KALINA POWER LIMITED

(Formerly Enhanced Systems Technologies Limited)

ACN 000 090 997

Annual financial report for the year ended 30 June 2015

Chairman's Letter

Dear Shareholders

2015 has been a period of consolidation for our Company and our shareholders as we moved to recapitalisation of the Group.

This recapitalisation began with the Company undertaking a Rights Issue as announced on 7 November 2014 and which subsequently closed, along with the placement of the Shortfall, on 25 February 2015. The Rights Issue raised $4,379,000 before costs. Along with the Rights Issue, the Company also placed 17,230,143 shares to retire the remaining debt in the company and to raise additional funds.

A key aspect of this recapitalisation was to allow the Company to attract new management, namely Mr Ross Maclachlan and Mr Tim Horgan as executive directors of the Company.

The new team progressed a number of reviews during the period focusing on the underlying business plan of the Company, the drivers for revenue and profitability and the structure of the Group.

The outcomes of the reviews are:

- Key objectives identified:
  - Simplify and strengthen the corporate structure
  - Improve contracting and licensing procedures to be more profitable and effective
  - Provide more effective oversight and control to ensure quality and compliance for project execution
  - Recruit team skilled in technology commercialisation, power plant project development and management
- Steps to improve profit margins:
  - Enhanced engineering improvements
  - Engineering charges for improvements to existing KALiNA Cycle® plants
  - Modularisation and standardisation of plant components and procurement for quicker lead times and for better quality and margins
  - Develop an international project financing package for qualified projects built to KALiNA Cycle® design specifications
  - Enhanced IP portfolio and KALiNA Cycle® technology 'trade secrets' to command increased licensing fees

In progressing with the objectives identified the following results were achieved during the period and subsequent to the period end:

  - Simplified corporate structure removing substantially all debt from the group while significantly increasing subsidiary ownership levels
- Key highlights:
    - Removal of over US$12,500,000 of external debt at Asia and China subsidiary levels and at the US level.
    - Increased ownership of New Energy Asia from 49.2% to 75% (completed after the year end)
    - Increased ownership and control of operations in China to 49.9% non-dilutable A class shares (completed after the year end)
    - In process of restructuring commercial terms and management of construction of initial Sinopec Hainan project

The above objectives and initial changes delivered by Management are providing a solid basis to deliver a strong, sustainable business into the future leveraging the value of the Kalina Cycle technology to the Company and its stakeholders.

I thank you for your patience as we undertake the processes required to come back onto trading on the ASX and look forward to your ongoing support as we strive to deliver value to you.

Yours Faithfully

John Byrne

Executive Chairman

Directors' report

The directors of Kalina Power Limited (Formerly Enhanced Systems Technologies Limited) ('the Company') present their annual financial report of the Company and its control entities ('the Group' or 'the Consolidated Entity') for the year ended 30 June 2015.

Review of Operations

The Company provided management services to its subsidiaries and associates as they maintained their operations and completed their corporate activities as set out below. This management included strategic support in the restructuring of the Group.

New Energy Asia Limited (NEA)

NEA changed its name from Wasabi New Energy Asia Limited on 8 January 2015. NEA was a 49.2% owned associate of Kalina Power Limited (KPL) during the year, having being a 61.5% owned subsidiary at the commencement of the period.

NEA holds the Kalina Cycle® License for Asia.

The Company has lent approximately $14.0 million to NEA as well as provided guarantees for some of its liabilities. NEA borrowed RMB18,000,000 (A$3.1m) from China Shiny Holdings Limited, a Hong Kong company for its part payment for the purchase of SSNE. This was reduced to RMB10,000,000 (A$1.9m) During the year. China Shiny held a first ranking charge over the assets of NEA and a guarantee from the Company which was compromised by the DOCA as a contingent liability, and if it becomes payable is only to be settled by the issue of new shares in the Company at 50c per share.

NEA continued to discuss fundraising with potential investors throughout the year with the aim of settling all debt in NEA and thereby being in a position to raise funds during calendar year 2015 and ultimately leading to a listing on a stock exchange in the future. As a result of these discussions NEA has agreed with the Company and with China Shiny Holdings Limited to convert all of the outstanding debt to new equity in NEA at 10c per share. In addition, NEA has disposed of its wholly owned subsidiary, Newmont Holdings Limited, which is the entity under which SSNE was being purchased. As part of this disposal, NEA has the right to repurchase Newmont for a period of 24 months should it choose to do so. The effect of this restructure allows NEA to progress its activities in Asia and to continue to support SSNE in China while it is the Kalina Cycle Licensee for that region, but removing all significant liabilities from its balance sheet. This restructure was completed on 31 July 2015 and the Company owns approximately 75% of the issued capital of NEA moving forward.

Key to future progress of NEA is the completion of the Sinopec Hainan 4MWe Kalina Cycle® plant being built by SSNE, the current Kalina Cycle® licensee for China. SSNE has been working closely with its engineering and construction partners to deliver this first major Kalina Cycle® power plant in China for Sinopec throughout the year. Major items have been completed on this project and the turbine and generator are being installed. Recurrent Engineering have performed a review of the Sinopec Hainan plant and are working with Sinopec and SSNE to complete the project in as timely a process as possible. Once this project has completed the directors believe a number of new Kalina Cycle® projects will be contracted with other major industrial firms in China as well as with Sinopec.

Intellectual Property

The Company has been managing the IP portfolio in relation to the Kalina Cycle in conjunction with Recurrent Engineering. A new patent for increasing the efficiency of the Kalina Cycle was granted in the US in 2014 and Japan and China in early 2015. The patent is pending in a number of other countries covering the major market places for the Company, including Canada, Europe, Indonesia and Philippines.

Further work is being undertaken to identify additional IP opportunities for the Group. This is part of an overall review of the intellectual property strategy in which the maintenance of existing patents is being assessed and the technical know how and trade secrets are being documented in such a way as to afford comprehensive protection and maximum effect in aggressively staking the company's claims in the sector.

Imparator Enerji

During the year the Company was not active in Turkey. However it retains certain rights within Turkey and sees the Turkish market as a key one for expansion by the Company due to its geothermal resources, supportive regulations, particularly in relation to the power price, and the growth expected in the Turkish economy which will require additional power.

Licensees

FLSmidth owns the Kalina Cycle® license for Cement and Lime worldwide, except China, and is a leading provider of engineering services to the cement and lime industries. FLSmidth has two Kalina Cycle® power plant projects. The first 8.6 MWe power plant at the DG Khan cement plant in Pakistan has been completed however it is not yet at full operating levels. This plant has been operating at reduced levels due to provision of heat at lower than design levels. Notwithstanding this, the plant has been producing approximately 6MWe of power on average and is only expected to operate at its nameplate capacity of 8.6MWe if the expected heat is available. The commencement of operations at this plant marks the first installation of a Kalina Cycle® power plant in the cement and lime industry. FLSmidth are also completing a 4.75 MWe Kalina Cycle® power plant at Star Cement at Ras Al Khaimah, in the United Arab Emirates which is expected to be operational in 2015.

Geysir, the Kalina Cycle licensee in Germany, has been developing the Euro65 million Geothermie Taufkirchen project. This project will deliver 4.3MWe power through a Kalina Cycle power plant and a 40MWt district heating system. The plant is in the advanced stage of construction and is anticipated to come online in 2015.

Other Investment - subsidiary

Aqua Guardian Group Limited (AGG)

AGG is an Australian unlisted public company that was 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 specifically designed for large scale, exposed open water storages which reduces evaporation loss by 88% and inhibits algal growth. AGG have deployed AquaArmour™ on 7 sites in Australia.

AGG licensed the technology in October 2014 to Venture Services Pty Limited (Venture), a part of the Venture Group, a major global plastics manufacturer, predominately for the automotive industry, which has been working with AGG since 2009. The license covers Australia/NZ, Southern Africa and Chile. The aim of Venture is to implement ongoing improvements to the technology and to establish deployments in each of its licence areas. Venture will build on the deployments undertaken by AGG in Australia previously and has been instrumental in delivering the ongoing trial project to a major mining company in Chile.

AGG will receive a royalty from each module sold by Venture and retains a right to purchase 50% of Venture Services Pty Limited to thereby create a joint venture until 31 May 2017. In addition, Venture has a right of last refusal to participate in new license areas in the future on terms no less favourable than potential third party license holders.

The Company currently owns 79.2% of AGG and intends to convert outstanding loans to AGG into further equity. The Company is working with the other major shareholders of AGG to develop AGG into a water technology company that may seek its own listing on a suitable stock market.

Other Investments

Lignol Energy Corporation (LEC)

The company currently owns 22% of LEC.

On 27 August 2014, LEC announced that although management was engaged in discussions with Difference Capital Financial Inc. ("DCF") with respect to the terms of a proposed financing and the possible sale of the assets of LEC, DCF discontinued negotiations and appointed The Bowra Group Inc. (the "Receiver") as Receiver of LEC on August 22, 2014. The Receiver is currently in possession and control of LEC's assets and undertaking.

The Receiver is working through a disposal process in order to realise value from the assets of LEC for its creditors.

The Company anticipates that some value may be available for equity holders of LEC through a restructuring of the corporate entity and will monitor the progress of LEC in this regard.

Clean TeQ Holdings Limited (Clean TeQ)

The Company disposed of the majority of its holding in Clean TeQ during the year.

Corporate

Profit for the year attributed to owners of the parent was $10,359,443.

Directors' report (cont'd)

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

Name, qualifications	Particulars
Mr. John Byrne,	Mr. Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. During the past 10 years Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 3 wash plants, totaling in excess of $500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today. Appointed 8 May 2009.
Mr Ross MacLachlan,	Mr. MacLachlan has been involved in technology development and commercialization as an active venture capital investor and executive for over 30 years. He has worked and invested with technology companies in a range of industries especially those in the conventional and alternative energy sectors. A strong competency in corporate finance, business development and the strategic management of developing companies; including intellectual property management and technology commercialization. Mr. MacLachlan has been a frequent speaker and panel participant relating to public policy and development of the cleantech industry, providing advice to provincial and federal governments in Canada. He is a member of the BC Cleantech CEO Alliance and has served on the boards of both: • BC Technology Industry Association • BiotechCanada Appointed 26 June 2015
Mr Timothy Horgan,	Mr Horgan is a qualified lawyer and business executive with over 20 years experience in Europe, Africa, Asia and Australia. Mr Horgan practiced law with Minter Ellison in Australia before moving to London where he acted as Counsel for S & P 100 Company, The Gillette Company. He sat on Gillette's Africa, Middle East and Europe Operational Board overseeing annual sales in excess of USD 1.2 Billion. Tim also has extensive licensing experience having overseen the USD 1.2 Billion acquisition of the 2002 and 2006 FIFA world cup broadcast rights and their USD 1 billion world-wide licensing. Tim has acted as founder, director and advisor to numerous Mining and Energy Companies. His recent experience includes listing South African Coal Company Universal Coal Plc on the ASX and Hungarian Energy Company Wildhorse Energy PLC on AIM. Tim has extensive experience in China including with Gillette, South China Resources Plc and more recently in advising Kalahari Minerals on its USD 1 billion takeover by China Guangdong Nuclear Power Corp (CGNPC). Appointed 27 May 2015
Mr. Robert Reynolds, *Master Eng.(Mining)*	Mr. Reynolds is a mining engineer with more than 30 years experience in Australia and overseas in coal marketing as well as coal mining management and engineering. Mr. Reynolds is a consultant providing marketing advice and services to a number of national and international coal producers. Mr. Reynolds past experience was with BHP, YanCoal and Walter Energy. Appointed 10 August 2005. Resigned 27 May 2015

Mr. Robert Vallender, *B Comm.*	Mr. Vallender has over 30 years of management and new technology product development experience in Australia and North America. Mr. Vallender is a consultant providing independent marketing and capital project sales advice to the Australian and European iron and steel and primary metals industries. He has dealt with major manufacturers and producers including Alcoa, U.S. Steel and General Motors. Appointed 10 August 2005. Resigned 27May 2015
Dr. Malcolm Jacques, *Ph.D. Chemical Engineering*	Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA. Dr Jacques' international career has embraced research, development and implementation of numerous energy technologies in both the public and private sectors. He has worked with several well-known companies and organizations including BP Ventures (UK), The Energy Laboratory, MIT (Cambridge, USA), Strategic Research Foundation (Australia) and has played key roles in the establishment and management of public and private energy technology companies in Australia and North America. Appointed 2 March 2010

Directorships of other listed companies

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

Name	Company	Period of directorship
John Byrne	East Coal Inc (Canada)	2008 – 2013
Ross MacLachlan	Lignol Energy Corp (Canada)	2007 – 2014

Shareholdings

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

Directors and senior management	Fully paid ordinary shares Number	Options Number
Directors		
John Byrne	27,946,617	26,736,403
Ross MacLachlan	-	10,000,000
Tim Horgan	919	5,000,000
Robert Reynolds	405,394	316,419
Robert Vallender	388,732	316,419
Malcolm Jacques	415,082	340,278
Senior Management		
Bruce Levy	11,112	-
Alwyn Davey	1,211,413	2,700,000
Kesh Thurairasa	110,561	1,500,000

Since the end of the financial year 20m share options (2014:nil) were granted to Directors and officers of the company as part of their remuneration.

Directors' report (cont'd)

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year. During the financial year, 5 Board meetings and 1 Audit Committee meetings were held during the period.

	Board of Directors		Audit and Finance Committee	
Name	**Held**	**Attended**	**Held**	**Attended**
John Byrne	5	5	1	1
Tim Horgan	1	1	-	-
Ross MacLachlan	-	-	-	-
Robert Reynolds	4	3	1	1
Robert Vallender	4	3	-	-
Malcolm Jacques	5	5		

Company secretary

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

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

Principal activities

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

Review of operations

The consolidated profit for the year amounted to $9,656,219 (2014: $37,952,726 loss).

The Review of Operations is set out on pages 3 to 4 of this report.

Significant Risks

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

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

Dependence on Proprietary Technology: The Group relies on a combination of patents, copyrights, trade secrets and non-disclosure agreements to protect its Kalina Cycle technology. The Group enters into confidentiality or licence agreements with its employees, licensees and others and limits access to its documentation, software and other proprietary information. There can be no assurance that steps taken by the Company and KCT Power Limited, formerly Global Geothermal Limited (KCT) in this regard will be adequate to prevent misappropriation of its technology or that KCT's competitors will not independently develop technologies that are substantially equivalent or superior to KCT's technology. In addition, the laws of some foreign countries may not protect KCT's proprietary rights against others.

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

Changes in state of affairs

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

- The Company is currently suspended from trading on the ASX and is expected to be reinstated to trading in September 2015.
- The Consolidated entity lost control of Wasabi New Energy Asia Limited on 10 December 2014 and Recurrent Engineering LLC on 2 December 2014.
- The Company issued 21,600,000 options exercisable at 11cents each to its Directors and Officers. The options expire on 30 June 2018.

Directors' report (cont'd)

Changes in state of affairs (cont'd)

Subsequent events

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

(i) On 2 July 2015, the Company received $2m from Harington Global Opportunities Fund as a loan. Interest is payable at 10% per annum. This loan together with interest accrued is expected to be converted to ordinary shares in the company at 10 cents each together with a free attaching option exercisable at 10 cents after shareholder approval on or about 30 September 2015. The options will be valid for twelve months from the date of approval.

(ii) On 23 July 2015, the Company issued 21,600,000 options exercisable to its Directors and Officers. The options expire on 30 June 2018.

(iii) On 31 July 2015, the Company increased its shareholding in New Energy Asia Ltd (NEA) from 49.27% to 75.62%. This was achieved by the conversion of US$13,804,905 receivable from NEA to 138,049,050 ordinary shares in NEA at 10 cents each

As permitted by AASB 3, all acquired assets and liabilities will be provisionally accounted for up to 12 months from acquisition date while the Company finalises its determination of the respective fair values and the identification of any further assets or liabilities acquired.

Future developments

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

Environmental regulations

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

Dividends

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

Shares under option or issued on exercise of options

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

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Kalina Power Limited	69,837,070	Ordinary	10 cents	30 November 2015
Kalina Power Limited	21,600,000	Ordinary	11 cents	30 June 2018

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

Issuing Entity	Number of Options converted to shares	Class of shares	Amount paid for shares	Amount un paid
Kalina Power Limited	11,883	Ordinary	1,188	Nil

Indemnification of officers and auditors

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

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

Directors' report (cont'd)

Non-audit services

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

Auditor's independence declaration

The auditors' independence declaration is included on page 17 of the annual report.

Remuneration report – audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Kalina Power Systems Technologies Limited's directors and its senior management for the financial year ended 30 June 2015 and 2014. The prescribed details for each person covered by this report are detailed below under the following headings:

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

Directors and senior management personnel

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

Executive Directors

John Byrne
Ross MacLachlan (appointed 26 June 2015)
Tim Horgan (appointed 27 May 2015)

Non-executive directors

Robert Reynolds (resigned 27 May 2015)
Robert Vallender (resigned 27 May 2015)
Malcolm Jacques

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

Bruce Levy (Managing Director – KCT Power Limited – resigned 15 April 2015)
Alwyn Davey (Company Secretary – Kalina Power Limited)
Kesh Thurairasa (Financial Controller – Kalina Power Limited)

Remuneration policy

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

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

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

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

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

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

Senior Executive Remuneration

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

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

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Fixed compensation

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

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

Incentive based compensation

The Company does not currently operate a short-term incentive scheme and, in 2014, no cash awards were made to the executives as disclosed in the remuneration report. The Board did not operate a short-term incentive scheme for the 2014 financial year, however will review this in the context of the formal review of the Company's broader executive remuneration policy to be undertaken during the 2016 financial year.

In the 2014 financial year, no options were issued to Directors and senior executives. However in 2011 and 2010, the Company issued options to Directors and senior executives. The current approach of not having time based vesting is considered appropriate. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options. There is no condition other than period of service for granting of options. The company considers the issue of options sufficiently aligns the interest of the entity with the incentive given to key management personnel.

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

Non-Executive Director Remuneration

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

The cash fees paid to each Independent Non-executive Directors for the 2015 financial year were $25,000 (2014:$21,527) per annum, plus statutory superannuation.

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

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

Relationship between the remuneration policy and Company performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company, and it is the leadership of the directors and senior management which makes the achievement of this aim possible. As indicated above, over the course of the 2015 financial year, the Board will review the Company's executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

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

Directors' report (cont'd)

Remuneration report – audited (cont'd)

The table below set out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2015. The information is based on post consolidation of shares at 765 to 1.

	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Revenue	1,005,979	485,424	1,467,591	4,876,720	4,047,090
Net profit/(loss) before tax	9,510,054	(37,952,726)	(11,818,333)	(7,448,777)	(547,288)
Net profit/(loss) after tax	9,656,219	(37,952,726)	(11,933,585)	(7,448,777)	(547,288)
Share price at start of year ($)	3.06	4.59	13.00	24.48	9.18
Share price at end of year ($)	3.06	3.06	4.59	13.00	24.48
Dividends paid (cents	-	-	-	-	-
Basic profit/(loss) per share (cents)	16	(393)	(300)	(239)	(19)
Diluted profit/(loss) per share (cents)	11	(393)	(300)	(239)	(19)

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Remuneration of directors and senior management – audited

		Short-term employment benefits			Post-employ ment		Share-based payment	
		Salary & Fees	Other payments	Non-monetary	Superan nuation	Other long term benefits	Options and rights	Total
Executive Director		$	$	$	$	$	$	$
John Byrne	2015	140,000	-	586	-	-	-	140,586
	2014	140,000	-	12,599	-	-	-	152,599
Ross MacLachlan (appointed 26 June 15)	2015	1,228	-	87	-	-	-	1,315
Tim Horgan (appointed 27 May 15)	2015	11,644	-	-	-	-	-	11,644
Non-executive directors								
Robert Reynolds (resigned 27 May 15)	2015	22,614	-	-	-	-	-	22,614
	2014	21,527	-	-	1,991	-	-	23,518
Robert Vallender (resigned 27 May 15)	2015	22,614	-	-	-	-	-	22,614
	2014	21,527	-	-	-	-	-	21,527
Malcolm Jacques	2015	25,000	-	-	-	-	-	25,000
	2014	21,527	-	-	-	-	-	21,527
Senior Management								
Diane Bettess (left 30 Dec 13)	2015	-	-	-	-	-	-	-
	2014	150,000	300,000	-	13,875	-	-	463,875
Nico Bleijendaal (left 6 Jun 14)	2015	-	-	-	-	-	-	-
	2014	175,000	-	-	-	-	-	175,000
Bruce Levy	2015	49,841		12,472				62,312
	2014	145,270	-	26,385	-	-	-	171,655
Alwyn Davey	2015	180,000	-	-	17,100	-	-	197,100
	2014	180,000	-	6,065	16,650	-	24,516	227,231
Kesh Thurairasa	2015	150,000	-	-	14,250	-	-	164,250
	2014	150,000	-	-	13,875	-	-	163,875
TOTALS	**2015**	**602,941**	**-**	**13,145**	**31,350**	**-**	**-**	**647,436**
TOTALS	**2014**	**1,004,851**	**300,000**	**45,049**	**46,391**	**-**	**24,516**	**1,420,807**

Notes

- No cash awards were paid during the 2015 financial year (2014: Nil). All awards were made in the form of options.
- During the year no options were issued to directors and senior management.

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

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

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Equity instruments

Options

During the financial year no options were issued to directors and the Board of Directors did not approve and the company did not issue options to employees and consultants.

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

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

Analysis of options over equity instruments granted as compensation

No options were granted as remuneration to any key management person of the Group and Group executives.

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

Key management personnel equity holdings

Fully paid ordinary shares of Kalina Power Limited

	Balance at 1 July 2014 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. (iii)	Bal at 30 June 2015 No.	Balance held nominally No.
2015						
Directors						
J. Byrne	3,225,901			24,720,716	27,946,617	
R MacLachlan	-	-	-	-	-	
T Horgan	-	-	-	919	919	
R. Reynolds (i)	88,975	-	-	(88,975)	-	
R. Vallender (i)	72,313	-	-	(72,313)	-	
M. Jacques	74,804	-	-	-	74,804	
Senior Management						
B. Levy (ii)	11,112	-	-	(11,112)	-	
A. Davey	13,972	-	-	1,197,441	1,211,413	
K. Thurairasa	108,000	-	-	2,561	110,561	

During and since the end of the financial year 21,600,000 share options (2014:nil) were granted to Directors and officers of the company as part of their remuneration.

(i) Resigned on 27 May 2015
(ii) Ceased to be a senior manager on 15 April 2015
(iii) Shares traded on the open market

Directors' report (cont'd)

Remuneration report – audited (cont'd)
Key management personnel equity holdings (cont'd)

	Balance at 1 July 2013 No.	Adjusted balance No. (i)	Granted as compensation No.	Received on exercise of rights No.	Net other change No. (i)	Balance at 1 July 2014 No. (i)	Balance held nominally No.
2014							
Directors							
J. Byrne	351,731,620	459,780	-	-	2,766,121	3,225,901	-
R. Reynolds	33,273,691	43,496	-	-	45,479	88,975	-
R. Vallender	20,256,438	26,480	-	-	45,833	72,313	-
M. Jacques	15,150,000	19,804	-	-	55,000	74,804	-
		-					
Senior Management							
N. Bleijendaal	-	-	-	-	-	-	-
D Bettess	6,435,000	8,412	-	-	(8,412)	-	-
B. Levy	8,500,000	11,112	-	-	-	11,112	-
A. Davey	8,230,017	10,758	-	-	3,214	13,972	-
K. Thurairasa	1,957,065	2,561	-	-	105,439	108,000	-

(i) Shares traded on the open market

Share options of Kalina Power Limited

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

	Balance at 1 July 2013 No.	Granted as compensation No.	Market acquired/ other (net) No.	(Exercised)/ (Expired) No.	Bal at 30 June 2014 No.	Bal vested at 30 June 2014 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2014									
Directors									
J. Byrne	23,688,746	-	-	(23,688,746)	-	-	-	-	-
R. Reynolds	3,669,299	-	-	(3,669,299)	-	-	-	-	-
R. Vallender	-	-	-	-	-	-	-	-	-
M. Jacques	-	-	-	-	-	-	-	-	-
Senior Management									
A. Davey	-	-	-	-	-	-	-	-	-
K. Thurairasa	217,462	-	-	(217,462)	-	-	-	-	-
D. Bettess	715,000	-	-	(715,0000)	-	-	-	-	-
N. Blejendaal	-	-	-	-	-	-	-	-	-
B. Levy	-	-	-	-	-	-	-	-	-

Directors' report (cont'd)

Other transactions with key management personnel of the Group

Details of key management personnel compensation are disclosed in note 30 to the financial statements.

i. Loans to key management personnel

No loans were granted to key management personnel

ii. Other transactions with key management personnel of the Group

During the year J Byrne was allotted with 24,736,403 ordinary shares with a free attaching option at 10 cents each and directed a further 500,000 shares and free attaching options to be allotted to a third party as full settlement for loans advanced to the company amounting to $2,523,640

During the year J Byrne advanced $724,937 to the company. Interest paid at 10% per annum amounted to $146,517.

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

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

Key terms of employment contracts

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

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

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

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

On behalf of the Directors

John Byrne
Executive Director
Melbourne, 31 August 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Kalina Power Limited (formerly Enhanced Systems Technologies Limited) for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

This declaration is in respect of Kalina Power Limited (formerly Enhanced Systems Technologies Limited) and the entities it controlled during the year.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Tim Fairclough

Tim Fairclough
Partner

Melbourne

31 August 2015

HLB Mann Judd (VIC Partnership)
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CORPORATE GOVERANCE STATEMENT

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

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

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

Principle 1: Lay solid foundations for management and oversight

Principle 2: Structure the board to add value

Principle 3: Act ethically and responsibly

Principle 4: Safeguard integrity in corporate reporting

Principle 5: Make timely and balanced disclosure

Principle 6: Respect the rights of security holders

Principle 7: Recognise and manage risk

Principle 8: Remunerate fairly and responsibly

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

Principle 1: Lay solid foundations for management and oversight

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

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

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

The skills, expertise and experience of directors relevant to their positions and their term in office are disclosed in the Directors' Report.
The Board has not yet established a formal written policy concerning diversity. The board is reviewing this aspect of the corporate governance guidelines. Currently the Company includes only men in senior management positions. As the Board has not yet established a formal written policy concerning diversity there are no measurable objectives set. The Company does not have any women on the Board. The previous Chief Operating Officer (Senior Management) was a women. Overall there are 30% (2014:20%) of the Company's employees who are women operating across finance and administration. Due to the size of the company and the board this is deemed acceptable to the directors of the company

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

Principle 2: Structure the board to add value

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

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

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

The company's Board comprises 4 directors. Mr John Byrne (6 years' service), Dr Malcolm Jacques (5 years' service) Mr Ross MacLachlan (newly appointed) and Mr Tim Horgan (newly appointed). Therefore, there is not a majority of independent directors on the Board. The directors consider that the balance of independent and non-independent directors is appropriate given the size of the Board, the experience of the directors and their understanding of their requirements and responsibilities as directors of the company.

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

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

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

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

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

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

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

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

Principle 3: Act ethically and responsibly

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

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

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

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

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

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

Principle 4: Safeguard integrity in corporate reporting

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

The audit committee should be structured so that it:

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

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

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

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

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

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

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

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

Principle 5: Make timely and balanced disclosure

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

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

Principle 6: Respect the rights of security holders

The company aims to ensure that the shareholders are informed of all major developments affecting the company. All shareholders are able to receive the company's annual report. The company also encourages full participation of shareholders at its annual general meeting and at extraordinary general meetings when called. The company makes available a telephone and email address for shareholders to make enquiries of the company.
The company maintains a website at www.kalinapower.com on which it makes available: company announcements; shareholder meeting notices and explanatory materials; financial information and annual reports. The company is currently reviewing its website and where necessary will enhance the information available on that site. During this review process, historical information, including past financial information, annual reports and announcements can be viewed at www.estl.com.au.

Principle 7: Recognise and manage risk

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

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

Principle 8: Remunerate fairly and responsibly

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

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

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Revenue	4	1,005,979	485,424
Cost of Sales		(542,592)	(435,203)
Gross profit/(loss)		463,387	50,221
Other revenue/(expenditure)	6	(1,539,360)	191,597
Finance income	6	1,029,567	8,413
Employee benefits expenses	6	(1,214,701)	(2,981,249)
Administration expenses		(323,452)	(1,175,817)
Depreciation and amortisation expenses	6	(151,643)	(219,762)
Bad debts	6	(8,570)	(306,484)
Travel expenses		(350,067)	(479,990)
Gain/(loss) on revaluation of financial assets fair valued through profit and loss	3	(1,824,261)	(1,812,245)
Gain recognised on disposal of subsidiaries	6	24,441,584	-
Share of loss of associate	13	(9,457,588)	-
Impairment of intangibles	15	(104,655)	(757,923)
Impairment of investments classified as available for sale		(80,141)	(8,084,832)
Legal and professional fees		(595,536)	(1,962,483)
Impairment of other assets		39,877	-
Patent costs		(97,640)	(43,774)
Foreign exchange gain/(loss)	6	791,816	(445,254)
Fair value gain/(loss) on options		-	(21,519)
Finance costs	5	(1,508,563)	(10,637,787)
Impairment Tuzla project asset	3	-	(9,273,838)
Profit/(loss) before tax		9,510,054	(37,952,726)
Income tax benefit/(expense)	7	146,165	-
Profit/loss) for the year		9,656,219	(37,952,726)
Attributed to:			
Owners of the parent	23	10,359,443	(31,322,974)
Non-controlling interest	22.6	(703,224)	(6,629,752)
		9,656,219	(37,952,726)
Other comprehensive income			
Exchange reserve arising on translation of foreign operations	22.3	(957,946)	1,378,539
Gain/(loss) on available-for-sale investments taken to equity		-	(519,316)
Other comprehensive income for the period net of tax		(957,946)	859,223
Total comprehensive income/(loss) for the period		8,698,273	(37,093,503)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		9,401,497	(30,404,503)
Non controlling interest		(703,224)	(6,689,000)
		8,698,273	(37,093,503)
Loss per share			
From continuing and discontinued operations:			
Basic (cents per share)	31	15.7	(393)
Diluted (cents per share)	31	11.4	(393)

Notes to the financial statements are included on pages 25 to 60.

Consolidated statement of financial position
as at 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Current assets			
Cash and cash equivalents	26	39,099	60,250
Trade and other receivables	8	364,816	868,417
Other financial assets	9	152	1,824,262
Assets classified as available for sale	10	-	1,262,033
Total current assets		**404,067**	**4,014,962**
Non-current assets			
Trade and other receivables	11	16,079,659	298,863
Assets classified as available-for-sale	12	-	25,703,935
Investments accounted for using the equity method	13	9,200	9,200
Property, plant and equipment	14	88,118	317,327
Intangible assets	15	-	126,256
Total non-current assets		**16,176,977**	**26,455,581**
Total assets		**16,581,044**	**30,470,543**
Current liabilities			
Trade and other payables	16	917,240	15,249,589
Borrowings	17	-	5,783,799
Provisions	18	95,940	207,204
Total current liabilities		**1,013,180**	**21,240,592**
Non-current liabilities			
Trade and other payables	19	-	748,699
Provision	18	56,598	-
Total non-current liabilities		**56,598**	**748,699**
Total liabilities		**1,069,778**	**21,989,291**
Net assets		**15,511,266**	**8,481,252**
Equity			
Issued capital	20	89,672,984	83,718,959
Reserves	22	129,074	(1,282,680)
Accumulated losses	23	(74,143,192)	(84,502,635)
Total equity attributable to equity holders of the company		15,658,866	(2,066,356)
Non-controlling interest	22.6	(147,600)	10,547,608
Total equity		**15,511,266**	**8,481,252**

Notes to the financial statements are included on pages 25 to 60

Consolidated statement of changes in equity
for the financial year ended 30 June 2015

Consolidated

	Issued capital and contributed equity	Investment revaluation reserve	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$	$	$	$
Balance at 1 July 2013	**61,873,709**	**519,316**	**(857,040)**	**3,733,163**	**(4,331,987)**	**(450,800)**	**(53,179,661)**	**7,306,700**	**10,745,700**	**18,052,400**
(Loss) for the year	-	-	-	-	-	-	(31,322,974)	(31,322,974)	(6,629,752)	(37,952,726)
Movement in foreign exchange values	-	-	1,437,787	-	-	-	-	1,437,787	(59,248)	1,378,539
Gain/(loss) in AFS investments (note 22.2)	-	(519,316)	-	-	-	-	-	(519,316)	-	(519,316)
Total comprehensive income for the period	-	(519,316)	1,437,787	-	-	-	(31,322,974)	(30,404,503)	(6,689,000)	(37,093,503)
Value of options issued (note 22.4)	-	-	-	580,713	-	-	-	580,713	-	580,713
Issue of shares (note 20.1)	21,801,728	-	-	-	-	-	-	21,801,728	-	21,801,728
Other credits	60,679	-	-	-	-	-	-	60,679	-	60,679
Share issue cost (note 20.1)	(21,968)	-	-	-	-	-	-	(21,968)	-	(21,968)
Difference arising on decrease in control of subsidiary	-	-	-	-	(1,394,516)	-	-	(1,394,516)	1,394,516	-
Exercise of options (note 20.1)	4,811	-	-	-	-	-	-	4,811	-	4,811
Option reserve	-	-	-	-	-	-	-	-	2,411,032	2,411,032
Issue of shares in subsidiary	-	-	-	-	-	-	-	-	2,685,360	2,685,360
Balance at 30 June 2014	**83,718,959**	**-**	**580,747**	**4,313,876**	**(5,726,503)**	**(450,800)**	**(84,502,635)**	**(2,066,356)**	**10,547,608**	**8,481,252**
Balance at 1 July 2014	**83,718,959**	**-**	**580,747**	**4,313,876**	**(5,726,503)**	**(450,800)**	**(84,502,635)**	**(2,066,356)**	**10,547,608**	**8,481,252**
Profit/(loss) for the year	-	-	-	-	-	-	10,359,443	10,359,443	(703,224)	9,656,219
Movement in foreign exchange values	-	-	(957,946)	-	-	-	-	(957,946)	-	(957,946)
Total comprehensive income for the period	-	-	(957,946)	-	-	-	10,359,443	9,401,497	(703,224)	8,698,273
Value of options issued (note 22.4)	-	-	-	756,310	-	-	-	756,310	-	756,310
Issue of shares (note 20.1)	6,137,274	-	-	-	-	-	-	6,137,274	-	6,137,274
Share issue cost (note 20.1)	(184,437)	-	-	-	-	-	-	(184,437)	-	(184,437)
Difference arising on decrease in control of subsidiary	-	-	-	-	1,394,516	-	-	1,394,516	(9,773,110)	(8,378,594)
Reclassification	-	-	-	-	218,874	-	-	218,874	(218,874)	-
Exercise of options (note 20.1)	1,188	-	-	-	-	-	-	1,188	-	1,188
Balance at 30 June 2015	**89,672,984**	**-**	**(377,199)**	**5,070,186**	**(4,113,113)**	**(450,800)**	**(74,143,192)**	**15,658,866**	**(147,600)**	**15,511,266**

Notes to the financial statements are included on pages 25 to 60.

Consolidated cash flow statement
for the financial year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Receipts from customers		432,716	830,635
Interest and finance costs paid		(319,141)	(616,677)
Payments to suppliers and employees		(2,978,432)	(4,879,852)
Tax paid		(9,433)	-
Sundry Income		314	6,635
Net cash used in operating activities	26(i)	(2,873,976)	(4,659,259)
Cash flows from investing activities			
Interest received		2,472	2,347
Payment for plant and equipment		-	(12,979)
Payment to acquire new asset/investment		-	(3,292,142)
Loan to other entity		(311,781)	-
Proceeds from sale of plant and equipment		15,365	-
Proceeds from sale of equity investments		1,497,920	436,806
Loans to related party		(385,233)	(43,066)
Receipts/(payment) for deposits		21,450	-
Net cash used in investing activities		840,193	(2,909,034)
Cash flows from financing activities			
Proceeds from issue of shares and options		2,042,084	2,041,568
Proceeds from borrowings		1,724,937	5,996,035
Repayment of borrowings		(1,458,286)	(539,029)
Adjustment for loss of control of subsidiaries		(183,361)	-
Capital raising costs		(112,742)	(92,292)
Net cash provided by financing activities		2,012,632	7,406,282
Net (decrease) / increase in cash and cash equivalents		(21,151)	(162,011)
Cash and cash equivalents at the beginning of the financial year		60,250	222,261
Cash and cash equivalents at the end of the financial year	26	39,099	60,250

Notes to the financial statements are included on pages 25 to 60.

Notes to the financial statements
for the financial year ended 30 June 2015

1. General information

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

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

2. Summary of accounting policies

Statement of compliance

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

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

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

Basis of preparation

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

The financial statements were authorised for issue by the directors on 31 August 2015.

Going concern

During the financial year, the consolidated entity deconsolidated two subsidiaries, being: Recurrent Engineering LLC and New Energy Asia Ltd which resulted in a gain on deconsolidation recognised in the statement of profit or loss and other comprehensive income of $24,441,584. The operating loss for the year ended 30 June 2015 before taking into account this gain on deconsolidation was $14,931,530. The consolidated entity had net current liabilities as at 30 June 2015 of $609,113 (30 June 2014: net current liabilities $17,225,630). At the date of this report, the Directors have considered the above factors and are of the opinion that the consolidated entity will be able to continue as a going concern and will be able to pay its debts as and when they fall due, based on forecasted cash flows through to August 2016

The above note is underpinned by certain key assumptions including:

- A loan for $2m has been received by the Company from an external party on 2nd July 2015 which is repayable in July 2016 and is interest bearing at 10% unless otherwise converted pursuant to its terms;
- Subject to shareholder approval, the Directors expect the above loan to be converted to equity in October 2015 by way of a placement of 20m shares in the company at 10 cents per share with attaching options convertible at 10 cents for a period of 12 months from the date of issue
- The Directors believe that the company will resume trading on the ASX in October 2015
- The Directors expect to raise $1.6m from the exercise of outstanding options before their expiry in November 2015 or by other funding sources available to the company post recommencement of trading on the ASX
- Management's cash flow forecast for the 18 months period to December 2016 includes the above assumptions and also includes operating cash inflows and outflows in relation to ongoing projects. The forecast also assumes a reduction in operating expenditure as the Board has started to and will continue to control expenditure.

Should the above actions not eventuate or be delayed, the company's Chairman, Mr John Byrne has confirmed his financial support to the Company to meet all its liabilities as and when they fall due, until the above actions are achieved, in order that the Company can continue for a period of at least 12 months from the date of this financial report being signed.

In the event that the consolidated entity is unsuccessful in the matters set out above, there is material uncertainty whether the consolidated entity will continue as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business.

NEA has agreed with the Company to convert the receivable balance at 31 July 2015 at 10c per new NEA share. In addition NEA has reached agreement with China Shiny Holdings Limited to convert all of their outstanding debt to new equity in NEA at 10c per share.

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

2. Summary of accounting policies (cont'd)

Critical accounting estimates and judgements

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

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

The key critical accounting estimates and judgments are:

- Financial assets, including investments in associates, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected (Note 3, 9, 10, 11, 12 and 13)
- Share options issued by the Company have been valued using a Black-Scholes pricing model (Note 21.1).
- The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

Impairment – receivable by Kalina Power Limited $15,135,384.

- The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Consolidated Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.
- Kalina Power Ltd has recognised a receivable of $15,135,384 due from New Energy Asia Ltd as at 30 June 2015. The Directors believe that this balance is recoverable based on forecast revenue and EBITDA estimates expected to be generated on granting of the Kalina Cycle license by Kalina Power Ltd to a NewCo, being, Kalina Energy China Ltd and by NEA in the rest of Asia.
- With respect to cash flow projections for NEA, the Directors have determined a forecast of revenues and EBITDAs expected to be generated from the Kalina Cycle both within China and within the rest of Asia. The forecast extends to 2022 and includes an allowance for terminal value. The discount factor applied to the NPV model is 25% which equates to the estimated WACC of the NEA. There is, however, a degree of risk inherent in the achievability of the projected cash flows due to the early stage of development of the Kalina Cycle in the Asian market which in turn places a higher degree of sensitivity of the underlying assumptions adopted in the NPV model
- Options held by the Company in other listed entities have been valued using a Black-Scholes pricing model (note 9).

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting period beginning 1 July 2014. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes below.

2. Summary of accounting policies (cont'd)

Standards and interpretation adopted with no effect in the financial statements

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

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

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

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

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

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).

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

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

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

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

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

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

(a) Basis of consolidation

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

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

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

2. Summary of accounting policies (cont'd)

b) Borrowing costs

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

c) Cash and cash equivalents

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

(d) Financial assets

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

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

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Effective interest method

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

At fair value through profit or loss

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

Available-for-sale financial assets

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

Loans and receivables

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

Interest is recognised by applying the effective interest rate.

2. Summary of accounting policies (cont'd)

(d) Financial assets (cont'd)

Impairment

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

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

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

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

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

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

Interest and dividends

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

Classification as debt or equity

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

Equity instruments

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

(f) Foreign currency

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

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

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

(g) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation, and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

2. Summary of accounting policies (cont'd)

(g) Intangible assets (cont'd)

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated as cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expenses as incurred.

(h) Impairment of tangible and intangible assets

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

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

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

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

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

(i) Income taxes

Current tax

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

Deferred tax

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

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

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

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

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

2. Summary of accounting policies (cont'd)

(i) Income taxes (cont'd)

Current and deferred tax for the period

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

(j) Inventories

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

(k) Property, plant and equipment

Plant and equipment

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

Depreciation

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

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

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

(l) Non-current assets held for sale

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

(m) Provisions

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

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

(n) Revenue

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

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

2. Summary of accounting policies (cont'd)

(n) Revenue (cont'd)

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

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

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

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

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

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

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

(o) Goods and services tax

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

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

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

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

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

(p) Investments in associates

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

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

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

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

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

2. Summary of accounting policies (cont'd)

(q) Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.
At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

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

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

(r) Earnings per share

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

(s) Lease payments

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

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

(t) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.
Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.
Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(u) Goodwill

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

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

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

3. Segment information

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

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

- Investments
- Power business

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

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

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

	Segment revenue		Segment profit/(loss)	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Continuing operations				
Investments	1,000,000	4,579	17,748,210	(36,054,515)
Power business	5,979	480,845	1,219,432	(1,898,211)
Total of all Segments	1,005,979	485,424	18,967,642	(37,952,726)
Unallocated items				
Share of loss of associate			(9,457,588)	-
Total loss before tax			9,510,054	(37,952,726)
Exchange reserve arising on translation of foreign operations			(957,946)	1,378,539
Gain / (loss) on available-for-sale investments taken to equity			-	(519,316)
Company tax			146,165	-
Total comprehensive income for the period			**8,698,273**	**(37,093,503)**

The segment revenue reported above represents the revenue generated from external customers. There were no intersegment sales in the current year (2014: nil)

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

(ii) Segment assets

	2015	2014
	$	$
Investments	16,554,781	29,286,211
Power business	26,263	1,184,332
Total segment assets	16,581,044	30,470,543
Unallocated assets	-	-
Total assets	16,581,044	30,470,543

(iii) Segment liabilities

Investments	718,386	18,971,256
Power business	351,492	3,018,035
Total liabilities	1,069,878	21,989,291

3. Segment information (cont'd)

(iv) Geographical information

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

	Revenue from external customers		Non-current assets	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Australia	1,000,000	4,579	97,319	346,140
UK	-	-	-	126,256
China	-	-	16,079,658	25,703,935
USA	6,459	480,845	-	279,250
	1,006,459	**485,424**	**16,176,977**	**26,455,581**

(v) Other segment information

	Depreciation and amortisation	
	2015	**2014**
	$	**$**
Investments	128,315	197,916
Power	23,328	21,846
	151,643	**219,762**

Investments Segment: Impairment losses recognised for the year

	2015	**2014**
	$	**$**
Listed Investments(i)	1,824,261	1,812,245
Tuzla project – Turkey (ii)	-	9,273,838
	1,824,261	**9,273,838**

(i) An impairment loss for the current year has been recognised in connection with the Company's investment in Lignol Energy Corp, due to company being placed in administration and the previous year for significant market movement.

(ii) In December 2013, due to the unsuccessful fundraising by the Company and subsequent administration process, Imparator was unable to make the final option payment required within the time frames of the option agreement and therefore the investment in the project, and feasibility study costs, have been fully impaired.

4. Revenue

	Consolidated	
	2015	**2014**
	$	**$**
Engineering services	5,979	331,035
License fee	1,000,000	149,810
Equipment sales	-	4,579
	1,005,979	**485,424**

All revenue relates to continuing operations.

5. Finance costs

	Consolidated	
	2015	**2014**
	$	**$**
Interest and expenses – related parties	146,518	44,864
Interest – other	1,232,015	4,844,451
Borrowing costs – other	130,030	5,748,472
	1,508,563	**10,637,787**

Weighted average rate of funds borrowed is 20.1% (2014 – 17.4%)

6. Loss for the year

(a) Gains and losses

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

	Consolidated	
	2015 **$**	**2014** **$**
Loss/gain on disposal of equity investments	(1,866,333)	160,964
Sundry income	326,973	30,633
Other revenue/(expenditure)	(1,539,360)	191,597
Interest income	1,029,567	8,413
Net foreign exchange gains/(losses)	791,816	(445,254)

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated	
	2015 **$**	**2014** **$**
Rental expenses	96,845	559,959
Depreciation of plant and equipment	130,042	167,317
Amortisation of intangibles	21,601	52,445
Bad debts	8,570	306,484
Employee benefit expense:		
Defined contribution plans	36,108	84,946
Salaries and wages	1,178,593	3,303,297

(c) Gain on de consolidation

	Consolidated	
	2015 **$**	**2014** **$**
Gain on de consolidation	24,441,584	-

The gain has resulted from the de consolidation of Recurrent Engineering LLC in December 2014 of $1,051,216 and from the de consolidation of New Energy Asia Ltd in December 2014 of $22,158,735, including proceeds of $781,633.

7. Income taxes

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

	Consolidated	
	2015 $	2014 $
Profit/(loss) before tax from continuing operations	9,510,054	(37,952,726)
Income tax expense/(benefit) calculated at 30%	2,853,016	(11,385,817)
Effect of expenses that are not deductible in determining taxable income	(4,816,932)	4,160,873
Effect of temporary differences	3,227,914	5,931,016
Effect of deferred tax losses not brought to account	(1,410,163)	1,293,928
Income tax expense recognised in profit or loss	**(146,165)**	**-**

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

Unrecognised deferred tax balances	Consolidated	
	2015 $	2014 $
The following deferred tax assets have not been brought to account:		
- tax losses – revenue	4,451,678	6,267,889
- tax losses - capital	1,208,440	343,362
- temporary differences	6,307,618	2,699,052
	11,967,736	**9,310,303**

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

The following deferred tax balances have not been brought to account	Consolidated	
	2015 $	2014 $
Deferred tax assets		
- Investments	6,114,208	2,710,140
- Provisions	100,422	177,000
- Provision for bad debt	92,988	105,345
Deferred tax liabilities		
- Deferred revenue	-	(224,610)
- Investments	-	(59,823)
	6,307,618	**2,708,052**
Tax losses recognised		
- Temporary differences not recognised	-	-
- Net deferred tax assets and liabilities recognised	(6,307,618)	(2,708,052)
	-	**-**

8. Trade and other receivables: current

	Consolidated 2015 $	Consolidated 2014 $
Trade receivables	-	199,995
Goods and services tax recoverable	26,745	140,403
Receivable from key management personnel	5,228	5,228
Other receivables	328,082	521,652
Receivables from director related entities	4,761	1,139
	364,816	**868,417**

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

9. Other financial assets: current

	Consolidated 2015 $	Consolidated 2014 $
Financial assets carried at fair value through profit or loss (FVTPL)		
Held for trading non-derivative financial assets (i)	152	1,824,262
	152	**1,824,262**

The fair values of the financial assets were determined as follows:
(i) The fair value of the shares has been determined with reference to quoted market prices.

10. Assets classified as available for sale

	Consolidated 2015 $	Consolidated 2014 $
Investments in listed entities (i)	-	1,262,033
	-	**1,262,033**

The fair values of the financial assets were determined as follows:
(i) The fair value of the shares has been determined with reference to quoted market prices.

11. Trade and other receivables: non-current

	Consolidated 2015 $	Consolidated 2014 $
Trade receivable	-	293,318
Receivable other	857,284	-
Receivable – associate company (i)	15,222,375	-
Rental bond	-	5,545
	16,079,659	**298,863**

(i) Receivable from associate New Energy Asia Ltd. An amount of $14,814,100 was subsequently converted to equity in the company (note 33)

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

	Consolidated
	Non-current assets classified as available-for-sale 2014 $
Opening balance	1,000,000
Additions	9,510,997
Transfers (i)	20,974,049
Impairment	6,700,000
Foreign exchange	918,889
	25,703,935

	Consolidated
	2015 $
Opening balance	25,703,935
Deconsolidation adjustment	(30,401,217)
Foreign exchange	4,697,282
	-

(i) The right to acquire SSNE, held as an asset at 30 June 2013, was transferred to a non-current available-for-sale asset during the period. The investment in 50.5% of SSNE is classified as an available- for-sale asset at 30 June 2014, due to the third and final payment due on 30 November 2013 remaining outstanding, and the consolidated entity having neither control, nor significant influence over SSNE.

13. Investments accounted for using the equity method

	Consolidated 2015 $	2014 $
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	9,20+	
	0	9,200
Balance at 30 June	**9,200**	**9,200**

Name of entity	Country of incorporation	Principal activity	Ownership interest 2015 %	2014 %
Associates				
Exergy Inc	USA	Investment	46.0%	46.0%
New Energy Asia Ltd	Cayman Island	Investment	49.3%	-

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

	Consolidated 2015 $	2014 $
Financial position:		
Total assets	10,101,547	32,762
Total liabilities	(2,793,879)	-
Net assets	7,307,668	32,762
Group's share of associates' net assets	3,601,599	15,071
Financial performance:		
Total revenue	-	-
Total (loss)/profit for the year before tax	(39,101,342)	(800,238)
Income tax expense	-	-
Net (loss)/profit for the year	(39,101,342)	(800,238)
Group's share of associate's profit/(loss)	(9,457,588)	-

Dividends received from associates
No dividends were received during the year (2014: Nil) from its associate.

Commitments
There are no operating leases obligations for associate.

14. Property, plant and equipment

	Consolidated		
	Lease Improvements	**Plant and equipment at cost**	**Total**
	$	$	$
Gross carrying amount			
Balance at 1 July 2013	194,890	765,651	960,541
Additions	-	12,955	12,955
Disposals	(194,890)	(84,889)	(279,779)
Balance at 1 July 2014	-	693,717	693,717
Additions			
Assets written off	-	(5,059)	(5,059)
Deconsolidation adjustment	-	(24,964)	(24,964)
Disposals	-	(137,563)	(137,563)
Balance at 30 June 2015	-	526,131	526,131
Accumulated depreciation			
Balance at 1 July 2013	194,890	255,310	450,200
Disposals	(194,890)	(46,237)	(241,127)
Depreciation expense	-	167,317	167,317
Balance at 1 July 2014	-	376,390	376,390
Depreciation expense	-	130,042	130,042
Assets written off	-	(4,497)	(4,497)
Deconsolidation adjustment	-	(16,284)	(16,284)
Disposals	-	(47,638)	(47,638)
Balance at 30 June 2015	-	438,013	438,013
Net book value			
As at 30 June 2014	**-**	**317,327**	**317,327**
As at 30 June 2015	**-**	**88,118**	**88,118**

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

	Consolidated	
	2015	**2014**
	$	**$**
Lease improvements	-	-
Plant and equipment	130,042	167,317
	-	**167,317**

15. Intangible assets

	Consolidated		
	Capitalised development	Patent	Total
	$	$	$
Gross carrying amount			
Balance at 1 July 2013	709,719	1,118,195	1,827,914
Impairment (i)	-	(757,923)	(757,923)
Cost incurred during the year	(709,719)	-	(709,719)
Balance at 1 July 2014	-	360,272	360,272
Balance at 30 June 2015	-	360,272	360,272
Accumulated amortisation and impairment			
Balance at 1 July 2013	-	181,572	181,572
Amortisation expense		52,444	52,444
Balance at 1 July 2014	-	234,016	234,016
Amortisation expenses	-	21,601	21,601
Impairment (i)	-	104,655	104,655
Balance at 30 June 2015	-	360,372	360,372
Net book value			
As at 30 June 2014	**-**	**126,256**	**126,256**
As at 30 June 2015	**-**	**-**	**-**

(i) The costs relate to worldwide patent held by Global Geothermal on Kalina Cycle Technology and Aqua Armour patent held by Aqua Guardian Group.

16. Trade and other payables - current

	Consolidated	
	2015	2014
	$	$
Unsecured:		
Trade payables (i)	917,240	4,192,661
Other payable (ii)	-	10,927,193
Company tax payable	-	129,735
	917,240	**15,249,589**

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

(ii) Relate to final payment towards the acquisition of SSNE which was due for settlement on 30 November 2013. Interest is accruing @0.05% per day and interest payable as at 30 June 2014, included and amounted to $1,741,485. (2013- the amounts relate to the second payment of acquisition of SSNE which was settled on 14 August 2013)

17. Borrowings

	Consolidated 2015 $	Consolidated 2014 $
Loans from:		
- Other entities – secured loan - note (i)	-	509,096
- Other entities – secured loan – note (ii)	-	3,622,517
- Related parties – unsecured - note (iii)	-	1,652,186
	-	**5,783,799**
Disclosed in the financial statements as:		
Current borrowings	-	5,783,799
	-	**5,783,799**

(i) Interest payable @ 8% per annum, secured over held for trading and certain available for sale investments.

(ii) Relates to loan taken by Wasabi New Energy Asia Limited secured by first charge over its assets and guaranteed by the company and partly by John Byrne. Interest payable @30% per annum and penalty interest rate of 46.5% is payable on late payments.

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

18. Provisions:

	Consolidated 2015 $	Consolidated 2014 $
Employee benefits	152,538	207,204
	152,538	**207,204**
Disclosed as current	95,940	207,204
Disclosed as non-current	56,598	-
	152,538	**207,204**

19. Trade and other payables: non-current

	Consolidated 2015 $	Consolidated 2014 $
Deferred income (i)	-	748,699
	-	**748,699**

(i) Deferred income relates to engineering services and training not yet provided.

20. Issued capital

	Consolidated 2015 $	Consolidated 2014 $
Fully paid ordinary shares 30 June 2015: 109,893,416 (30 June 2014: 40,975,695)	**89,672,984**	**83,718,959**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2015		2014	
	No.	$	No.	$
20.1 Ordinary shares				
Balance at beginning of year	40,944,494	83,718,959	3,175,574,436	61,873,709
Consolidated at 765 to 1	-	-	4,151,078	61,873,709
Exercise of options	11,883	1,188	787	4,811
Issue of shares	20,409,292	1,815,515	4,638,439	3,606,044
Share issue to extinguish a liability	5,000,000	440,508	376,473	2,304,015
Shares issued in asset acquisition			-	-
Shares issued to creditors and lenders as per DOCA	-	-	31,783,338	15,891,669
Shares issued to creditors and lenders	43,527,747	3,881,251	-	-
Other credits	-	-	-	60,679
Share issue costs	-	(184,437)	-	(21,968)
Balance at end of financial year	**109,893,416**	**89,672,984**	**40,944,494**	**83,718,959**

On 16 May 2014, ordinary shares were consolidated at 765 shares to 1 share.
Ordinary shares carry one vote per share and carry the right to dividends.

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

21 Options

21.1 Options

	2015 No	2014 No
Balance at beginning of the year	-	143,035,521
Consolidated at 765 to 1	-	186,975
Issue of options	68,875,838	-
Exercise of options	(11,883)	(787)
Options expired	-	(186,188)
Balance at end of financial year	**68,863,955**	**-**

The options are exercisable at 10 cents each and expire on 30 November 2015

21.2 Warrants

	2015 No	2014 No
Balance at the beginning of the year	-	381,250,000
Consolidated at 765 to 1	-	498,366
Warrants expired	-	(498,366)
Balance at end of financial year	-	-

22. Reserves

	Consolidated 2015 $	Consolidated 2014 $
Treasury shares	(450,800)	(450,800)
Foreign currency translation reserve	(377,199)	580,747
Share based payment reserve	5,070,186	4,313,876
Other reserve	(4,113,113)	(5,726,503)
	129,074	**(1,282,680)**

22.1 Treasury shares

	Consolidated 2015 $	Consolidated 2014 $
Value of shares in Kalina Power Limited (i)	(450,800)	(450,800)
	(450,800)	**(450,800)**

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

22.2 Investment revaluation reserve

	Consolidated 2015 $	Consolidated 2014 $
Balance at beginning of year	-	519,316
Valuation gain / (loss) recognised	-	(119,405)
Sale of available for sale financial asset	-	(399,911)
Balance at end of year	**-**	**-**

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale (AFS) financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

22.3 Foreign currency translation reserve

	Consolidated 2015 $	Consolidated 2014 $
Balance at beginning of year	580,747	(857,040)
Exchange differences arising on translating the net assets of foreign operations (i)	(957,946)	1,437,787
Balance at end of year	**(377,199)**	**580,747**

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

22. Reserves (cont'd)

22.4 Share based payments reserve

	Consolidated	
	2015	**2014**
	$	**$**
Balance at beginning of year	4,313,876	3,733,163
Value of options issued with shares (i)	756,310	580,713
Balance at end of year	**5,070,186**	**4,313,876**

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

The share based payments reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 2(q). Additionally value of free options and warrants issued with shares and convertible notes are accounted for in this account. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 32 to the financial statements.

22.5 Other reserve

	Consolidated	
	2015	**2014**
	$	**$**
Balance at beginning of year	(5,726,503)	(4,331,987)
Adjustment for loss of control of subsidiary	1,394,516	-
Reclassification	218,874	-
Difference arising on decreasing shareholding in subsidiary	-	(1,394,516)
Balance at end of year	**(4,113,113)**	**(5,726,503)**

The other reserves represent excess consideration paid over the prior year value of the non-controlling interest of Global Geothermal acquired during the year. Movement in current year arose as a result of Company's holding in Wasabi New Energy Asia Ltd decreasing by 5.10%.

22.6 Non-controlling interest

	Consolidated	
	2015	**2014**
	$	**$**
Balance at beginning of year	10,547,608	10,745,700
Movement in investment revaluation reserve		
Share of loss for the year	(703,224)	(6,629,752)
Movement in option reserve	-	2,411,032
Movement in foreign exchange values	-	(59,248)
Difference arising on increase in shareholding in subsidiary	-	1,394,516
Reclassification	(218,874)	-
Difference arising on loss of control of subsidiaries	(9,773,110)	-
Issue of shares in subsidiary	-	2,685,360
Balance at end of year	**(147,600)**	**10,547,608**

23. Accumulated losses

	Consolidated	
	2015	**2014**
	$	**$**
Balance at beginning of year	(84,502,635)	(53,179,661)
Net profit/(loss) attributable to members of the parent entity	10,359,443	(31,322,974)
Balance at end of year	**(74,143,192)**	**(84,502,635)**

24. Commitments

(a) Operating leases

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

	Consolidated 2015 $	Consolidated 2014 $
Non-cancellable operating rentals are as follows:		
- Not longer than 1 year	-	63,211
- Longer than 1 year and not longer than 5 years	-	147,884
- Longer than 5 years		
	-	**211,095**
<u>Group's share of associates operating leases</u>		
Non-cancellable operating rentals are as follows:		
- Not longer than 1 year	-	-
- Longer than 1 year and not longer than 5 years	-	-
- Longer than 5 years	-	-
	-	**-**

25. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Parent entity			
Kalina Power Limited	Australia		
Subsidiaries			
Enhanced Power Technologies Pty Limited (i)	Australia	100	100
Evolution Energy Pty Limited (i)	Australia	50	50
Aqua Guardian Group Limited (i)	Australia	79.2	79.2
New Energy Asia Limited (i)	Cayman Island	49.2	61.57
It's wholly owned group entity being			
Newmont Holding Limited (i)	British Virgin Islands	100	100
New Energy Science and Technology Co Limited (i)	Hong Kong	100	100
KCT Power Limited (i)	United Kingdom	100	100
It's wholly owned group entity being			
Recurrent Engineering LLC (i)	USA	-	100
Global Geothermal Husavik Limited 9i)	United Kingdom	100	100
Wasabi Investments UK Limited (i)	United Kingdom	100	100
Its wholly owned group entity being			
Imparator Green Energy Plc (i)	United Kingdom	100	100
Imparator Enerji Limited (i)	Turkey	100	100
Imparator Tuzla Jeotermal Enerji Uretim AS (i)	Turkey	100	100

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

26. Cash and cash equivalents

	Consolidated	
	2015 $	2014 $
Cash and bank balances	**39,099**	**60,250**

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

	Consolidated	
	2015 $	2014 $
Loss for the year	9,656,219	(37,952,726)
(Profit)/loss on disposal of financial assets	1,866,333	(160,964)
Profit from loss of control of subsidiaries	(24,441,584)	-
Fair value (gains)/losses on options	-	21,519
Equity accounted loss	9,457,588	-
Change in fair value (gains)/losses of financial assets	1,904,402	9,897,077
Impairment of other assets	-	9,273,838
Impairment of intangibles	104,655	757,923
Depreciation of property, plant and equipment	151,643	219,762
Bad debts	8,570	306,484
Loss on sale of fixed assets	75,122	38,655
Foreign exchange (gain)/losses	(838,847)	479,514
Interest income received and receivable	(1,798,046)	(8,413)
Income tax expense recognised in profit or loss	(146,165)	-
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	349,253	(157,762)
Increase / (decrease) in liabilities:		
Trade and other payables	849,351	12,635,342
Provisions	(72,470)	(9,508)
Net cash (used in)/ from operating activities	**(2,873,976)**	**(4,659,259)**

(ii) Non-cash transactions

On 7 November 2014, the company issued 1,150,000 fully paid ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents to settle outstanding creditors amounting to $115,000.

On 9 January 2015, the company issued 5,000,000 fully paid ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents to settle outstanding interest payable by New Energy Asia Ltd.

On 25 February 2015, the company issued 30,701,165 fully paid ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents to settle loans and interest outstanding amounting to $3,070,117.

On 10 March 2015, the company issued 11,615,381 fully paid ordinary shares at 10 cents together with a free attaching option exercisable at 10 cents to settle to settle creditors and loan together with interest outstanding amounting to $1,161,538.

On 30 June 2015, the company issued 60,000 fully paid ordinary shares at 10 cents each to settle creditors amounting to $6,000

27. Financial instruments

(a) Significant accounting policies

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

The Group's capital structure consists of deposits with banks and loans from related parties or other entities (refer note 17).

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

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

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

(b) Financial Risk Management

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

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

(c) Credit risk management

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

27. Financial instruments (cont'd)

(d) Liquidity risk management

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

Maturity profile of financial instruments

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

<u>Group</u>

	Weighted Average Effective Interest Rate	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 -5 years $	5+ years $
2015						
<u>Financial assets</u>						
Trade and other receivables	-	33,543	-	-	5,228	-
Trade and other receivables – Related party	-	-	-	4,761	-	-
Other receivables	10%	97,839	147,456	484,264	-	-
<u>Financial liabilities</u>						
Trade and other payables		368,482	11,753	188,890	348,298	-
2014						
<u>Financial assets</u>						
Trade and other receivables		56,401	218,884	591,993	298,263	-
Trade and other receivables – Related party		-	-	1,139	-	-
<u>Financial liabilities</u>						
Secured loan	30%	-	426,165	3,196,352	-	-
Secured loan note	8%	-	-	509,096	-	-
Secured loan note related party	10%	-	-	1,652,186	-	-
Unsecured loan related party	18.25%	-	-	10,927,193		-
Trade and other payables		117,912	87,319	4,117,165	-	-

27. Financial instruments (cont'd)

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

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

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

(f) Fair value of financial assets and liabilities

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

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

Interest rate sensitivity analysis

Financial assets

As at 30 June 2015, the Group held $39,090 (2014: $60,250) in cash and cash equivalents with interest revenue of $2,482 (2014: $8,413) for the year then ended. A sensitivity of 1.0% (2014: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A1.0% (2014: 1.0%) increase in the cash rate would have resulted in a $497 (2014: $1,412) increase in interest revenue and equity. A 1.0% (2014: 1.0%) decrease in the cash rate would have resulted in a $497 (2014: $1,412) decrease in interest revenue and equity.

Financial liabilities

As at 30 June 2015, the Group borrowings and interest bearing trade and other payables amounted to $ nil (2014: $16,710,992) with interest expenses of $1,378,533 (2014: $10,637,787) for the year then ended. A sensitivity of 1.0% (2014: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1.0% (2014: 1.0%) increase in the cash rate would have resulted in a $nil (2014: $477,258) increase in interest expenses. A 1.0% (2014: 1.0%) decrease in the cash rate would have resulted in a $nil (2014: $477,258) decrease in interest expenses.

(g) Other price risks

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

Equity price sensitivity analysis

At 30 June 2015, if the equity prices had been 5% higher or lower:

Other financial assets subject to equity price risk

	Consolidated	
	2015 **$**	**2014** **$**
)		
Held for trading – at fair value (note 9)	152	1,824,262
Available for sale – shares at fair value (note 10)	-	1,262,033

	-5% **2015** **$**	**-5%** **2014** **$**	**+5%** **2015** **$**	**+5%** **2014** **$**
Change in loss	(8)	(91,213)	7	91,213

27. Financial instruments (cont'd)

(h) Foreign currency risk management

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, secured borrowings and loans to subsidiary listed below are denominated in United States Dollars (USD) and British Pounds (GBP). Average rate applied during the year \$0.84 (2014: \$0.92) and reporting date spot rate \$0.77 (2014: \$0.94) for USD and average rate applied during the year £0.530 (2014: £0.576) and reporting date spot rate £0.495 (2014: £0.554) for GBP.

Amounts of foreign currency in creditors

	Consolidated	
	2015 **$**	**2014** **$**
Trade Payables (USD)	(255,146)	(13,462,023)
Borrowing (USD)	-	(3,622,517)
Trade Receivables (USD)	17,453	1,004,469
Trade Payable (GBP)	(96,347)	(186,360)
	(334,040)	(16,266,431)

Movement in USD and GBP against AUD	**-20%** **2015** **$**	**-20%** **2014** **$**	**+20%** **2015** **$**	**+20%** **2014** **$**
Change in gain/(loss) -USD	39,616	2,680,012	(59,423)	(4,020,018)
Change in gain/(loss) -GBP	16,058	31,060	(27,087)	(46,590)

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

Gearing ratio

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

	Consolidated	
	2015 **$**	**2014** **$**
Financial assets		
Debt (i)	-	5,783,799
Cash and cash equivalents	(39,099)	(60,250)
Net debt	(39,099)	5,723,549
Equity (ii)	15,511,266	8,481,252
Net debt to equity ratio	-	67.5%

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 17.

(ii) Equity includes all capital and reserves.

27. Financial instruments (cont'd)

(i) Three tier hierarchy of fair value

Fair value measurements recognised in the statement of financial position

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

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

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

	Consolidated			30/06/14
Instrument	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets at FVTPL				
Quoted equities	1,824,262	-	-	1,824,262
Available-for-sale financial assets				
Quoted equities	1,262,033	-	-	1,262,033
Unquoted	-	-	25,703,935	25,703,935
Total	**3,086,295**	**-**	**25,703,935**	**28,790,230**

Of the total losses for the period included in profit or loss $1,824,539 (2014: $3,197,077) relates to asset-backed securities held at the end of the reporting period.

All gain and losses from available for sale investments included in other comprehensive income relate to asset-backed securities held at the end of the reporting period and are reported as changes of 'Investments revaluation reserve' (see note 22.2).

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

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

	Available-for sale Unquoted equities 2014 $
Financial assets	
Opening balance	1,012,335
Purchases/transfers	30,485,046
Foreign exchange	918,889
Total losses in profit or loss	(6,712,335)
Total	**25,703,935**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(j) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Financial assets/financial liabilities	Fair value as at 30 Jun 2015	30 Jun 2014	Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Other financial assets	Listed equity securities in Canada - $152	Listed equity securities in Canada - $1,824,262	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Assets classified as available-for-sale	Listed equity securities in Australia - $nil	Listed equity securities in Australia - $1,262,033	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Assets classified as available-for-sale (Non-current)	50.5% equity investment in SSNE China engaged in renewable energy using Kalina Cycle Technology -$nil	-50.5% equity investment in SSNE China engaged in renewable energy using Kalina Cycle Technology - $25,703,935	Level 3	Discounted cash flow	Long–term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries. The implied growth rate of revenues over the forecast period in the model is 68%. At the end of the forecast period it has been estimated a terminal value reflecting a long term growth rate of 3%.	The higher the revenue growth rate, the higher the fair value.

27. Financial Instruments (cont)

3) Assets classified as available-for-sale (Non-current)					Similar cost structure and no significant changes to technology taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the cost structure, the lower the fair value.
					Number and timing of new projects and contracts, taking into account management's experience and knowledge of market conditions of the specific industries. . The cash flow projections assume that the business will achieve a market share of approximately 17% of the forecast geothermal market and approximately 11% of the forecast waste heat market.	The higher the new projects and contracts, the higher the fair value.
					Average forecast electricity selling price	The higher the average forecast electricity selling price, the higher the fair value.
					Contract price and investment amount for new projects taking into account management's experience and knowledge of market conditions of the specific industries	The higher the contract price and investment amount, the lower the fair value.
					Weighted average cost of capital of 24.1% determined using a capital asset pricing model.	The higher the weighted average cost of capital, the lower the fair value.
					Discount for lack of control of 20% determined by reference to the share price of listed entities in similar industries.	The higher the discount the lower the fair value

28. Key management personnel compensation

Details of Key management personnel

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

i. Key management personnel compensation

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

	Consolidated	
	2015 $	2014 $
Short-term employee benefits	602,941	1,004,851
Post-employment benefits	44,495	115,956
Termination benefits	-	300,000
	647,436	**1,420,807**

29. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 25 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 13 to the financial statements.

(c) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 28 to the financial statements.

ii. Other transactions with key management personnel of the Group

- During the year J Byrne advanced $724,937 to the company. Interest payable at 10% per annum amounted to $146,517.
- During the year A Davey advanced interest free loan of $10,000 to the company.
- During the year Tim Horgan was paid $78,356 as consulting fee prior to being elected as director.
- During the year Ross MacLachlan was paid $35,249 as consulting fee prior to being elected as director.
- On 19 November 2014, the company issued 150,000 ordinary shares at 10 cents together with a free attaching option exercisable at 10 cents each to settle outstanding expenses amounting to $15,000 .
- On 25 February 2015, the company issued 25,236,403 ordinary shares at 10 cents together with a free attaching option exercisable at 10 cents each to settle loan and interest amounting to $2,523,640.

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

J. Byrne, R. Reynolds, R. Vallender, M. Jacques, A. Davey, K. Thurairasa and B. Levy are key management personnel of KPL. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

(d) Transactions with other related parties

Transactions between Group and its related parties

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

- During the year the company received $4,329 as management fee from Arcourt Resources NL, a company in which John Byrne is a director.
- As at 30 June 2015, an amount of $4,761 was outstanding from Arcourt Resources NL.
- The company charged management services fee totaling $112,780 (2014: $649,260) to its subsidiary, KCT Power Limited.
- During the year the company paid $58,955 for office rent to Twenty-Second Yeneb, a company in which John Byrne is a director.

Transactions between Group and its related parties

- The following loans were advanced by the company during the year to Aqua Guardian Group Limited for $29,000 (2014: $259,881), Imparator Green Energy Plc $58,026 (2014: $166,451), Wasabi Investments Limited $nil (2014: $20,185), KCT Power Limited $160,323 (2014: $663,530), New Energy Asia Limited $2,055,366 (2014: $5,657,985)

- Interest charged on loan to Aqua Guardian Group Limited @10% amounted to $31,447 (2014: $26,204), on loan to Wasabi Investments Limited @3.5% amounted to $nil (2014: $175,234), on loan to Wasabi New Energy Asia Limited @15% amounted to $1,642,966 (2014: $1,367,112) and on loan to KCT Power Limited @3.25% amounted to $69,029 (2014: $55,060).

(e) Parent entity

The parent entity in the Group is Kalina Power Limited

30. Remuneration of auditors

	Consolidated	
	2015	**2014**
	$	**$**
Audit and review of the financial report HLB Mann Judd (2014-Deloitte Touche, Tohmatsu)	76,000	236,900
	76,000	**236,900**

31. Earnings per share

	Consolidated	
	2015 Cents per share	**2014 Cents per share**
Basic earnings (loss) per share	15.7	(393.0)
Diluted earnings (loss) per share	11.4	(393.0)

Basic earnings per share

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

	2015	**2014**
	$	**$**
Net profit/loss (i)	10,359,443	(31,322,974)

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

	2015	**2014**
	No.	**No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	65,805,907	7,973,098

Diluted Earnings (Loss) Per Share

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

32. Share-based payments

During the financial year no options were issued to Directors and officers.

There were no share-based payment arrangements in existence during the current periods:
There were no options granted during the year as share based payments.

(i) Exercised during the financial year
During the financial year nil (2014: nil) options granted under the employee share option plan were exercised.

(ii) Balance at end of the financial year
There were no employee share options outstanding at the end of the financial year.

33. Subsequent Events

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

(i) On 2 July 2015, the Company received $2m from Harington Global Opportunities Fund as a loan. Interest is payable at 10% per annum. This loan together with interest accrued is expected to be converted to ordinary shares in the company at 10cents each together with a free attaching option exercisable at 10 cents after shareholder approval on or about 30 September 2015. The options will be valid for twelve months from the date of approval.

(ii) On 23 July 2015, the Company issued 21,600,000 options exercisable to its Directors and Officers. The options expire on 30 June 2018.

(iii) On 31 July 2015, the Company increased its shareholding in New Energy Asia Ltd (NEA) from 49.27% to 75.62%. This was achieved by the conversion of US$13,804,905 receivable from NEA to 138,049,050 ordinary shares in NEA at 10cents each

As permitted by AASB 3, all acquired assets and liabilities will be provisionally accounted for up to 12 months from acquisition date while the Company finalises its determination of the respective fair values and the identification of any further assets or liabilities acquired.

34. Contingent liabilities

New Energy Asia limited, a former subsidiary of the company, entered into a secured loan agreement with China Shiny Holdings Limited (China Shiny) in July 2013 for RMB18m (approx. $2,800,000). The company has provided a guarantee for this loan. In August and October 2014, RMB8m (approx. $1,471,000) was settled.

The amounts represented by the Contingent Liability are only able to be settled by the issue of shares in Kalina Power at 50c per share in accordance with the terms of the DOCA. During the Financial period and to the date of this report no shares have been issued to China Shiny Holdings Limited in respect of the Contingent Liability.

There remained 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 seek to exercise their 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 10c per share. These shares were issued on 1 August 2015 and the contingent liability was extinguished.

35. Parent entity information

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

Financial position

	2015	2014
	$	$
Assets		
Current assets	782,685	3,038,940
Non-current assets	28,229,382	22,272,806
Total assets	29,012,067	25,301,746
Liabilities		
Current liabilities	527,040	2,954,948
Non-current liabilities	56,598	-
Total liabilities	583,638	2,954,948
Equity		
Issued capital	89,672,984	83,718,959
Accumulated losses	(65,326,135)	(64,697,431)
Reserves		
Equity settled employee benefits	4,081,580	3,325,270
Total equity	**28,428,429**	**22,346,798**

Financial performance

	Year ended 2015	Year ended 2014
	$	$
(Loss)/Profit for the year	(628,702)	(31,379,645)
Other comprehensive income	-	-
Total comprehensive income	**(628,702)**	**(31,379,645)**

Contingent liabilities of the parent entity

New Energy Asia limited, a former subsidiary of the company, entered into a secured loan agreement with China Shiny Holdings Limited (China Shiny) in July 2013 for RMB18m (approx. $2,800,000). The company has provided a guarantee for this loan. In August and October 2014, RMB8m (approx. $1,471,000) was settled.

The amounts represented by the Contingent Liability are only able to be settled by the issue of shares in Kalina Power at 50c per share in accordance with the terms of the DOCA. During the Financial period and to the date of this report no shares have been issued to China Shiny Holdings Limited in respect of the Contingent Liability.

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 seek to exercise their 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 10c per share. Upon issue of these NEA shares the contingent liability will be extinguished

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

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

Directors' declaration

The directors declare that:

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

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

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position as at 30 June 2015, and performance of the consolidated entity for the year then ended, and

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

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

On behalf of the Directors

John Byrne
Executive Director

Melbourne, 31 August 2015

HLB Mann Judd
Accountants | Business and Financial Advisers

Independent Auditor's Report to the members of Kalina Power Limited (formerly Enhanced Systems Technologies Limited)

Report on the Financial Report

We have audited the accompanying financial report of Kalina Power Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

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

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

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

HLB Mann Judd (VIC Partnership)
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HLB Mann Judd

Independence

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

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2, *Statement of Compliance*.

Emphasis of Matter

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Kalina Power Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

Tim Fairclough

HLB Mann Judd **Tim Fairclough**

Chartered Accountants **Partner**

Melbourne

31 August 2015