

5.29. KPO disclosed net assets of $15.5 million at 30 June 2015 compared to net assets of $8.9 million and $8.5 million at 31 December 2014 and 30 June 2014, respectively.

5.30. At 30 June 2015, KPO disclosed total current assets of $404,000 primarily comprising trade and other receivables of $365,000 and cash and cash equivalents of $39,000.

5.31. At 30 June 2015, KPO disclosed total non-current assets of $16.2 million, primarily comprising non-current trade and other receivables of $16.1 million. Non-current trade and other receivables comprised the following:

- $15,222,375 in loans due from NEA (and other related entities). The Company has also previously provided guarantees for some of NEA's liabilities;
- the Directors consider the above balance due from NEA to be recoverable based on forecast revenue and EBITDA estimates expected to be generated on granting of the Kalina Cycle license by KPO to a new company, being Kalina Energy China Limited ("Kalina Energy China"). It is expected that Kalina Energy China will be established as a wholly-owned subsidiary of a Hong-Kong domiciled non-trading holding company, Pacific Dynasty. NEA will in turn hold a 49.9% interest in Pacific Dynasty. Kalina Energy China will pay royalties to NEA of $60,000 per installed MW; and
- $857,284 in consideration amounts receivable from the sale of the 7.5 million NEA shares on 2 December 2014.

5.32. At 30 June 2015, the Company disclosed total liabilities of $1.1 million primarily comprising current trade and other payables of $917,000 and current provisions of $96,000.

5.33. The Loan from Harrington was received subsequent to 30 June 2015. This amount has been included in the pro forma balance sheet at 30 June 2015 in our assessment of the value of a KPO share as set out in Section 7 of this Report.

5.34. Subsequent to 30 June 2015, the Company also issued an additional 973,115 shares on 23 July 2015 at $0.10 per share (together with attaching options exercisable at $0.10 per option and expiring on 30 November 2015). These shares were issued to settle Directors' fees amounting to $97,312.

5.35. On 23 July 2015, the Company also issued 21,600,000 unlisted options to Directors and employees in the Company, exercisable at $0.11 per option and expiring on 30 June 2018.

5.36. As at the date of this Report, the treatment of KPO 's contingent liability with China Shiny Holdings Limited is set out below:

- in July 2013, NEA entered into a secured loan agreement for RMB18,000,000 (circa $3.2 million) with China Shiny Holdings Limited ("China Shiny"), a Hong Kong based company for NEA's part payment for the purchase of SSNE;
- the loan outstanding was RMB10,000,000 (circa $2.2 million). China Shiny held a first ranking charge over the assets of NEA and a guarantee from KPO. As a result of the completion of the DOCA, this guarantee was disclosed as a contingent liability. The amounts represented by the contingent liability are only able to be settled by the issue of shares in KPO at $0.50 per share in accordance with the terms of the DOCA;
- there remain 6,959,094 shares which may need to be issued to China Shiny pursuant to the shareholder approval granted on 16 May 2014. These shares are able to be issued until 16 May 2017 if China Shiny seeks to exercise its rights under the guarantee provided by the Company;

- on 23 July 2015, China Shiny entered into an agreement to settle the loan with NEA through the issue of new shares in NEA at $0.10 per share. Upon issue of these NEA shares, the contingent liability will be extinguished; and

- on 31 July 2015, KPO completed the acquisition of a controlling 75.6% interest in NEA through the issue of shares in NEA to the Company and the extinguishment of the contingent liability with China Shiny. The consolidation of NEA's operations at 31 July 2015 has also been included in the pro forma balance sheet at 30 June 2015 in our assessment of a KPO share as set out in Section 7 of this Report.

5.37. The consolidated financial statements of KPO for the periods under review have been prepared on a going concern basis. As set out in the reviewed financial statements for the half-year ended 31 December 2014 (and consistent with the disclosure set out in the unaudited management accounts for the year ended 30 June 2015), the Directors consider that KPO will be able to continue as a going concern based on forecast cash flows to August 2016.

5.38. The ability for the Company to continue as a going concern is underpinned by certain key assumptions including:

- continued financial support by the Executive Chairman, John Byrne;

- approval from Non-Associated Shareholders for the Proposed Transaction;

- shareholders exercising options due to expire on 30 November 2015 to raise a minimum of $1.6 million;

- a reduction in operating cash outflows; and

- the Company successfully completing a capital raising and the reinstatement of KPO's shares to quotation on the ASX.

NEA Financial Position

5.39. As set out above, the Company acquired a controlling interest in NEA on 31 July 2015. The table below sets out the financial position of NEA at 31 July 2015.

Kalina Power Limited Consolidated statement of financial position	NEA As at 31-Jul-15 *Unaudited* $
Current assets	
Cash and cash equivalents	69
Trade and other receivables	294,571
Total current assets	294,640
Non-current assets	
Intangible assets - KCT License	10,285,244
Total non-current assets	10,285,244
Total assets	**10,579,884**
Current liabilities	
Trade and other payables	221,547
Total current liabilities	221,547
Total liabilities	**221,547**
NET ASSETS	**10,358,337**
EQUITY	
Issued capital	67,118,170
Reserves	2,960,887
Accumulated losses	(59,720,720)
TOTAL EQUITY	**10,358,337**

Table 5 – NEA Financial Position

5.40. At 31 July 2015, NEA disclosed net assets of $10.4 million, primarily comprising intangible assets recognised in relation to the KCT License of $10.3 million. Trade and other payables totalling $222,000 primarily comprised amounts owed relating to professional service fees provided by external parties. Trade and other receivables of $295,000 comprised amounts receivable from SSNE.

Capital Structure

5.41. As at the date of this Report, KPO has 110,866,531 ordinary shares on issue, of which 85.7% were held by the top 20 shareholders. The top 20 shareholders in KPO as at the date of this Report are set out in the table below.

Option holder	Number of options	%
Harrington Global Opportunities Fund S.a.r.l	12,482,954	11.3%
Twenty Second Yeneb Pty Ltd	11,897,796	10.7%
Pan Andean Capital Pty Ltd	10,958,900	9.9%
Niyazi Onen c/- Haydar Aliyev	10,239,900	9.2%
Arcourt Resources NL	8,280,538	7.5%
Mr John Joseph Byrne & Mrs Marzita Ivonne Byrne <John Byrne Private Pension Fund>	7,405,857	6.7%
Gundyo ITF Difference Capital Financial Inc.	6,495,781	5.9%
Mr Yu Jianmeng	5,308,134	4.8%
Vision Worldwide Holdings Limited	4,109,330	3.7%
John Bertrund Maguire	3,000,000	2.7%
Computershare Clearing Pty Ltd	2,940,011	2.7%
Rhodes Mining Limited	2,208,767	2.0%
Keo Projects Pty Ltd <Superannuation Fund A/C>	2,000,000	1.8%
JP Morgan Nominees Australia Limited	1,802,313	1.6%
Ms Luiza Khisamova	1,210,458	1.1%
Actual Capital Pty Ltd	1,000,000	0.9%
Kenneth Everett Productions Limited	1,000,000	0.9%
Ms Diane Elizabeth Bettess	895,364	0.8%
Dr Rajagunalan Rasiah & Mrs Devaki Janaki Rasiah	882,877	0.8%
Riverside Estate Financing SA	865,753	0.8%
	94,984,733	**85.7%**
Other shareholders	15,881,798	14.3%
Total	**110,866,531**	**100.0%**

Table 6 – KPO Shareholder Summary

5.42. Mr John Byrne disclosed direct and indirect interest in the shares of KPO as set out in the table above and as follows:

- Twenty Second Yeneb Pty Ltd (beneficial owner) – 11,897,796 shares;
- John Byrne Private Pension Fund (beneficiary) – 7,405,857 shares;
- Arcourt Resources NL (director and shareholder) – 8,280,538 shares;
- Tiodi Pty Ltd (beneficial owner) - 188,666 shares;
- Mining & Rural Investments Limited (beneficial owner) – 166,888 shares; and
- Camtan Pty Ltd (beneficial owner) – 8,872 shares.

5.43. As set out in paragraph 3.10, at the date of this Report, KPO has 91,437,070 options on issue on the following terms:

- 69,837,070 listed share options exercisable at $0.10 per option, expiring 30 November 2015; and
- 21,600,000 unlisted share options issued to Directors and employees of the Company exercisable at $0.11 per option, expiring 30 June 2018.

5.44. The top 20 listed option holders in KPO as at the date of this Report are set out in the table below.

Option holder	Number of listed options	%
Twenty Second Yeneb Pty Ltd	14,690,600	21.0%
Harrington Global Opportunities Fund SARL	11,464,762	16.4%
Pan Andean Capital Pty Ltd	10,958,900	15.7%
Arcourt Resources NL	5,472,694	7.8%
Mr John Joseph Byrne & Mrs Marzita Ivonne Byrne <John Byrne Private Pension Fund>	4,475,340	6.4%
John Bertrund Maguire	3,000,000	4.3%
Mr Yu Jianmeng	2,500,000	3.6%
Vision Worldwide Holdings Limited	2,500,000	3.6%
Keo Projects Pty Ltd <Superannuation Fund A/C>	2,000,000	2.9%
Ms Luiza Khisamova	1,200,000	1.7%
Actual Capital Pty Ltd	1,000,000	1.4%
Kenneth Everett Productions Limited	1,000,000	1.4%
1029258 B C Limited	750,000	1.1%
JP Morgan Nominees Australia Limited	622,244	0.9%
Gold Mines of Victoria Pty Ltd	605,499	0.9%
Mecca Forte Pty Ltd	500,000	0.7%
Vynben Pty Ltd	500,000	0.7%
Dr Malcolm Jacques	450,000	0.6%
Mr Robert Gilbert Vallender & Ms Shirley Jean Vallender	340,278	0.5%
Citicorp Nominees Pty Limited	324,650	0.5%
	64,354,967	**92.2%**
Other shareholders	5,482,103	7.8%
Total	**69,837,070**	**100.0%**

Table 7 – KPO Option Holder Summary

5.45. Mr John Byrne disclosed direct and indirect interest in the listed options of KPO as set out in the table above and as follows:

- Twenty Second Yeneb Pty Ltd (beneficial owner) – 14,690,600 options;
- John Byrne Private Pension Fund (beneficiary) – 4,475,340 options;
- Arcourt Resources NL (director and shareholder) – 5,472,694 shares;
- Tiodi Pty Ltd (beneficial owner) – 93,333 options; and
- Camtan Pty Ltd (beneficial owner) – 4,436 options.

5.46. As set out in paragraphs 3.10 and 5.43 above, KPO also has 21,600,000 unlisted options issued to Directors and employees, exercisable at $0.11 per option and expiring 30 June 2018. The number of these unlisted options issued to Directors is as follows:

- John Byrne – 2,000,000 options;
- Tim Horgan – 5,000,000 options; and
- Ross MacLachlan – 10,000,000 options.

5.47. The remaining unlisted options were issued to five other key employees of the Company.

5.48. As set out in Table 7 above, Harrington holds 11,464,762 listed options and will be issued a further 20,328,767 in New Options exercisable at $0.10 per option, expiring within 12 months of the date of issue in the event the Proposed Transaction is approved.

5.49. As set out in paragraph 3.4, the terms of the conversion of the Loan to equity, as set out in Clause 7(c) of the Loan Agreement, include Shareholder approval for Harrington to further increase its interest in the Company through the exercise of the options currently held by Harrington and/or New Options forming part of the equity units to be issued to Harrington and/or other equity purchases by Harrington in the issued capital of KPO.

5.50. As these options can be considered to be in the money as at the date of this Report, we have considered the impact of Harrington exercising all of its options held in the event the Proposed Transaction is approved, in our assessment of fairness.

5.51. Whilst the options held by the Non-Associated Shareholders can also be considered to be in the money at the date of this Report, the effect of the Non-Associated Shareholders exercising their options has no impact on our assessment of the fairness and reasonableness of the Proposed Transaction. We have therefore excluded the options held by Non-Associated Shareholders from our analysis.

6. Valuation Methodologies

6.1. In assessing the value of KPO prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

6.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:

- Market Based Methods;
- Income Based Methods; and
- Asset Based Methods.

Market Based Methods

6.3. Market based methods estimate the fair market value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities; and
- industry specific methods.

6.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

6.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

6.6. Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow methods; and
- capitalisation of future maintainable earnings.

6.7. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

6.8. The capitalisation of future maintainable earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset Based Methods

6.9. Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

6.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

6.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame, reflecting a distressed liquidation value. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or when a company is not valued on a going concern basis.

6.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method, it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding purposes.

Selected Valuation Methodology

6.13. The Kalina Cycle Technology has been utilised in a small number of commercial power plants and limited operating revenues have been derived from the Kalina Cycle Technology. In accordance with RG 111, we have therefore not utilised income based methodologies in our valuation of the shares in KPO.

6.14. The Company's shares have remained suspended from trading since the Company entered into voluntary administration in December 2013. We have therefore not utilised the quoted price of listed securities in our valuation of the shares in KPO.

6.15. We have selected the net assets on a going concern basis in our assessment of the value of a share in KPO prior to and immediately after the Proposed Transaction.

7. Valuation of KPO

7.1. The basis of our evaluation of "fairness" is to compare the Fair Value of a KPO share prior to, and immediately after the Proposed Transaction.

Valuation of a KPO Share Prior to and immediately after the Proposed Transaction on a controlling basis

7.2. Our assessment of the Fair Value of a KPO share prior to and immediately after the Proposed Transaction (on a controlling basis) is set out in the table below.

Kalina Power Limited Consolidated statement of financial position	KPO As at 30-Jun-15 *Unaudited* $	NEA As at 31-Jul-15 *Unaudited* $	Ref	Consolidated Pro forma Prior to the Proposed Transaction Assessed Value $	Ref	Consolidated Pro forma Immediately after the Proposed Transaction Assessed Value $	Ref	Diluted Consolidated Pro forma Immediately after the Proposed Transaction Assessed Value $
Current assets								
Cash and cash equivalents	39,099	69	7.4	2,039,168		2,039,168	7.7	5,218,521
Trade and other receivables	364,816	294,571		659,387		659,387		659,387
Other financial assets	152	-		152		152		152
Total current assets	404,067	294,640		2,698,707		2,698,707		5,878,060
Non-current assets								
Trade and other receivables	16,079,659	-	7.5	1,265,559		1,265,559		1,265,559
Investments accounted for using the equity	9,200	-		9,200		9,200		9,200
Property, plant and equipment	88,118	-		88,118		88,118		88,118
Intangible assets - KCT License	-	10,285,244		10,285,244		10,285,244		10,285,244
Intangible assets recognised in the acquisition of NEA	-	-	7.5	6,981,126		6,981,126		6,981,126
Total non-current assets	16,176,977	10,285,244		18,629,247		18,629,247		18,629,247
Total assets	**16,581,044**	**10,579,884**		**21,327,954**		**21,327,954**		**24,507,306**
Current liabilities								
Trade and other payables	917,240	221,547	7.4	1,041,476		1,041,476		1,041,476
Borrowings	-	-		2,032,877	7.6	-		-
Provisions	95,940	-		95,940		95,940		95,940
Total current liabilities	1,013,180	221,547		3,170,292		1,137,416		1,137,416
Non-current liabilities								
Total non-current liabilities	56,598	-		56,598		56,598		56,598
Total non-current liabilities	56,598	-		56,598		56,598		56,598
Total liabilities	**1,069,778**	**221,547**		**3,226,890**		**1,194,014**		**1,194,014**
NET ASSETS	**15,511,266**	**10,358,337**	7.5	**18,101,063**		**20,133,940**		**23,313,293**
EQUITY								
Issued capital	89,672,984	67,118,170	7.4	89,770,296	7.6	91,803,172	7.7	94,982,525
Reserves	129,074	2,960,887		129,074		129,074		129,074
Accumulated losses	(74,143,192)	(59,720,720)	7.4	(74,176,069)		(74,176,069)		(74,176,069)
Total equity attributable to equity holders of the company	15,658,866	10,358,337		15,723,301		17,756,178		20,935,530
Non-controlling interest	(147,600)	-	7.5	2,377,763		2,377,763		2,377,763
TOTAL EQUITY	**15,511,266**	**10,358,337**		**18,101,063**		**20,133,940**		**23,313,293**
Number of shares on issue	109,893,416			110,866,531	7.6	131,195,298	7.7	162,988,827
Assessed value per share (controlling basis)	**$0.141**			**$0.163**		**$0.153**		**$0.143**

Table 8 – Assessed Fair Value of KPO prior to and immediately after the Proposed Transaction (controlling basis)

7.3. The assessment of the Fair Value of a KPO share prior to the Proposed Transaction is based on the unaudited pro forma consolidated balance sheet of the Company as at 30 June 2015 and NEA as at 31 July 2015, the date the Company acquired a 75.6% controlling interest in NEA. The net assets disclosed by NEA at 31 July 2015 is materially consistent with NEA's financial position disclosed at 30 June 2015.

7.4. KPO's balance sheet at 30 June 2015 has been adjusted for the following:

- the issue of a further 973,115 shares issued on 23 July 2015 to settle Directors' fees totalling $97,312; and
- the $2,000,000 in Loan funds received from Harrington as set out in paragraph 3.3, together with the increase in borrowings of $2,032,876.70 and an adjustment to accumulated losses to include accrued interest expenses of $32,876.70;

7.5. The pro forma balance sheet at 30 June 2015 also includes the pro forma intangible assets recognised on the acquisition of a 75.6% interest in NEA as follows:

- at 30 June 2015, KPO disclosed non-current receivables totalling $16,079,659, comprising $15,222,375 in loans receivable from NEA (and other related entities) and $857,284 in consideration amounts receivable from the sale of the 7.5 million NEA shares on 2 December 2014 (refer paragraph 5.31);
- on 31 July 2015, $14,814,100 of the loan receivable was converted to shares in NEA, resulting in $408,275 in remaining amounts receivable from a related party to NEA, and the remaining consideration receivable of $857,284 (totalling $1,265,559 in pro forma non-current trade and other receivables);
- the Company recognised 75.6% of NEA net assets acquired, totalling $7,832,974, with the remaining $2,525,363 attributed to non-controlling interests; and
- intangible assets of $6,981,126 was recognised on the acquisition of a 75.6% interest in NEA (calculated as pro forma consideration of $14.8 million less $7.8 million in net assets acquired).

7.6. The assessment of the Fair Value of a KPO share immediately after the Proposed Transaction (on a controlling basis) is also based on the unaudited pro forma balance sheet of the Company at 30 June 2015 and NEA as at 31 July 2015, and adjusted for the issue of 20,328,767 new ordinary shares to Harrington to convert the Loan to equity.

7.7. The assessment of the Fair Value of a KPO share immediately after the Proposed Transaction on a controlling and diluted basis assumes the issue of a further 31,793,529 new ordinary shares in the Company and a corresponding increase in cash of $3.2 million, in the event that Harrington exercises all of the options held immediately after the Proposed Transaction.

7.8. The value of a KPO share prior to the Proposed Transaction as set out in Table 8 above is the value of a KPO share on a controlling basis. The net assets on a going concern methodology applied represents the value of a controlling shareholding. Accordingly, we consider the value generated under the net assets on a going concern basis to incorporate a premium for control and no further premium is considered necessary to assess the value of KPO prior to the Proposed Transaction.

7.9. Therefore, in our assessment of the Fair Value of a KPO share immediately after the Proposed Transaction on a non-controlling basis, we have reflected a discount for lack of control.

7.10. In the event the Proposed Transaction is approved, Harrington will acquire a 25.0% interest in KPO and up to a 39.6% interest in the Company on a diluted basis. Whilst Harrington will not obtain control of the Company, this interest will enable Harrington to influence the strategic direction of the Company, block special resolutions, and influence the acceptance of takeover or merger proposals.

7.11. A discount for a minority interest (non-controlling interest) is the inverse of a premium for control. A premium for control is the amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the premium a buyer will pay to acquire control in a business enterprise.

7.12. RSM Bird Cameron has conducted a study of 345 takeovers and schemes of arrangements involving companies listed on the ASX over the 7 years ended 30 June 2012 ("RSM Control Premium Study 2013"). In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the date of the offer.

7.13. The findings are summarised below, showing the average control premium 20 days, 10 days and 2 days pre the date of the announcement of the offer.

	Number of Transactions	20 days pre	10 days pre	2 days pre
Average control premium - all industries	345	35.3%	29.3%	26.5%

Source: RSM Control Premium Study 2013

Table 9 – Control Premium Study

7.14. For the purposes of this Report, we have adopted the inverse of a control premium in the range of 25.0% to 30.0% in our assessment of a discount for lack of control. We have therefore applied a discount of 20.0% to 23.0% (rounded) when assessing the value of a KPO share on a minority interest basis immediately after the Proposed Transaction.

7.15. The table below sets out our assessment of the value of a KPO share on a minority interest basis, immediately after the Proposed Transaction.

	Pro forma Immediately after the Proposed Transaction Assessed Value Low $	Pro forma Immediately after the Proposed Transaction Assessed Value High $
Valuation of KPO	**20,133,940**	**20,133,940**
Number of shares	131,195,298	131,195,298
Assessed value per share (controlling basis)	**$0.153**	**$0.153**
Discount for lack of control	-23.0%	-20.0%
Assessed value per share (non-controlling basis)	**$0.118**	**$0.123**

Table 10 – Assessed Fair Value of KPO immediately after the Proposed Transaction (non-controlling basis)

7.16. The table below sets out our assessment of the value of a KPO share on a minority interest basis immediately after the Proposed Transaction and assuming that Harrington exercises all of its options.

	Diluted Pro forma Immediately after the Proposed Transaction Assessed Value Low $	Diluted Pro forma Immediately after the Proposed Transaction Assessed Value High $
Valuation of KPO	**23,313,293**	**23,313,293**
Number of shares	162,988,827	162,988,827
Assessed value per share (controlling basis)	**$0.143**	**$0.143**
Discount for lack of control	-23.0%	-20.0%
Assessed value per share (non-controlling basis)	**$0.110**	**$0.114**

Table 11 – Assessed Fair Value of KPO immediately after the Proposed Transaction (non-controlling basis and assuming Harrington exercises all of its options)

7.17. Based on the above, our assessed value of a KPO share prior to the Proposed Transaction (on a controlling basis) as set out in Table 8, is $0.163 per share.

7.18. Based on the above, our assessed value of a KPO share immediately after the Proposed Transaction (on a non-controlling basis) as set out in Table 10, is in the range of $0.118 to $0.123 per share.

7.19. As set out in Table 11, our assessed value of a KPO share immediately after the Proposed Transaction (on a non-controlling basis and assuming all options held by Harrington are exercised), is in the range of $0.110 to $0.114 per share.

7.20. As set out in paragraphs 6.13 to 6.14, in accordance with RG 111, we have not utilised income based methodologies in our valuation of the shares in KPO as the Company has yet to generate operating revenues derived from the Kalina Cycle Technology. As KPO's shares have remained suspended from trading since the Company entered into voluntary administration in December 2013, we have also not utilised the quoted price of listed securities in our valuation of the shares in KPO.

8. Is the Proposed Transaction Fair

8.1. In assessing whether we consider the Proposed Transaction to be fair to the Non-Associated Shareholders, we have valued a share in KPO prior to and immediately after the Proposed Transaction to determine whether a Non-Associated Shareholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

Valuation Summary	Low $	High $
Fair Value per share prior to the Proposed Transaction (on a controlling basis)	$0.163	$0.163
Fair Value per share immediately after the Proposed Transaction (on a non-controlling basis)	$0.118	$0.123
Fair Value per share immediately after the Proposed Transaction (on a non-controlling basis and assuming all options held by Harrington are exercised)	$0.110	$0.114

Table 12 – Valuation Summary

8.2. The above comparison is depicted graphically in the figure below.

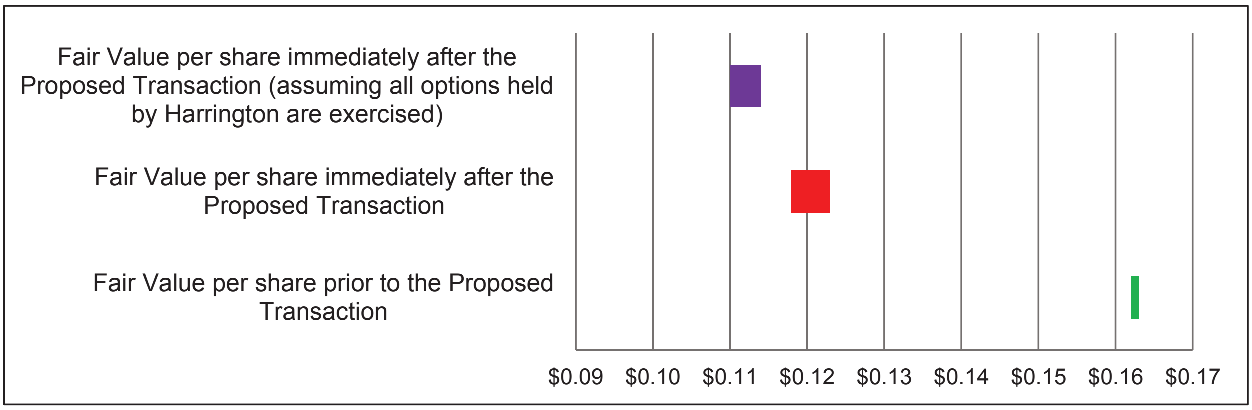

Figure 2 – Valuation Summary

8.3. As the Fair Value of a KPO share immediately after the Proposed Transaction is less than the Fair Value prior to the Proposed Transaction, and in the absence of any other relevant information, in our opinion, the Proposed Transaction is **not fair** to the Non-Associated Shareholders of KPO.

9. Other Factors taken into Consideration in Forming our Opinion

9.1. RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer in the absence of a higher bid.

9.2. In our assessment of whether the Proposed Transaction is reasonable, we have also considered the following:

- the future prospects of KPO if the Proposed Transaction does not proceed;
- alternative offers and sources of funds; and
- other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future Prospects of KPO if the Proposed Transaction does not proceed

9.3. If the Proposed Transaction is not successful, KPO will be required to raise funds in the short term to repay the Loan as well as conduct further capital raisings to fund ongoing operations.

9.4. At 30 June, the Company disclosed a cash position of $39,000. In the event that KPO is unable to raise sufficient funds in the short term, the Company may not be able to continue as a going concern.

Advantages and Disadvantages

9.5. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds than if it does not, we have compared various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages

9.6. The conversion of the loan to equity will be undertaken at the same price as other recent fundraisings including the rights issue completed on 25 February 2015 and recent share placements to 23 July 2015 since the successful implementation of the Company's DOCA with its creditors in July 2014.

9.7. The conversion allows Management to progress with the restructuring of the Company, progress the commercialisation of the KCT and seek approval for reinstatement to the Official List of the ASX. In the event that KPO's shares are successfully reinstated, this may provide the Non-Associated Shareholders with some liquidity to crystallise the value of their shares.

9.8. KPO's shares have remained suspended from trading since the Company entered into voluntary administration in December 2013 and raising additional funds from external sources has been relatively difficult. The loan from Harrington and its subsequent conversion to equity, comprises important financial support from a significant shareholder.

9.9. In the event that the Proposed Transaction is not approved, the loan will have to be repaid. At 30 June 2015, the Company disclosed cash and cash equivalents of $39,000 and does not currently have the available funds to repay the loan. The Company will be required to seek alternative funding in the short term to repay the Loan. In the event that KPO is unable to raise sufficient funds to repay the Loan, the Company may not be able to continue as a going concern.

9.10. Notwithstanding dilution in Non-Associated Shareholders' interest in the event that Harrington exercises all its options held in the event the Proposed Transaction is approved, the cash position of the Company will be significantly improved.

Disadvantages

9.11. The Proposed Transaction is not fair.

9.12. Non-Associated Shareholders' interest in KPO will be diluted from 88.7% to 75.0%, and down to 60.4% on a diluted basis, assuming Harrington exercises all of the options it holds in the event the Proposed Transaction is approved.

9.13. The dilution of Non-Associated Shareholders' interests reduces the ability of existing shareholders to influence the strategic direction of the Company, including acceptance or rejection of takeover or merger proposals.

Alternative Proposals

9.14. We are not aware of any alternative proposal at this time that would offer the Non-Associated Shareholders a premium over the terms offered by the Proposed Transaction.

Conclusion on Reasonableness

9.15. In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer of funding, we consider that the Proposed Transaction is **Reasonable** for the Non-Associated Shareholders of KPO.

9.16. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully
RSM BIRD CAMERON CORPORATE PTY LTD

GLYN YATES
Director

ANDREW GILMOUR
Director

Appendix 1 – Declarations and Disclaimers

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Non-Associated Shareholders of Precious Metal Resources Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and Management of KPO and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of approximately $22,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Kalina Power Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

Appendix 2 – Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting for KPO;
- A copy of the Loan Agreement between Harrington and KPO;
- KPO audited financial statements for the two years ended 30 June 2014 and the reviewed financial statements for the half-year ended 31 December 2014;
- KPO unaudited management accounts for the year ended 30 June 2015;
- Current share and options registers of KPO;
- ASX announcements of KPO; and
- Discussions with management of KPO.

Appendix 3 – Glossary of Terms and Abbreviations

Term	Definition
Act or Corporations Act	Corporations Act 2001
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Cash flow	Cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context
China Shiny	China Shiny Holdings Limited, a company based in Hong Kong
Company or KPO	Kalina Power Limited, formerly known as Enhanced Systems Technologies Limited and Wasabi Energy Limited
Control	The power to direct the management and policies of a business enterprise
Control premium	An amount or a percentage by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest in a business enterprise, to reflect the power of control
Discount rate	A rate of return used to convert a future monetary sum into present value
Directors	The directors of KPO
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Equity	The owner's interest in property after deduction of all liabilities
Fair Value or fair market value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
Going concern	An ongoing operating business enterprise
Harrington	Harrington Global Opportunities Fund SARL
Kalina Cycle®	A proprietary energy generating technology
KCT	Kalina Cycle Technology
Loan Agreement	The loan agreement between KPO and Harrington dated 27 June 2015

Term	Definition
Loan	The loan amount of $2,000,000 as set out in the Loan Agreement
Minority interest or non-controlling interest	A non-controlling ownership interest, generally less than 50%, of a company's voting shares
MWe	Megawatt electrical; measure of energy referencing electric power
MW	Megawatt; reference to energy produced regardless of energy source
NEA or WNEA	New Energy Asia Limited, formerly known as Wasabi New Energy Limited, an associate of KPO. NEA holds the Kalina Cycle® license for Greater China and the rest of Asia
New Options	New Options has the meaning given to that term under paragraph 3.3 of this Report
Proposed Transaction	Resolutions 1 and 2 as set out in this Report and as summarised in further detail section 3 of this Report
Report or IER	This Independent Expert's Report
RG 111	ASIC Regulatory Guide 111 Content of expert Reports
RMB	Ren Min Bi
RSM Bird Cameron or RSMBCC	RSM Bird Cameron Corporate Pty Ltd
Shares	Fully paid ordinary shares in KPO
SSNE	Shanghai Shenghe New Energy Resource Science Technology Limited, previously the Kalina Cycle® Licensee for China
$	Australian Dollars

Kalina Power Limited

ABN 24 000 090 997

000001 000 KPO
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

By Mail:
Kalina Power Limited
Level 1, 114-116 Auburn Road
Hawthorn, VIC 3122

Alternatively you can fax your form to
(within Australia) 03 9818 3656
(outside Australia) +61 3 9818 3656

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX

For your vote to be effective it must be received by 11.30am (AEST) Tuesday, 29 September 2015

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →

View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- ☑ **Review your securityholding**
- ☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Kalina Power Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Kalina Power Limited to be held at Level 25, Bourke Place, 600 Bourke Street, Melbourne, VIC on Thursday, 1 October 2015 at 11.30am (AEST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Issue of Shares upon conversion of Loan and exercise of New Options and Existing Options	☐	☐	☐
Resolution 2	Issue of New Options upon conversion of Loan	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date ___/___/___

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