

## MESSAGE FROM THE COMPANY

Dear Shareholder,

The board and management of Kalina Power Limited (the “Company”) are pleased to note that the Company has re-commenced trading on the ASX. The Company has completed an extensive re-organisation and strategic review of its business. The Company is now entirely focused on deploying the KALiNA Cycle on an industrial scale in targeted and profitable markets. This has resulted in the recent name change of the Company to Kalina Power, the ongoing recruitment of an excellent team and the completion of an effective business strategy which is summarised in this letter.

Our KALiNA Cycle is the most efficient power solution for taking waste heat from industrial processes and geothermal sources to generate electricity. Recent global developments on climate change underscore the importance to governments and industries around the world of energy efficiency and specifically waste heat recovery in achieving their environmental and economic targets.

The prospects for our Company are exciting given the timing of these events, the maturation of the KALiNA Cycle and the recruitment of a strong team capable of executing on our focused business strategy.

### **Strategic focus for Kalina Power**

A growing team of business development professionals have been working closely with the technical team and stakeholders to complete strategic and operational reviews. Together we have identified key objectives that we believe will create a strong, focused and effective company to deliver KALiNA Cycle power projects around the world.

Kalina Cycle has been deployed at 15 plants around the world. These plants have provided us with a wealth of experience in operating diverse applications such as petrochemical and steel facilities as well as geothermal power plants. We have come to learn what is required to develop and execute a successful project.

With this experience we have developed a plan that involves a far more involved role in the execution of KALiNA Cycle projects across the project cycle of engineering, design, procurement and construction. Working with selective equipment vendors and technical service providers, Kalina Power will provide turnkey solutions which shall provide us with far better control and oversight than has been achieved previously under the previous licensing model. This will enable better management of project delivery and substantially improve profit margins for our company.

Our Company will also increasingly look to take ownership of selected and targeted projects in countries with supportive electricity pricing and stable rule of law.

Based upon the successful operating performance of several existing Kalina Projects, management is confident that project financing for new Kalina plants is available from a variety of sources including financial institutions, infrastructure funds, governments and international agencies. Indicative support for project financing of several new Kalina projects has been provided by one specific fund.

The world leading authorities on the KALiNA Cycle form the core of our technical team and we are increasing our engineering and technical capabilities to support effective project development, execution and turnkey solutions.

### **Global developments**

There has been a significant shift in the international community to set binding climate change targets at the Paris Conference in December 2015. One of the keys to achieving these targets will be energy efficiency. Energy efficiency in industrial processes and existing power plants can provide significant additional power without further emissions thereby providing one of the tools (that being energy) for continued economic growth without emissions growth.

At a recent summit between the Chinese Premier and the U.S. President, a major position statement was made by the parties which included:

- **A common vision for the Paris climate agreement.** The two countries articulated a set of shared understandings for the agreement, including on the importance of a successful agreement that ramps-up ambition over time, pointing toward a low-carbon transformation of the global economy this century. New progress was made on the issue of differentiation between developed and developing countries.
- **Ambitious domestic policy announcements.** China confirmed that it plans to launch in 2017 a national emission trading system covering power generation, steel, cement, and other key industrial sectors, as well as implement a “green dispatch” system to favor low-carbon sources in the electric grid. These announcements complement the recent finalisation of the U.S. Clean Power Plan, which will reduce emissions in the U.S. power sector by 32% by 2030. Both countries are developing new heavy-duty vehicle fuel efficiency standards, to be finalised in 2016 and implemented in 2019. Both countries are also stepping up their work to phase down super-polluting hydrofluorocarbons (HFCs).
- **Breaking new ground on climate finance.** Looking beyond their shores, the two countries announced further steps to help accelerate the transition to low-carbon development internationally, including a new climate finance commitment by China of CNY 20 billion (US\$3.1 billion) to help developing countries combat climate change and new steps to control public support for high carbon activities. The two countries also re-affirmed their commitment to bilateral cooperation, both at the federal and sub-national levels.

Outside of government, investors are becoming aware that energy efficiency is a growing investment opportunity. Clare Anne Taylor writing for *CleanTechnica*, in her article on 1 October 2015 stated “Leading financial institutions are increasingly aware of the opportunities. According to Urs Rohner, Chairman of Credit Suisse Group AG, 'Our research demonstrated that Europe can probably save another 10 to 15% of energy by 2030 with appropriate energy efficiency measures with no negative impact on economic growth. We therefore believe that more efficient energy will have double benefits, to Europe's environmental and economic growth targets.'”

These policy statements from large countries are key to the continued development of global climate change solutions and the fostering of supportive regulatory environments. Combined with increased recognition from project investors of the environmental, economic and commercial benefits of energy efficiency, they create opportunities for companies focused on delivering energy efficiency and alternative energy solutions.

Kalina Power is ideally placed to leverage opportunities created by this evolving global market place for energy efficiency and alternative energy solutions. The KALINA Cycle can deliver both energy efficiency solutions and alternative energy power production across significant marketplaces.

The Company is currently in discussions regarding possible projects, strategic partners and key management appointments. We are also working with industry and government funding providers to secure support for potential projects as they develop.

This opportunity for the Company is significant and we look forward to updating shareholders on these activities in the coming months.

On behalf of the Company

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Executive Director.

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